ICONIX BRAND GROUP, INC.
Form 424B3
June 01, 2009
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The information in this prospectus supplement is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and they are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Filed Pursuant to Rules 424(b)(3)
Registration No. 333-159640

Subject to Completion, dated June 1, 2009

PROSPECTUS SUPPLEMENT

(To Prospectus dated June 1, 2009)

10,000,000 Shares

Iconix Brand Group, Inc.

Common Stock

This is an offering of common stock of Iconix Brand Group, Inc. We are offering 9,200,000 shares of our common stock and the selling stockholders identified in this prospectus supplement, including our chairman of the board, president and chief executive officer, are offering 800,000 shares. We will not receive any proceeds from the sale of shares held by the selling stockholders.

Our common stock is listed on the Nasdaq Global Market under the symbol ICON. The last reported sale price of our common stock on June 1, 2009 was $16.82 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page S-8 of this prospectus supplement.

	Per Share	Total
Price to the public	$	$
Underwriting discounts and commissions	$	$
Proceeds to Iconix (before expenses)	$	$
Proceeds to the selling stockholders (before expenses)	$	$

We have granted the underwriters the option to purchase 1,500,000 additional shares of common stock from the Company on the same terms and conditions set forth above if the underwriters sell more than 10,000,000 shares of common stock in this offering.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement. Any representation to the contrary is a criminal offense.

Barclays Capital, on behalf of the underwriters, expects to deliver the shares on or about June , 2009.

Barclays Capital **Lazard Capital Markets**

Credit Suisse

Prospectus Supplement dated June , 2009

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Prospectus Supplement

Prospectus

You should rely only on the information contained in this prospectus supplement or incorporated by reference in this prospectus supplement and the accompanying prospectus or any free writing prospectus prepared by or on behalf of us. Neither we, the selling stockholders nor the underwriters have authorized anyone to provide you with any other information. If you receive any other information, you should not rely on it. We, the selling stockholders and the underwriters are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information contained or incorporated by reference in this prospectus supplement, accompanying prospectus or any

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document incorporated by reference is accurate only as of the date of this prospectus supplement, regardless of the time of delivery of this prospectus supplement or of any sale of shares of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of common stock and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part, the accompanying prospectus dated June 1, 2009, gives more general information, some of which may not apply to this offering. You should read this prospectus supplement and the accompanying prospectus, including the information incorporated by reference and any free writing prospectuses we have authorized for use in connection with this offering, in their entirety before making an investment decision. To the extent there is a variation between the information contained in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus on the other hand, you should rely on the information in this prospectus supplement.

Any statement contained in this prospectus supplement, the accompanying prospectus or in a document incorporated by reference herein shall be deemed to be modified or superseded to the extent that a statement contained herein or in any other subsequently filed document that also is incorporated by reference herein modifies or supersedes such statement. Any such statement or document so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement.

This prospectus supplement and the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus include trademarks, service marks and trade names owned by us or others. Candie®s, Bongo®, Joe Boxer®, Rampage®, Mudd® and London Fog® are the registered trademarks of our wholly-owned subsidiary, IP Holdings LLC, or IP Holdings; Badgley Mischka® is the registered trademark of our wholly-owned subsidiary, Badgley Mischka Licensing LLC; Mossimo® is the registered trademark of our wholly-owned subsidiary, Mossimo Holdings LLC; Ocean Pacific®/OP® are the registered trademarks of our wholly-owned subsidiary, OP Holdings LLC; Danskin®/Danskin Now®, Rocawear®, Starter® and Waverly® are the registered trademarks of our wholly-owned subsidiary, Studio IP Holdings LLC; and Cannon®, Royal Velvet®, Fieldcrest® and Charisma® are the registered trademarks of our wholly-owned subsidiary, Official Pillowtex LLC. Artful Dodger is owned by Scion LLC, or Scion, a joint venture in which we have a 50% interest. Ed Hardy® is owned by Hardy Way, LLC, or Hardy Way, a limited liability company in which we have a 50% interest. Each of the other trademarks, trade names or service marks of other companies appearing in this prospectus supplement, the accompanying prospectus or the information incorporated by reference into this prospectus supplement and the accompanying prospectus is the property of its respective owner.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein contain statements that we believe are forward-looking statements as that term is used in the Private Securities Litigation Reform Act of 1995 and are intended to enjoy the protection of the safe harbor for forward-looking statements provided by that Act. These forward-looking statements are based on our current expectations, assumptions, estimates and projections about our business and our industry. Forward-looking statements include statements regarding our future financial position, performance and achievements, business strategy, and plans and objectives of management for future operations, and include those relating to, among other things:

- future revenues, expenses and profitability;
- the future development and expected growth of our business;
- projected capital expenditures;
- future outcomes of litigation and/or regulatory proceedings;
- competition;
- expectations regarding the retail sales environment;
- continued market acceptance of our current brands and our ability to market and license brands we acquire;
- our ability to continue identifying, pursuing and making acquisitions;
- the ability of our current licensees to continue executing their business plans with respect to their product lines; and
- our ability to continue sourcing licensees that can design, distribute, manufacture and sell their own product lines.

