

JURISDICTION

6. On or about November 8, 2013, the Department issued a Notice of Deficiency to Guess? asserting additional tax due of \$126,833 for the tax year ending January 30, 2010 (the "2010 Notice"). A copy of the 2010 Notice is attached as Exhibit B.
7. This Tribunal has original jurisdiction over all Department determinations reflected on Notices of Deficiency, among other notices, where the amount at issue exceeds \$15,000, exclusive of penalties and interest. 35 Ill. Comp. Stat. § 1010/1-45.

BACKGROUND

8. Guess? is a world leader in contemporary fashion.
9. Guess? is the parent of an affiliated group of companies that design, manufacture, market, distribute and license contemporary, fashion-forward apparel and accessories for men, women and children.
10. Guess?'s contemporary clothing lines include jeans, pants, skirts, dresses, blouses, shirts, jackets and knitwear.
11. Guess? apparel is marketed under numerous brand names, including Guess?, Guess Jeans, Marciano, Guess Kids and G by Guess.
12. Guess?, itself and through various affiliates and subsidiaries, sells its products worldwide, including through wholesale, retail and online distribution channels.
13. Guess? makes sales of product to related and unrelated wholesale customers, who in turn sell Guess? products through various retail channels to end consumers.
14. Guess?'s wholesale customers consist primarily of better department stores, such as Macy's and Bloomingdale's, select specialty retailers and upscale boutiques located throughout the United States, including some stores located in Illinois.

15. Guess? does not maintain any office or other permanent place of business in Illinois.
16. Guess? does not have any Illinois employees.
17. Guess? does not accept or reject customers' orders in Illinois.
18. Guess? does not maintain any inventory in Illinois.
19. All of Guess?'s sales to Illinois wholesale customers are delivered via common carrier from warehouses located outside the state of Illinois.
20. Guess? Retail, Inc. ("Guess? Retail"), is a wholly-owned subsidiary of Guess?.
21. Guess? Retail is responsible for retail operations, including stores directly operated by Guess Retail.
22. Guess? makes wholesale sales of products to Guess? Retail.
23. Guess? does not engage in retail activities in Illinois.
24. Guess? has engaged Guess? Retail to provide certain limited merchandising activities in connection with Guess?'s wholesale operations. A copy of the Merchandiser Agreement is attached as Exhibit C.
25. Guess? Retail's merchandising activities include only activities protected by Federal Public Law 86-272 ("P.L. 86-272") and/or by Illinois regulation, 86 Ill. Admin. Code § 100.9720.
26. Guess? Retail does not accept or reject wholesale orders from Illinois customers on behalf of Guess?.
27. Guess?.com, Inc. ("Guess?.com"), is a wholly-owned subsidiary of Guess?.
28. Guess?.com is responsible for online retail operations through internet websites such as www.guess.com.
29. Guess? makes wholesale sales of products to Guess?.com.

30. Guess?.com does not maintain any office or other permanent place of business in Illinois.
31. Guess?.com websites are not hosted on servers located in Illinois.
32. Guess?.com does not have any Illinois employees.
33. Guess?.com does not accept or reject customers' orders in Illinois.
34. Guess?.com does not maintain any inventory in Illinois.
35. All of Guess?.com's online sales shipped to Illinois customers are delivered via common carrier from warehouses located outside the state of Illinois.

GUESS?'S ILLINOIS TAX FILINGS

36. Guess?, along with its unitary affiliates, timely filed an Illinois corporate income tax return and paid Illinois corporate income tax for its tax year ending January 30, 2010 (the "Tax Year at Issue").
37. Illinois law provides that corporate taxpayers that are members of the same unitary business group are treated as one taxpayer for purposes of filing a corporate income tax return. 35 Ill. Comp. Stat. 5/502(e).
38. A "unitary business group" means corporations related through common ownership that conduct business activities integral with, dependent upon and contributory to each other. 35 Ill. Comp. Stat. 1501(a)(27).
39. As required by Illinois law, Guess? along with various unitary affiliates, including but not limited to Guess? Retail and Guess?.com, filed a unitary combined corporate income tax return for the Tax Year at Issue.
40. Under Illinois law, where affiliated corporations comprise a unitary business group, it is necessary to determine the group's base income. The group's base income, as adjusted for statutorily-prescribed additions and subtractions, constitutes the group's tax base that

is allocated (for non-business income) and apportioned (for business income) to Illinois.
35 Ill. Comp. Stat. 5/304(e).