In some cases, you can identify forward-looking statements by terms such as may, should, will, could, estimate, project, predict, pote continue, anticipate, believe, plan, seek, expect, future and intend or the negative of these terms or other comparable expressions wl intended to identify forward-looking statements. These statements are only predictions and are not guarantees of future performance. They are subject to known and unknown risks, uncertainties and other factors, some of which are beyond our control and difficult to predict and could cause our actual results to differ materially from those expressed or forecasted in, or implied by, the forward-looking statements. In evaluating these forward-looking statements, you should carefully consider the risks and uncertainties described in Risk Factors below and elsewhere in this prospectus supplement and the accompanying prospectus, including in documents incorporated by reference herein and therein. Given these uncertainties, you should not place undue reliance on these forward-looking statements. In addition, these forward-looking statements reflect our view only as of the date such statements are made.

Except as required by law, we assume no obligation to update these forward-looking statements or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements even if new information becomes available in the future.

All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights information contained elsewhere in or incorporated by reference into this prospectus supplement and the accompanying prospectus and does not contain all of the information you should consider in making your investment decision. To understand this offering fully, you should read this summary together with the more detailed information included elsewhere in, or incorporated by reference into, this prospectus supplement and the accompanying prospectus and any free writing prospectus we have authorized for use in connection with this offering. You should also carefully consider the matters discussed herein in the section entitled Risk Factors.

Unless otherwise specified or the context otherwise requires, the terms Iconix, the Company, we, us and our refer to Iconix Brand Group, In Delaware corporation, and all of its subsidiaries, and the term you refers to a prospective investor. The term selling stockholders refers, collectively, to the selling stockholders named in this prospectus supplement under the caption Principal and Selling Stockholders.

Our company

We are a brand management company engaged in licensing, marketing and providing trend direction for our portfolio of owned consumer brands. We currently own 17 brands: Candie s, Bongo, Badgley Mischka, Joe Boxer, Rampage, Mudd, London Fog, Mossimo, Ocean Pacific/OP, Danskin/Danskin Now, Rocawear, Cannon, Royal Velvet, Fieldcrest, Charisma, Starter and Waverly. We license our brands to leading retailers, wholesalers and suppliers for use across a wide range of product categories, including apparel, footwear, sportswear, fashion accessories, home products and décor, and beauty and fragrance. In addition, we have a 50% investment in Scion LLC, a joint venture which owns the Artful Dodger brand and we own 50% of the membership interests in Hardy Way, LLC which owns the Ed Hardy brand and trademarks. Our brands are sold across a variety of distribution channels, from the mass tier to the luxury market. We support our brands with innovative advertising and promotional campaigns designed to increase brand awareness, and provide our licensees with coordinated trend direction to enhance product appeal and help maintain and build brand integrity.

Our business model

We believe we have an innovative business model. As opposed to operating companies that design, manufacture and distribute product, we transfer these responsibilities to our carefully selected licensees, allowing us to focus on the core elements of managing brands. As part of our licensing agreements, we maintain significant approval rights with respect to product design, packaging, channel selection and presentation to ensure consistency with our overall brand direction. Our model is further differentiated by our diverse portfolio of brands, which are sold in numerous channels across multiple product categories, as well as by our accelerated growth via acquisitions.

We believe our business model allows us to grow faster and generate higher margins with lower operating risk than under a traditional operator business model. Key aspects of our model include its:

- applicability to a broad universe of consumer brands and product categories, including apparel and home products;
- efficient approach to acquisitions, permitting us to quickly evaluate and integrate brand acquisitions;
- scalable platform that enables us to add and manage new licenses with a minimal associated increase in infrastructure;
- predictable base of minimum guaranteed royalties; and
- low overhead, absence of inventory risk and minimal working capital and capital expenditure requirements.

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Our business strengths

Our innovative business model differentiates us from other companies and enables us to generate strong financial results. Our business strengths include the following:

Diversified portfolio of iconic brands: We believe our diverse brand portfolio creates a natural hedge against the risks associated with dependence upon any single brand, product category or distribution channel. We seek to expand and diversify the types of licensed products being produced under our various brands, as well as diversify the channels within which licensed products are sold.

Broad and diversified network of licensees: We maintain a strong, diverse licensee network which enables us to identify and partner with best-in-class retailers and wholesalers who are leaders in their respective channels and/or product categories. This network also enables us to more easily add new licenses and product categories, replace licenses within existing product categories and quickly evaluate potential licensing streams for acquisition opportunities. As of March 31, 2009, we had granted approximately 200 direct-to-retail and wholesale licenses.

Demonstrated ability to increase brand value: We believe we have demonstrated an ability to build brand awareness and increase brand value through creative marketing, unified trend direction and careful selection of our licensees.

Established relationships with leading global retailers: We have strong relationships with many of the largest retailers in the world and believe that our existing retail relationships present additional opportunities for us, both with respect to our existing brands and with respect to potential future brands acquired by us.

Proven acquisition approach: We evaluate acquisition opportunities based primarily on brand strength and the viability of future royalty streams. This focus allows us to screen a wider pool of consumer brand candidates, identify acquisition targets more quickly and complete our due diligence more efficiently than traditional operating companies.

Acquisitions

Since October 2004, we have acquired or made investments relating to the following 17 brands:

Date acquired	Brand
October 2004	Badgley Mischka
July 2005	Joe Boxer
September 2005	Rampage
April 2006	Mudd
August 2006	London Fog
October 2006	Mossimo
November 2006	Ocean Pacific/OP
March 2007	Danskin/Danskin Now
March 2007	Rocawear
October 2007	Cannon, Royal Velvet, Fieldcrest and Charisma
December 2007	Starter
October 2008	Waverly

Date of investment	Brand
November 2007	Artful Dodger
May 2009	Ed Hardy

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Our growth strategy

Our objective is to continue building a diversified portfolio of iconic consumer brands by successfully growing our existing portfolio and by adding leading brands that leverage our brand management expertise and existing infrastructure. To achieve our objective, we intend to:

- *extend our existing brands* by adding additional product categories, expanding the brands distribution and retail presence and optimizing our licensees sales through innovative marketing that increases consumer awareness and loyalty;
- *continue our international expansion* through additional licenses and joint ventures; and
- *continue acquiring consumer brands* with high consumer awareness, broad appeal, applicability to a range of product categories and an ability to diversify our portfolio.

Additional information

We were incorporated under the laws of the State of Delaware in 1978. Our principal executive offices are located at 1450 Broadway, New York, New York 10018 and our telephone number is (212) 730-0030. Our website address, which we have included in this document as an inactive textual reference only, is *www.iconixbrand.com*. The information on our website does not constitute part of this prospectus supplement.

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The Offering

The summary below is not intended to be complete. For a more detailed description of our common stock, see Description of Capital Stock in the accompanying prospectus.

Common stock offered by us	9,200,000 shares.
Common stock offered by selling stockholders	800,000 shares, including 511,759 shares to be issued upon exercise of options.
Common stock outstanding after this offering	shares.
Use of proceeds	We estimate that the net proceeds from shares sold by us in this offering will be approximately $ million. We intend to use these net proceeds for general corporate purposes, which may include, among other things, funding acquisitions, although we have no present commitments or agreements with respect to any such transactions. See Use of Proceeds for additional information.

We will not receive any proceeds from the sale of shares by the selling stockholders, including our chairman of the board, president and chief executive officer.

Risk Factors	Investing in our common stock involves substantial risks. You should carefully consider all the information in this prospectus supplement, the accompanying prospectus and the documents incorporated herein and therein prior to investing in our common stock. In particular, we urge you to carefully consider the factors set forth under Risk Factors.
Dividend policy	We do not anticipate paying any cash dividends on our capital stock in the foreseeable future.
Nasdaq Global Market symbol	ICON
Option to purchase additional shares of common stock	We have granted the underwriters an option to purchase up to 1,500,000 additional shares of our common stock from us. See Underwriting.

In this prospectus supplement, unless we specifically state otherwise, the number of shares of common stock to be outstanding after this offering is based on the number of shares of our common stock outstanding as of May 1, 2009, plus (1) the shares to be sold by us in this offering and (2) the 511,759 shares that will be issued upon exercise of options held by selling stockholders and sold by them in this offering. As of May 1, 2009, we had 59,287,902 shares of common stock outstanding, excluding:

- 286,900 shares of common stock underlying warrants outstanding as of May 1, 2009 at a weighted average exercise price of $16.99 per share; and

3,727,137 shares of common stock underlying options outstanding as of May 1, 2009 at a weighted average exercise price of $4.54 per share, including 511,759 shares which will be issued upon the exercise of options by selling stockholders, and sold by them, in connection with this offering.

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Unless we specifically state otherwise, information in this prospectus supplement regarding the number of shares of our common stock outstanding after this offering also assumes that (a) none of the circumstances necessary for the conversion of our outstanding 1.875% Convertible Senior Subordinated Notes due 2012 has occurred and (b) the underwriters do not exercise their option to purchase up to 1,500,000 additional shares of our common stock within 30 days after the date of this prospectus supplement.

Risk Factors

An investment in our common stock involves certain risks that a potential investor should carefully evaluate prior to making an investment in our common stock. See Risk Factors in this prospectus supplement and in the documents incorporated by reference herein.

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Summary Consolidated Financial Information

The following tables set forth summary consolidated financial data for the periods and as of the dates indicated. The summary historical consolidated financial data presented as of December 31, 2008 and for the fiscal years ended December 31, 2008, 2007 and 2006 (fiscal 2008, fiscal 2007, and fiscal 2006, respectively) have been derived from our historical audited consolidated financial statements, which are included and/or incorporated by reference in this prospectus supplement and the accompanying prospectus. The summary historical consolidated financial data presented as of March 31, 2009 and for the three months ended March 31, 2009 and 2008 (the Current Quarter and Prior Year Quarter, respectively) have been derived from our unaudited condensed consolidated financial statements which are incorporated by reference in this prospectus supplement and the accompanying prospectus, which in the opinion of our management included all adjustments, consisting of primarily normal recurring adjustments, that we considered necessary for a fair presentation of our financial position and results of operations as of such date and for such unaudited periods. The historical results are not necessarily indicative of results to be expected for future periods, and results for the three months ended March 31, 2009 are not necessarily indicative of results that may be expected for the entire year ending December 31, 2009.