41. To determine the business income subject to tax in Illinois, the group's base income must be apportioned to the state.
42. With respect to apportioning business income, Illinois law provides for formulary apportionment by a single factor based on sales. 35 Ill. Comp. Stat. 5/304(h)(3).
43. Illinois' single sales factor is a fraction. The numerator of the fraction is sales destined to Illinois, and the denominator of the fraction is the total sales everywhere of each member of the unitary business group. 35 Ill. Comp. Stat. 5/304(a)(3).
44. Although the sales factor denominator includes sales of all members of the Illinois unitary business group, the sales factor numerator only includes the Illinois sales of those unitary business group members who are themselves subject to Illinois' tax jurisdiction, often referred to as Illinois "nexus." 35 Ill. Comp. Stat. 5/502(e).
45. On the original Illinois corporate income tax return for the Tax Year at Issue, Guess? did not include any of its Illinois destination sales in the Illinois sales factor numerator because Guess? did not have the requisite nexus with the state of Illinois.
46. On the original Illinois corporate income tax return for the Tax Year at Issue, Guess? did not include any of Guess?.com's Illinois destination sales in the Illinois sales factor numerator because Guess?.com did not have the requisite nexus with the state of Illinois.

PROCEDURAL HISTORY

47. The Department conducted an income tax audit of the unitary combined returns filed by Guess? and its unitary affiliates for the period February 2009 through January 2011.

48. As a result of the audit, the Department determined that Guess? and Guess?.com had nexus with Illinois for the Tax Year at Issue and included the Illinois destination sales of Guess? and Guess?.com in the Illinois sales factor numerator of the unitary combined group.
49. The Department improperly concluded that the Illinois activities of a Guess? Retail employee were sufficient to give Guess? Illinois nexus.
50. The Department improperly concluded that Guess?.com had Illinois presence sufficient to give Guess?.com Illinois nexus.
51. Including Illinois sales of Guess? and Guess?.com in the group's sales factor numerator increases the unitary combined group's Illinois sales factor and resulting income that is apportioned to and thus taxable by Illinois.
52. On or about November 8, 2013, the Department issued the 2010 Notice asserting additional tax due of \$126,833, plus penalties and interest, for the tax year ending January 30, 2010.
53. Guess? timely filed this Petition and properly invoked the jurisdiction of the Tax Tribunal.
54. Guess? seeks abatement of the 2010 Notice for the reasons stated below.

COUNT I

GUESS? DID NOT MAINTAIN THE REQUISITE PHYSICAL PRESENCE IN ILLINOIS

55. Guess? hereby restates and realleges the allegations contained in paragraphs 1 through 54 as if fully set forth herein.
56. The Commerce Clause of the United States Constitution requires a taxpayer's physical presence in a state in order for the state to exercise its jurisdiction to impose corporate

income tax. U.S. Const. Art. I, § 8, cl. 3; *Quill Corp. v. North Dakota*, 504 U.S. 298 (1992).

57. Guess? did not own, lease or maintain any real or tangible personal property in Illinois during the Tax Year at Issue.

58. Guess? did not maintain any employees in Illinois during the Tax Year at Issue.

59. Guess? did not maintain the requisite physical presence in Illinois to authorize the state to subject Guess? to corporate income tax.

60. The Department's inclusion of Guess?'s Illinois sales in the combined group's sales factor numerator for the Tax Year at Issue violates the Commerce Clause of the United States Constitution.

WHEREFORE, Guess? prays the Tax Tribunal find and enter an order determining that the Department's inclusion of Guess?'s Illinois sales in the sales factor numerator is improper and that the Department's assessments, along with any penalties and/or interest, must be abated in their entirety, along with such other and further relief as the Tax Tribunal deems appropriate in this matter.