The as adjusted information included in the balance sheet data as of March 31, 2009 gives effect, at that date, to our sale of 9,200,000 shares of common stock in this offering, the issuance of 511,759 shares upon the exercise of options by the selling stockholders at a weighted-average exercise price of $1.24 per share and our receipt of the estimated net proceeds therefrom, after deducting the underwriting discounts and commissions and other expenses of this offering. See Use of Proceeds. We adopted Financial Accounting Standards Board Staff Position APB 14-1 Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion , or FSP APB 14-1, and retrospectively applied it to all applicable periods presented herein.

	Three Months Ended March 31,		Fiscal Year Ended December 31,[3]		
	2009	2008[1]	2008[1]	2007[1]	2006
(In thousands except per share data)					
Consolidated statements of operations data:					
Licensing and other revenue	$ 50,501	$ 55,667	$ 216,761	$ 160,004	$ 80,694
Selling, general and administrative expenses	16,270	18,711	73,816	44,254	24,527
Operating income[2]	34,177	36,765	142,052	121,789	53,673
Other expenses net[5]	9,798	11,380	44,967	31,231	13,837
Net income[4]	15,649	16,521	62,908	60,264	32,501
Earnings per share:					
Basic	$ 0.27	$ 0.29	$ 1.09	$ 1.06	$ 0.81
Diluted	$ 0.26	$ 0.27	$ 1.03	$ 0.98	$ 0.72
Weighted average number of common shares outstanding:					
Basic	58,044	57,422	57,810	56,694	39,937
Diluted	60,892	61,350	61,248	61,426	45,274
Consolidated statements of cash flow data:[6]					
Net cash provided by operating activities	$ 25,717	$ 19,126	$ 89,243	$ 83,687	$ 29,331
Cash flows used in investing activities:					
Purchase of property and equipment	$ (11)	$ (438)	$ (6,281)	$ (134)	$ (739)
Acquisition of Mudd					(46,728)
Purchase of London Fog trademarks					(31,034)
Acquisition of Mossimo, net of cash acquired					(85,438)
Acquisition of Ocean Pacific					(10,491)
Acquisition of Danskin				(71,302)	
Acquisition of Rocawear				(206,057)	
Acquisition of Official-Pillowtex				(233,781)	
Acquisition of Starter				(60,319)	
Acquisition of Artful Dodger by Scion LLC				(13,358)	
Acquisition of Waverly			(27,619)		
Investment in joint venture			(2,000)		
Additions to trademarks	(58)	(106)	(1,420)	(215)	(2,328)
Payment of accrued expenses related to acquisitions			(1,630)		
Earn-out payment on acquisition	(6,667)		(6,124)		
Collection of promissory notes		500	1,000		
Purchase of marketable securities				(196,400)	

Sale of marketable securities				183,400	
Net cash used in investing activities	$ (6,736)	$ (44)	$ (44,074)	$ (598,166)	$ (176,758)
Net cash provided by (used in) financing activities	$ (47,293)	$ (14,652)	$ (26,833)	$ 488,974	$ 213,406

(*Footnotes on following page*)

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(1) As adjusted, due to implementation of FSP APB 14-1.

(2) Includes expenses related to specific litigation (formerly known as special charges) of $0.1 million and $0.2 million for the Current Quarter and the Prior Year Quarter, respectively, $0.9 million in fiscal 2008, a net benefit from expenses related to specific litigation of $6.0 million in fiscal 2007, and expenses related to specific litigation of $2.5 million in fiscal 2006.

(3) During fiscal 2008, fiscal 2007 and fiscal 2006, we made one, four and four acquisitions, respectively.

(4) In fiscal 2006, we recognized a net non-cash tax benefit of $6.2 million by reducing the valuation allowance on the deferred tax asset related to our net operating loss carryforwards.

(5) Includes equity gain/loss on joint venture and other, which was a gain of less than $0.1 million for the Current Quarter, and a loss of $0.5 million for fiscal 2008. There was no such gain or loss in the other periods presented above.

(6) The cash flow information provided in this table is a summary as it does not show the individual components of net cash provided by operating activities or net cash provided by financing activities and should be read in the context of the complete cash flow statements included in our financial statements, which are included herein and/or incorporated by reference in this prospectus supplement and the accompanying prospectus.

	As of December 31,	As of March 31, 2009	
Consolidated balance sheet data (in thousands):	**2008[1]**	**Actual**	**As Adjusted**
Cash[2]	$ 67,279	$ 43,195	$
Working capital	$ 27,160	$ 33,348	$
Total assets	$ 1,420,259	$ 1,398,088	$
Total current liabilities	$ 103,203	$ 72,085	$
Long-term debt, less current portion	$ 545,226	$ 531,503	$
Other liabilities	$ 127,741	$ 132,350	$
Stockholders equity	$ 644,089	$ 662,150	$

(1) As adjusted, due to implementation of FSP APB 14-1.

(2) Including restricted cash of $0.9 million at December 31, 2008 and $5.1 million at March 31, 2009.

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RISK FACTORS

Any investment in shares of our common stock involves a high degree of risk. You should consider carefully the following information about these risks, together with all the other information contained, or incorporated by reference, in this prospectus supplement and the accompanying prospectus, before you decide to purchase shares of our common stock. If any of the following risks actually occurs, our business, financial condition, operating results and future growth prospects could be materially and adversely affected. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and operating results. Any adverse effect on our business, financial condition or operating results could result in a decline in the trading price of our common stock and your loss of all or part of your investment.

We operate in a changing environment that involves numerous known and unknown risks and uncertainties that could impact our operations. The following highlights some of the factors that have affected, and in the future, could affect our operations:

The failure of our licensees to adequately produce, market and sell products bearing our brand names in their license categories or to pay their obligations under their license agreements could result in a decline in our results of operations.

Our revenues are almost entirely dependent on royalty payments made to us under our licensing agreements. Although the licensing agreements for our brands usually require the advance payment to us of a portion of the licensing fees and in most cases provide for guaranteed minimum royalty payments to us, the failure of our licensees to satisfy their obligations under these agreements or their inability to operate successfully or at all, could result in their breach and/or the early termination of such agreements, their non-renewal of such agreements or our decision to amend such agreements to reduce the guaranteed minimums or sales royalties due thereunder, thereby eliminating some or all of that stream of revenue. Moreover, during the terms of the license agreements, we are substantially dependent upon the abilities of our licensees to maintain the quality and marketability of the products bearing our trademarks, as their failure to do so could materially tarnish our brands, thereby harming our future growth and prospects. In addition, the failure of our licensees to meet their production, manufacturing and distribution requirements could cause a decline in their sales and potentially decrease the amount of royalty payments (over and above the guaranteed minimums) due to us. A weak economy or softness in the apparel and retail sectors could exacerbate this risk. This, in turn, could decrease our potential revenues. Moreover, the concurrent failure by several of our material licensees to meet their financial obligations to us could jeopardize our ability to meet the debt service coverage ratios required in connection with our senior secured term loan facility, herein referred to as our term loan facility, and the asset-backed notes issued by our subsidiary IP Holdings, herein referred to as our asset-backed notes, and/or our ability or IP Holdings ability to make required payments with respect to such indebtedness. The failure to meet such debt service coverage ratios or to make such required payments would, with respect to our term loan facility, give the lenders thereunder the right to foreclose on the Ocean Pacific/OP, Danskin, Rocawear, Mossimo, Starter and Waverly trademarks, the trademarks acquired by us in the Official-Pillowtex acquisition and other related intellectual property assets securing the debt outstanding under such facility and, with respect to the asset-backed notes, give the holders of such notes the right to foreclose on the Candie s, Bongo, Joe Boxer, Rampage, Mudd and London Fog trademarks and other related intellectual property assets securing such notes.

Our business is dependent on continued market acceptance of our brands and the products of our licensees bearing these brands.

Although most of our licensees guarantee minimum net sales and minimum royalties to us, a failure of our brands or of products bearing our brands to achieve or maintain market acceptance could cause a reduction of our licensing revenues and could further cause existing licensees not to renew their agreements. Such failure could also cause the devaluation of our trademarks, which are our primary assets, making it more difficult for us to renew our current licenses upon their expiration or enter into new or additional licenses for our trademarks. In

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addition, if such devaluation of our trademarks were to occur, a material impairment in the carrying value of one or more of our trademarks could also occur and be charged as an expense to our operating results. Continued market acceptance of our brands and our licensees products, as well as market acceptance of any future products bearing our brands, is subject to a high degree of uncertainty, made more so by constantly changing consumer tastes and preferences. Maintaining market acceptance of our licensees products and creating market acceptance of new products and categories of products bearing our marks will require our continuing and substantial marketing efforts, which may, from time to time, also include our expenditure of significant additional funds to keep pace with changing consumer demands. Additional marketing efforts and expenditures may not, however, result in either increased market acceptance of, or additional licenses for, our trademarks or increased market acceptance, or sales, of our licensees products. Furthermore, while we believe that we currently maintain sufficient control over the products our licensees produce under our brand names through the provision of trend direction and our right to preview and approve a majority of such products, including their presentation and packaging, we do not actually design or manufacture products bearing our marks and therefore have more limited control over such products quality and design than a traditional product manufacturer might have.

Our existing and future debt obligations could impair our liquidity and financial condition, and in the event we are unable to meet our debt obligations we could lose title to our trademarks.

As of March 31, 2009, our balance sheet reflects consolidated debt of approximately $578 million, including secured debt of $328.9 million ($217.2 million under our term loan facility and $111.7 million under asset-backed notes issued by our subsidiary, IP Holdings), primarily all of which was incurred in connection with our acquisition activities. In accordance with FSP APB 14-1, our 1.875% convertible senior subordinated notes due 2012, herein referred to as our convertible notes, are included in our $578 million of consolidated debt at a net debt carrying value of $236.9 million; however, the principal amount owed to the holders of our convertible notes is $287.5 million. We may also assume or incur additional debt, including secured debt, in the future in connection with, or to fund, future acquisitions. Our debt obligations:

- could impair our liquidity;
- could make it more difficult for us to satisfy our other obligations;
- require us to dedicate a substantial portion of our cash flow to payments on our debt obligations, which reduces the availability of our cash flow to fund working capital, capital expenditures and other corporate requirements;
- could impede us from obtaining additional financing in the future for working capital, capital expenditures, acquisitions and general corporate purposes;
- impose restrictions on us with respect to the use of our available cash, including in connection with future acquisitions;
- make us more vulnerable in the event of a downturn in our business prospects and could limit our flexibility to plan for, or react to, changes in our licensing markets; and
- place us at a competitive disadvantage when compared to our competitors who have less debt.