COUNT II

ANY ILLINOIS ACTIVITIES PERFORMED ON BEHALF OF GUESS? WERE PROTECTED BY P.L. 86-272

61. Guess? hereby restates and realleges the allegations contained in paragraphs 1 through 54 as if fully set forth herein.

62. P.L. 86-272, codified at 15 U.S.C. § 381, provides limitations on a state's ability to subject out-of-state corporations to the state's corporate income tax.

63. More specifically, P.L. 86-272 prohibits a state from imposing its corporate income tax on an out-of-state corporation when the corporation's only in-state business activities are

"the solicitation of orders by such person, or his representative, in such State for sales of tangible personal property, which orders are sent outside the State for approval or rejection, and, if approved, are filled by shipment or delivery from a point outside the state." 15 U.S.C. § 381(a)(1).

64. The United States Supreme Court has interpreted the term "solicitation" in P.L. 86-272 to also include activities "that serve no independent business function apart from their connection to the soliciting of orders." *Wis. Dep't of Rev. v. William Wrigley, Jr. Co.*, 505 U.S. 214, 228-29 (1992).

65. Guess? has no Illinois employees.

66. Guess? employees performed no activities in Illinois.

67. Guess? Retail employees provided certain limited merchandising activities in connection with Guess?'s wholesale customers in Illinois.

68. During the Tax Year at Issue, any Illinois merchandising activities performed by Guess? Retail employees did not exceed the protection of P.L. 86-272.

69. The Illinois merchandising activities performed by Guess? Retail employees are protected by P.L. 86-272.

70. The Illinois activities performed by Guess? Retail do not serve to give Guess? Illinois nexus.

71. The Department's inclusion of Guess?'s Illinois sales in the combined group's Illinois sales factor numerator violates both Illinois and Federal law.

WHEREFORE, Guess? prays the Tax Tribunal find and enter an order determining that the Department's inclusion of Guess?'s Illinois sales in the sales factor numerator is improper and that the Department's assessments, along with any penalties and/or interest, must be abated in

their entirety, along with such other and further relief as the Tax Tribunal deems appropriate in this matter.

COUNT III

ANY NON-PROTECTED ILLINOIS ACTIVITIES PERFORMED ON BEHALF OF GUESS? WERE DE MINIMIS

72. Guess? hereby restates and realleges the allegations contained in paragraphs 1 through 54 as if fully set forth herein.

73. Performing activities in a particular state that exceed P.L. 86-272 protection does not jeopardize a corporation's immunity from corporate income tax under P.L. 86-272 when those unprotected activities are de minimis. *Wis. Dep't of Rev. v. William Wrigley, Jr. Co.*, 505 U.S. 214, 228-29 (1992).

74. A de minimis activity for P.L. 86-272 purposes establishes only a trivial additional connection with the state that seeks to impose its tax. *Id.*

75. Even if Illinois activities performed by Guess? Retail employees on behalf of Guess? exceeded P.L. 86-272 protection, those activities were de minimis and do not serve to give Guess? Illinois nexus.

76. The Department's inclusion of Guess?'s Illinois sales in the combined group's Illinois sales factor numerator violates both Illinois and Federal law.

WHEREFORE, Guess? prays the Tax Tribunal find and enter an order determining that the Department's inclusion of Guess?'s Illinois sales in the sales factor numerator is improper and that the Department's assessments, along with any penalties and/or interest, must be abated in their entirety, along with such other and further relief as the Tax Tribunal deems appropriate in this matter.

COUNT IV

GUESS?.COM DID NOT MAINTAIN THE REQUISITE PHYSICAL PRESENCE IN ILLINOIS

77. Guess? hereby restates and realleges the allegations contained in paragraphs 1 through 54 as if fully set forth herein.

78. The Commerce Clause of the United States Constitution requires a taxpayer's physical presence in a state in order for the state to exercise its jurisdiction to impose corporate income tax. U.S. Const. Art. I, § 8, cl. 3; *Quill Corp. v. North Dakota*, 504 U.S. 298 (1992).

79. Guess?.com did not own, lease or maintain any real or tangible personal property in Illinois during the Tax Year at Issue.

80. Guess?.com did not maintain any employees in Illinois during the Tax Year at Issue.

81. Guess?.com did not maintain the requisite physical presence in Illinois to authorize the state to subject Guess?.com to corporate income tax.