While we believe that by virtue of the guaranteed minimum royalty payments due to us under our licenses we will generate sufficient revenues from our licensing operations to satisfy our obligations for the foreseeable future, in the event that we were to fail in the future to make any required payment under agreements governing our indebtedness or fail to comply with the financial and operating covenants contained in those agreements, we would be in default regarding that indebtedness. A debt default could significantly diminish the market value and marketability of our common stock and could result in the acceleration of the payment obligations under all or a portion of our consolidated indebtedness. In the case of our term loan facility, it would enable the lenders to foreclose on the assets securing such debt, including the Ocean Pacific/OP, Danskin, Rocawear, Starter, Mossimo and Waverly trademarks, as well as the trademarks acquired by us in connection with the Official-Pillowtex

acquisition, and, in the case of the asset-backed notes, it would enable the holders of such notes to foreclose on the assets securing such notes, including the Candie s, Bongo, Joe Boxer, Rampage, Mudd and London Fog trademarks.

We have experienced rapid growth in recent years. If we fail to manage this or any future growth, our business and operating results could be harmed.

Our business has grown dramatically over the past several years. For example, our revenue increased from $80.7 million for the year ended December 31, 2006 to $216.8 million for the year ended December 31, 2008. Our growth has largely resulted from our acquisition of new brands of various sizes. Since October 2004, we acquired 15 of the 17 iconic brands we currently own and increased our total number of licenses from approximately 18 to approximately 200. In addition to these acquisitions, in November 2007, Scion purchased the Artful Dodger brand through its wholly-owned subsidiary, Artful Holdings LLC and, in May 2009, we acquired a 50% interest in Hardy Way, the owner of the Ed Hardy brand and trademarks. Furthermore, we continue to evaluate and pursue appropriate acquisition opportunities to the extent we believe that such opportunities would be in the best interests of our company and our stockholders.

This significant growth has placed considerable demands on our management and other resources and continued growth could place additional demands on such resources. Our ability to compete effectively and to manage future growth, if any, will depend on the sufficiency and adequacy of our current resources and infrastructure and our ability to continue to identify, attract and retain personnel to manage our brands. There can be no assurance that our personnel, systems, procedures and controls will be adequate to support our operations and properly oversee our brands. The failure to support our operations effectively and properly oversee our brands could cause harm to our brands and have a material adverse effect on our business, financial condition and results of operations. In addition, we may be unable to leverage our core competencies in managing apparel brands to managing brands in new product categories.

Also, there can be no assurance that we will be able to sustain our recent growth. Our growth may be limited by a number of factors including increased competition for retail license and brand acquisitions, insufficient capitalization for future acquisitions and the lack of attractive acquisition targets, each as described further below. In addition as we continue to grow larger, we will likely need to make additional and larger acquisitions to continue to grow at our current pace.

If we are unable to identify and successfully acquire additional trademarks, our growth may be limited, and, even if additional trademarks are acquired, we may not realize anticipated benefits due to integration or licensing difficulties.

A key component of our growth strategy is the acquisition of additional trademarks. Historically, we have been involved in numerous acquisitions of varying sizes. We continue to explore new acquisitions. However, as our competitors continue to pursue our brand management model, acquisitions may become more expensive and suitable acquisition candidates could become more difficult to find. In addition, even if we successfully acquire additional trademarks, we may not be able to achieve or maintain profitability levels that justify our investment in, or realize planned benefits with respect to, those additional brands. Although we seek to temper our acquisition risks by following acquisition guidelines relating to the existing strength of the brand, its diversification benefits to us, its potential licensing scale and the projected rate of return on our investment, acquisitions, whether they be of additional intellectual property assets or of the companies that own them, entail numerous risks, any of which could detrimentally affect our results of operations and/or the value of our equity. These risks include, among others:

- unanticipated costs;

- negative effects on reported results of operations from acquisition related charges and amortization of acquired intangibles;

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- diversion of management s attention from other business concerns;
- the challenges of maintaining focus on, and continuing to execute, core strategies and business plans as our brand and license portfolio grows and becomes more diversified;
- adverse effects on existing licensing relationships;
- potential difficulties associated with the retention of key employees, and the assimilation of any other employees, who may be retained by us in connection with or as a result of our acquisitions; and
- risks of entering new domestic and international markets (whether it be with respect to new licensed product categories or new licensed product distribution channels) or markets in which we have limited prior experience.