82. The Department's inclusion of Guess?.com's Illinois sales in the combined group's sales factor numerator for the Tax Year at Issue violates the Commerce Clause of the United States Constitution.

WHEREFORE, Guess? prays the Tax Tribunal find and enter an order determining that the Department's inclusion of Guess?.com's Illinois sales in the sales factor numerator is improper and that the Department's assessments, along with any penalties and/or interest, must be abated in their entirety, along with such other and further relief as the Tax Tribunal deems appropriate in this matter.

COUNT V

ANY ILLINOIS ACTIVITIES PERFORMED ON BEHALF OF GUESS?.COM WERE PROTECTED BY P.L. 86-272

83. Guess? hereby restates and realleges the allegations contained in paragraphs 1 through 54 as if fully set forth herein.
84. Federal Public Law 86-272 ("P.L. 86-272"), codified at 15 U.S.C. § 381, provides limitations on a state's ability to subject out-of-state corporations to the state's corporate income tax.
85. More specifically, P.L. 86-272 prohibits a state from imposing its corporate income tax on an out-of-state corporation when the corporation's only in-state business activities are "the solicitation of orders by such person, or his representative, in such State for sales of tangible personal property, which orders are sent outside the State for approval or rejection, and, if approved, are filled by shipment or delivery from a point outside the state." 15 U.S.C. § 381(a)(1).
86. The United States Supreme Court has interpreted the term "solicitation" in P.L. 86-272 to also include activities "that serve no independent business function apart from their connection to the soliciting of orders." *Wis. Dep't of Rev. v. William Wrigley, Jr. Co.*, 505 U.S. 214, 228-29 (1992).
87. Guess?.com has no Illinois employees.
88. Guess?.com employees performed no activities in Illinois.
89. To the extent Guess? Retail provided any services for Guess?.com in Illinois, such activities did not exceed the protection of P.L. 86-272.
90. The Department's inclusion of Guess?.com's Illinois sales in the combined group's Illinois sales factor numerator violates both Illinois and Federal law.

WHEREFORE, Guess? prays the Tax Tribunal find and enter an order determining that the Department's inclusion of Guess?.com's Illinois sales in the sales factor numerator is improper and that the Department's assessments, along with any penalties and/or interest, must be abated in their entirety, along with such other and further relief as the Tax Tribunal deems appropriate in this matter.

COUNT VI

ANY NON-PROTECTED ILLINOIS ACTIVITIES PERFORMED ON BEHALF OF GUESS?.COM WERE DE MINIMIS

91. Guess? hereby restates and realleges the allegations contained in paragraphs 1 through 54 as if fully set forth herein.
92. Performing activities in a particular state that exceed P.L. 86-272 protection does not jeopardize a corporation's immunity from corporate income tax under P.L. 86-272 when those unprotected activities are de minimis. *Wis. Dep't of Rev. v. William Wrigley, Jr. Co.*, 505 U.S. 214, 228-29 (1992).
93. A de minimis activity for P.L. 86-272 purposes establishes only a trivial additional connection with the state that seeks to impose its tax. *Id.*
94. To the extent Illinois activities performed by Guess? Retail employees on behalf of Guess?.com exceeded P.L. 86-272 protection, those activities were de minimis and do not serve to give Guess?.com Illinois nexus.
95. The Department's inclusion of Guess?.com's Illinois sales in the combined group's Illinois sales factor numerator violates both Illinois and Federal law.

WHEREFORE, Guess? prays the Tax Tribunal find and enter an order determining that the Department's inclusion of Guess?.com's Illinois sales in the sales factor numerator is improper and that the Department's assessments, along with any penalties and/or interest, must

be abated in their entirety, along with such other and further relief as the Tax Tribunal deems appropriate in this matter.

COUNT VII

PENALTIES MUST BE ABATED FOR REASONABLE CAUSE

96. Guess? hereby restates and realleges the allegations contained in paragraphs 1 through 54 as if fully set forth herein.

97. Any penalties assessed must be abated for reasonable cause.

98. The Department has assessed late payment penalties in the 2010 Notice.

99. Under Illinois law, no penalties shall be imposed on a taxpayer if his failure to pay tax was due to reasonable cause. 35 Ill. Comp. Stat. 735/3-8.

100. Under Illinois regulations, "the most important factor to be considered in making a determination to abate a penalty will be the extent to which the taxpayer made a good faith effort to determine his proper tax liability and to file and pay his proper liability in a timely fashion." 86 Ill. Admin. Code § 700.400(b).

101. A taxpayer is considered to have made a good faith effort to determine and file and pay his tax liability if "he exercised ordinary business care and prudence in doing so." 86 Ill. Admin. Code § 700.400(c).

102. The taxpayer's filing history is also considered in determining whether the taxpayer acted in good faith. 86 Ill. Admin. Code § 700.400(d).

103. Guess? made a good faith effort to determine its proper tax liability and to file and pay its proper liability in a timely fashion.

104. Guess? exercised ordinary business care and prudence in determining its proper tax liability and filing and paying its proper liability in a timely fashion.

105. Guess? has a history of timely filing Illinois corporate income tax returns and paying Illinois corporate income tax in a timely manner.

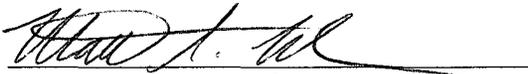
106. The late payment penalties imposed by the Department must be abated for reasonable cause.

WHEREFORE, Guess? prays the Tax Tribunal find and enter an order that any penalties assessed by the Department be abated in full and such other and further relief as the Tax Tribunal deems appropriate in this matter.

(The remainder of this page is intentionally blank. Signature page follows.)

Guess, Inc.

Date: January 2, 2014

By: 
An Attorney for Petitioner

Theodore R. Bots (theodore.bots@bakermckenzie.com)
Matthew S. Mock (matthew.mock@bakermckenzie.com)
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300 East Randolph Street #5000
Chicago, Illinois 60601
(312) 861-8000
Attorney No. 90080
3276359-v3\

EXHIBIT A

7 Copies of notices and other written communications addressed to the taxpayer in proceedings involving the matters listed on the front of this form should be sent to the following:

Theodore R. Bots Name 300 E. Randolph St. Street address Chicago IL 60601 City State ZIP (312) 861-8845 Daytime phone number	Derek M. Love Name 300 E. Randolph St. Street address Chicago IL 60601 City State ZIP (312) 861-8880 Daytime phone number	Name Street address City State ZIP Daytime phone number
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Step 3: Taxpayer's signature

If signing as a corporate officer, partner, fiduciary, or individual on behalf of the taxpayer, I certify that I have the authority to execute this power of attorney on behalf of the taxpayer.

<i>[Signature]</i>	<i>VP of Taxes</i>	<i>12/23/2013</i>
Taxpayer's signature	Title, if applicable	Date
Spouse's signature	Title, if applicable	Date
If corporation or partnership, signature of officer or partner	Title, if applicable	Date

Step 4: Complete the following if the power of attorney is granted to an attorney, a certified public accountant, or an enrolled agent

- I declare that I am not currently under suspension or disbarment and that I am
- a member in good standing of the bar of the highest court of the jurisdiction indicated below; or
 - duly qualified to practice as a certified public accountant in the jurisdiction indicated below; or
 - enrolled as an agent pursuant to the requirements of United States Treasury Department Circular Number 230.

Attorney	Illinois	<i>[Signature]</i>	<i>12/12/13</i>
Designation (attorney, C.P.A., enrolled agent)	Jurisdiction (state(s), etc.)	Signature	Date
Attorney	Illinois	<i>[Signature]</i>	<i>Nov-12, 2013</i>
Designation (attorney, C.P.A., enrolled agent)	Jurisdiction (state(s), etc.)	Signature	Date
Attorney	Illinois	<i>[Signature]</i>	<i>12-12-13</i>
Designation (attorney, C.P.A., enrolled agent)	Jurisdiction (state(s), etc.)	Signature	Date

Step 5: Complete the following if the power of attorney is granted to a person other than an attorney, a certified public accountant, or an enrolled agent

If the power of attorney is granted to a person other than an attorney, a certified public accountant, or an enrolled agent, this document must be witnessed or notarized below. Please check and complete one of the following.