Acquiring additional trademarks could also have a significant effect on our financial position and could cause substantial fluctuations in our quarterly and yearly operating results. Acquisitions could result in the recording of significant goodwill and intangible assets on our financial statements, the amortization or impairment of which would reduce our reported earnings in subsequent years. No assurance can be given with respect to the timing, likelihood or financial or business effect of any possible transaction. Moreover, as discussed below, our ability to grow through the acquisition of additional trademarks will also depend on the availability of capital to complete the necessary acquisition arrangements. In the event that we are unable to obtain debt financing on acceptable terms for a particular acquisition, we may elect to pursue the acquisition through the issuance by us of shares of our common stock (and, in certain cases, convertible securities) as equity consideration, which could dilute our common stock because it could reduce our earnings per share, and any such dilution could reduce the market price of our common stock unless and until we were able to achieve revenue growth or cost savings and other business economies sufficient to offset the effect of such an issuance. As a result, there is no guarantee that our stockholders will achieve greater returns as a result of any future acquisitions we complete.

We may require additional capital to finance the acquisition of additional brands and our inability to raise such capital on beneficial terms or at all could restrict our growth.

We may, in the future, require additional capital to help fund all or part of potential acquisitions. If, at the time required, we do not have sufficient cash to finance those additional capital needs, we will need to raise additional funds through equity and/or debt financing. We cannot guarantee that, if and when needed, additional financing will be available to us on acceptable terms or at all. If additional capital is needed and is either unavailable or cost prohibitive, our growth may be limited as we may need to change our business strategy to slow the rate of, or eliminate, our expansion plans. In addition, any additional financing we undertake could impose additional covenants upon us that restrict our operating flexibility, and, if we issue equity securities to raise capital, our existing stockholders may experience dilution or the new securities may have rights senior to those of our common stock.

Because of the intense competition within our licensees markets and the strength of some of their competitors, we and our licensees may not be able to continue to compete successfully.

Currently, most of our trademark licenses are for products in the apparel, fashion accessories, footwear, beauty and fragrance, and home products and decor industries, in which our licensees face intense competition, including from our other brands and licensees. In general, competitive factors include quality, price, style, name recognition and service. In addition, various fads and the limited availability of shelf space could affect competition for our licensees products. Many of our licensees competitors have greater financial, distribution, marketing and other resources than our licensees and have achieved significant name recognition for their brand names. Our licensees may be unable to successfully compete in the markets for their products, and we may not be able to continue to compete successfully with respect to our licensing arrangements.

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If our competition for retail licenses and brand acquisitions increases, our growth plans could be slowed.

We may face increasing competition in the future for retail licenses as other companies owning established brands may decide to enter into licensing arrangements with retailers similar to the ones we currently have in place. Furthermore, our current or potential direct-to-retail licensees may decide to develop or purchase brands rather than maintain or enter into license agreements with us. We also compete with traditional apparel and consumer brand companies, other brand management companies and private equity groups for brand acquisitions. If our competition for retail licenses and brand acquisitions increases, it may take us longer to procure additional retail licenses and/or acquire additional brands, which could slow our growth rate.

Our licensees are subject to risks and uncertainties of foreign manufacturing that could interrupt their operations or increase their operating costs, thereby affecting their ability to deliver goods to the market, reduce or delay their sales and decrease our potential royalty revenues.

Substantially all of the products sold by our licensees are manufactured overseas. There are substantial risks associated with foreign manufacturing, including changes in laws relating to quotas, and the payment of tariffs and duties, fluctuations in foreign currency exchange rates, shipping delays and international political, regulatory and economic developments. Any of these risks could increase our licensees operating costs. Our licensees also import finished products and assume all risk of loss and damage with respect to these goods once they are shipped by their suppliers. If these goods are destroyed or damaged during shipment, the revenues of our licensees, and thus our royalty revenues over and above the guaranteed minimums, could be reduced as a result of our licensees inability to deliver or their delay in delivering their products.

Our failure to protect our proprietary rights could compromise our competitive position and decrease the value of our brands.

We own, through our wholly-owned subsidiaries, U.S. federal trademark registrations and foreign trademark registrations for our brands that are vital to the success and further growth of our business and which we believe have significant value. We monitor on an ongoing basis unauthorized filings of our trademarks and imitations thereof, and rely primarily upon a combination of trademarks, copyrights and contractual restrictions to protect and enforce our intellectual property rights domestically and internationally. We believe that such measures afford only limited protection and, accordingly, there can be no assurance that the actions taken by us to establish, protect and enforce our trademarks and other proprietary rights will prevent infringement of our intellectual property rights by others, or prevent the loss of licensing revenue or other damages caused therefrom.

For instance, despite our efforts to protect and enforce our intellectual property rights, unauthorized parties may attempt to copy aspects of our intellectual property, which could harm the reputation of our brands, decrease their value and/or cause a decline in our licensees sales and thus our revenues. Further, we and our licensees may not be able to detect infringement of our intellectual property rights quickly or at all, and at times we or our licensees may not be successful combating counterfeit, infringing or knockoff products, thereby damaging our competitive position. In addition, we depend upon the laws of the countries where our licensees products are sold to protect our intellectual property. Intellectual property rights may be unavailable or limited in some countries because standards of registerability vary internationally. Consequently, in certain foreign jurisdictions, we have elected or may elect not to apply for trademark registrations. While we generally apply for trademarks in most countries where we license or intend to license our trademarks, we may not accurately predict all of the countries where trademark protection will ultimately be desirable. If we fail to timely file a trademark application in any such country, we may be precluded from obtaining a trademark registration in such country at a later date. Failure to adequately pursue and enforce our trademark rights could damage our brands, enable others to compete with our brands and impair our ability to compete effectively. Further, the rights to our brands in Latin America and Greater China are controlled primarily through our joint ventures in these regions and while we believe that our partnerships in these areas will enable us to better protect our trademarks in countries covered by the ventures, we do not control either joint venture company and thus most decisions relating to the use and enforcement of the marks in these countries will be subject to the approval of our local partners.