Any person signing as or for the taxpayer

_____ is known to and this document is signed in the presence of the two disinterested witnesses whose signatures appear here.

Signature of witness Date

Signature of witness Date

_____ appeared this day before a notary public and acknowledged this power of attorney as his or her voluntary act and deed.

Signature of notary Date

Notary seal



EXHIBIT B

Notice of Deficiency

for Form IL-1120, Corporation Income and Replacement Tax Return



November 8, 2013



Letter ID: CNXXX3118573768

#BWNKMGV
#CNXX XX31 1857 3768#
GUESS INC
GUESS INC AND SUBSIDIARIES
ATTN: LING LI OR STEPEHN SUN TAX DEPT
1444 S ALAMEDA ST
LOS ANGELES CA 90021-2433

Taxpayer ID: 95-3679695
Audit ID: A1659392000
Reporting period: January 2010
Total Deficiency: \$163,510.48
Balance due: \$163,510.48



We have audited your account for the reporting period listed above. The attached statement explains the computation of your deficiency and the balance due. **Illinois law requires that we notify you of this deficiency and your rights.**

If you agree to the deficiency, pay the total balance due as soon as possible to minimize penalty and interest assessed. Make your check payable to "Illinois Department of Revenue" and write your taxpayer ID number on your check.

If you do not agree to the deficiency, you may file a protest **within 60 days**. If you file a protest on time, we must reconsider the proposed deficiency, and if requested, grant you or your authorized representative an administrative hearing. An administrative hearing is a formal legal proceeding that is conducted under the rules of evidence. An administrative law judge will preside over the hearing. You may be represented by your attorney. Submit your protest on Form EAR-14, Format for Filing a Protest for Income Tax, (available on our website at tax.illinois.gov). If we do not receive your Form EAR-14 within 60 days, this deficiency will become final. Please note that a protest filed for any other tax notice does not serve as a protest for this notice. Under Section 2a.1 of the State Officers and Employees Money Disposition Act (30 ILCS Act 230/2a.1), you may instead pay the total deficiency under protest and file a petition with the circuit court for a review of our determination.

Mail a copy of this notice to us with either your payment of the deficiency or your completed Form EAR-14 to the address listed below. We may take further collection actions against you for the balance due which may include levy of your wages and bank accounts, filing of a tax lien, etc.

Note: If you are currently under the protection of the Federal Bankruptcy Court, please contact us and provide the bankruptcy number and the bankruptcy court. The bankruptcy "automatic stay" will not prevent us from finalizing the assessment if a protest is not timely filed, nor does it relieve your obligations to file tax returns.

If you have any questions, please contact us at the phone number shown below.

Sincerely,

Brian Hamer
Director

ILLINOIS DEPARTMENT OF REVENUE
AUDIT BUREAU
PO BOX 19012
SPRINGFIELD IL 62794-9012

(217) 524-4279

Statement

Date: November 8, 2013
Name: GUESS INC
Taxpayer ID: 95-3679695
Letter ID: CNXXXX3118573768

Reasons for deficiency

You failed to include sales from Guess?.COM which were shipped into IL customers and where you were proven to have nexus thru sales tax paid. IITA Sec. 201

We determined that sales made to IL customers from Guess? Inc. to retail customers exceeded PL 86-272 since Guess Retail Inc., acted as agent. IAC Reg. 100.9720(c)(2)(d).

Penalties

We are imposing an additional late-payment penalty because you did not pay the amount shown due on the Form IL-870, Waiver of Restrictions, within 30 days after the "Date of Issuance" shown on the form. Once an audit has been initiated, the additional late payment penalty is assessed at 15% of the late payment. Failure to pay the amount due or invoke protest rights within 30 days from the "Date of Issuance" on the Form IL-870, results in this penalty increasing to 20%. [35 ILCS 735-3-3(b-20)(2)] (for liabilities due on or after 1/1/2005)

Interest

Interest on tax in the amount of \$11,310.88 has been computed through November 8, 2013.

Statement

Date: November 8, 2013
Name: GUESS INC
Taxpayer ID: 95-3679695
Letter ID: CNXXXX3118573768

Computation of deficiency

Reporting Period: 31-Jan-2010

Income or loss	
Federal taxable income	\$184,549,648.00
Net operating loss deduction	\$0.00
State Municipal and other interest excluded	\$991,249.00
Income tax and replacement tax deduction	\$422,821.00
Illinois bonus depreciation addition	\$14,603,914.00
Other additions	\$0.00
Income or loss	\$200,567,632.00
Base income or loss	
Foreign dividends subtraction	\$474,661.00
Illinois bonus depreciation subtraction	\$8,084,841.00
Other subtractions	\$47,536.00
Total subtractions	\$8,607,038.00
Base income or net loss	\$191,960,594.00
Income allocable to Illinois	
Non-business income or loss	\$0.00
Non-unitary partnership bus. income or loss	\$0.00
Business income or loss	\$191,960,594.00
Apportionment formula	
Total sales everywhere	\$885,250,574.00
Total Illinois sales	\$35,300,743.00
Apportionment factor	0.039877
Business income/loss apportionable to IL	\$7,654,813.00
Nonbusiness income/loss allocable to IL	\$0.00
Non-unitary part. business income app. to IL	\$0.00
Base income or net loss allocable to IL	\$7,654,813.00
Net income	
Base income or net loss	\$7,654,813.00
IL net loss deduction (NLD)	\$0.00
Net income	\$7,654,813.00
Net replacement tax	
Replacement tax	\$191,370.00
Recapture of investment credits	\$0.00
Replacement tax before credits	\$191,370.00
Replacement tax investment credits	\$0.00
Net replacement tax	\$191,370.00

Statement

Date: November 8, 2013
Name: GUESS INC
Taxpayer ID: 95-3679695
Letter ID: CNXXXX3118573768

Net income tax	
Income tax	\$367,431.00
Recapture of investment credits	\$0.00
Income tax before credits	\$367,431.00
Income tax investment credits	\$0.00
Net income tax	\$367,431.00
Refund or balance due	
Net replacement tax	\$191,370.00
Net income tax	\$367,431.00
Total net income and replacement tax due	\$558,801.00
Minus tax previously assessed	-\$431,968.00
Total tax deficiency	\$126,833.00
UPIA-5 late-payment penalty (Audit)	\$25,366.60
Plus interest on tax through November 8, 2013	\$11,310.88
Total deficiency	* \$163,510.48
If you intend to pay under protest, you must pay this total deficiency amount.	
Balance due	* \$163,510.48

EXHIBIT C

Shop Development and Merchandising Agreement

This SHOP DEVELOPMENT AND MERCHANDISING AGREEMENT ("Agreement") is made and entered into as of December 31, 2000, by and between Guess?, Inc., a Delaware corporation ("Parent"), and Guess? Retail, Inc., a Delaware corporation ("Subsidiary").

RECITALS:

1. Subsidiary has assembled a work force of employees who perform shop development and merchandising activities for its retail operations; and
2. Parent desires to retain Subsidiary to perform shop development and merchandising activities for its wholesale operations.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties hereto agree as follows:

ARTICLE I

Term and Retention

1.1 Term. This Agreement shall become effective January 1, 2001. The term of this Agreement shall be automatically renewed for any number of successive five year terms, provided that either party may terminate upon one month's prior written notice to the other party. Charges for activities shall be made and reviewed on no less than a calendar year basis, with final adjustment to amounts charged for the year in accordance with GAAP.

1.2 Retention. Parent hereby retains the performance of Subsidiary, and Subsidiary agrees to provide such performance, as detailed below, subject to the general supervision and control of Subsidiary's Vice President of Retail Development and Merchandising, or other designee.

ARTICLE II

Powers and Duties of Subsidiary

2.1 Powers of Subsidiary. Subject to such limitations as may be imposed by law Subsidiary is hereby authorized and empowered without authorization of Parent to:

- a) establish policies and procedures with respect to all personnel activities provided by Subsidiary, except as specifically precluded by the terms of this Agreement;
- b) determine assignments or reassignments of personnel in connection with the ordinary course of business;
- c) establish the rate of pay for each employee; and
- d) retain the right to hire and terminate employees.

ARTICLE III

Activities Performed by Subsidiary

3.1 Activities Performed. Subsidiary shall perform all activities for Parent to the same level of quality as for Subsidiary. Subsidiary shall furnish its personnel as determined in its sole discretion to perform activities to include:

- a) shop development, including design and implementation; and
- b) merchandising activities.

3.2 Expenses. Parent shall pay to Subsidiary a monthly fee of as described on Exhibit A (attached hereto) as compensation for all fair and reasonable expenses associated with the provision of shop development and merchandising activities by Subsidiary for the benefit of Parent.

3.3 Recordkeeping. Each party shall identify in writing those activities which from time to time are the subject of expense adjustment and allocation under this Agreement. Such identification shall include the proposed method of allocation of expense by item.

3.4 Quality Standards. Subsidiary agrees to perform all activities in accordance with all reasonable trademark quality control guidelines and Parent may in its sole discretion provide to Subsidiary. Without limiting the foregoing, Parent expressly retains the right to monitor and limit the use of its trademarks and other intellectual property for quality control purposes, and Subsidiary agrees to cooperate with Parent to facilitate such monitoring and control.

3.5 Ownership of Trademarks. Subsidiary acknowledges that any trademarks or other intellectual property which may be related to the services and activities being performed by Subsidiary are proprietary to the Parent and that Subsidiary shall acquire no right, title or interest in any trademarks or other intellectual property owned by Parent, or the goodwill associated therewith, due to services being performed hereunder. Subsidiary's use of any trademarks or other intellectual property of the Parent, and any goodwill associated therewith, or that may accrue as a result of such use, will inure solely and exclusively to the benefit of the Parent.

ARTICLE IV

MISCELLANEOUS

4.1 Notices. Any notice, request, consent or communication (collectively a "notice") under this Agreement shall be effective only if it is in writing and (a) personally delivered, (b) sent by certified or registered mail, return receipt requested, postage prepaid, (c) sent by a nationally recognized overnight delivery service, with delivery confirmed, or (d) telexed or telecopied, with receipt confirmed, addressed as follows:

If to Parent:	Guess?, Inc. 1444 South Alameda Street Los Angeles, CA 90021 Attn: Chief Financial Officer
With a copy to:	General Counsel Guess?, Inc. 1444 South Alameda Street Los Angeles, CA 90021
If to Subsidiary:	Guess? Retail, Inc. 1444 South Alameda Street Los Angeles, CA 90021 Attn: Vice President, Retail Development and Merchandising

or to such other address or addresses as shall be furnished in writing by any party to the other party. A Notice shall be deemed to have been given as of the date when (i) personally delivered, (ii) three days after when deposited with United States mail properly addressed, (iii) the next day when delivered during business hours to said overnight delivery service, properly addressed and prior to such delivery service's cut off time for next day delivery, or (iv) when receipt of the telex or telecopy is confirmed, as the case may be, unless the sending party has actual knowledge that a Notice was not received by the intended recipient.

4.2 Assignment. Either party hereto shall have the right to assign this Agreement only to (i) any successor assignee of such party that may result from any merger, consolidation or reorganization or (ii) another corporation that acquires all or substantially all of such party's assets, business and liabilities.

4.3 Headings. Section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

4.4 Entire Agreement; Modification. This Agreement contains the complete expression of the agreement between the parties and there are no promises, representations, or inducements except as herein provided. The terms and provisions of this Agreement may not be modified, supplemented or amended except in writing signed by both parties hereto. All terms and provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and permitted assigns of the parties hereto.

4.5 No Waiver. Failure by either party hereto to enforce at any time or for any period of time any provision or right hereunder shall not constitute a waiver of such provision or of the right of such party thereafter to enforce each and every such provision.

4.6 Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of California. The prevailing party in any litigation concerning this Agreement shall be entitled to reimbursement of its reasonable cost, including legal and accounting fees, incurred in connection with any such matter.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed the day and year first above written.

GUESS?, INC.

By: _____
Its: President

GUESS? RETAIL, INC.

By: _____
Its: President

EXHIBIT A
Amount of Monthly Fee

Actual cost plus 8.00%