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In addition, in the future, we may be required to assert infringement claims against third parties, and there can be no assurance that one or more parties will not assert infringement claims against us. Any resulting litigation or proceeding could result in significant expense to us and divert the efforts of our management personnel, whether or not such litigation or proceeding is determined in our favor. In addition, to the extent that any of our trademarks were ever deemed to violate the proprietary rights of others in any litigation or proceeding or as a result of any claim, we may be prevented from using them, which could cause a termination of our licensing arrangements, and thus our revenue stream, with respect to those trademarks. Litigation could also result in a judgment or monetary damages being levied against us.

A substantial portion of our licensing revenue is concentrated with a limited number of licensees such that the loss of any of such licensees could decrease our revenue and impair our cash flows.

Our licensees Target Corporation, or Target, Wal-Mart Stores, Inc., or Wal-Mart, Kohl s Corporation, or Kohl s, and Kmart Corporation, or Kmart, were our four largest direct-to-retail licensees during the three months ended March 31, 2009, or Current Quarter, representing approximately 17%, 15%, 7% and 5%, respectively, of our total revenue for such period, while Li & Fung USA was our largest wholesale licensee, representing approximately 11% of our total revenue for such period. Our license agreement with Target for the Mossimo trademark grants it the exclusive U.S. license for substantially all Mossimo-branded products for a current term expiring in January 2012; our second license agreement with Target for the Fieldcrest mark grants it the exclusive U.S. license for substantially all Fieldcrest-branded products for an initial term expiring in July 2010; and our third license agreement with Target grants it the exclusive U.S. license for Waverly Home for a broad range of Waverly Home-branded products for a term expiring in January 2011. Our license agreement with Wal-Mart for the Ocean Pacific and OP trademarks grants it the exclusive license in the U.S., Canada, Mexico, China, India and Brazil for substantially all Ocean Pacific/OP-branded products for an term expiring June 30, 2011; our second license agreement with Wal-Mart for the Danskin Now trademark grants it the exclusive license in the U.S., Canada, Argentina, and Central America for substantially all Danskin Now-branded products for an initial term expiring December 2010; and our third license agreement with Wal-Mart for the Starter trademark grants it the exclusive license in the U.S., Canada and Mexico for substantially all Starter-branded products for an initial term expiring December 2013. Our license agreement with Kohl s for the Candie s trademark grants it the exclusive U.S. license for a wide variety of Candie s-branded product categories for a term expiring in January 2011, and our license agreement with Kohl s for the Mudd trademark grants it the exclusive U.S. license for a wide variety of Mudd-branded product categories for an initial term expiring in January 2015. Our license agreement with Kmart grants it the exclusive U.S. license with respect to the Joe Boxer trademark for a wide variety of product categories for a term expiring in December 2010 and our license agreement with Kmart for the Cannon trademark granted the exclusive license in the U.S. and Canada for a wide variety of product categories for an initial term expiring February 1, 2014. Our license agreements with Li & Fung USA grant it the exclusive worldwide license with respect to our Royal Velvet trademarks for a variety of products sold exclusively at Bed Bath & Beyond in the U.S., and the exclusive license (in many countries outside of the U.S. and Canada) for the Cannon trademark for a variety of products. The term for each of these licenses with Li & Fung USA expires on December 31, 2013. Because we are dependent on these licensees for a significant portion of our licensing revenue, if any of them were to have financial difficulties affecting its ability to make guaranteed payments, or if any of these licensees decides not to renew or extend its existing agreement with us, our revenue and cash flows could be reduced substantially.

We are dependent upon our chief executive officer and other key executives. If we lose the services of these individuals we may not be able to fully implement our business plan and future growth strategy, which would harm our business and prospects.

Our success as a marketer and licensor of intellectual property is largely due to the efforts of Neil Cole, our president, chief executive officer and chairman. Our continued success is largely dependent upon his continued efforts and those of the other key executives he has assembled. Although we have entered into an employment agreement with Mr. Cole, expiring on December 31, 2012, as well as employment agreements with other of our key executives, there is no guarantee that we will not lose their services. To the extent that any of their services become unavailable to us, we will be required to hire other qualified executives, and we may not be successful in finding or hiring adequate replacements. This could impede our ability to fully implement our business plan and future growth strategy, which would harm our business and prospects.

Our license agreement with Target could be terminated by Target in the event we were to lose the services of Mossimo Giannulli as our creative director with respect to Mossimo-branded products, thereby significantly devaluing the assets acquired by us in the Mossimo merger and decreasing our expected revenues and cash flows.

Target, the primary licensee of our Mossimo brand, has the right at its option to terminate its license agreement with us if the services of Mossimo Giannulli as creative director for Mossimo-branded products are no longer available to Target, upon his death or permanent disability or in the event a morals clause in the agreement relating to his future actions and behavior is breached. Although we have entered into an agreement with Mr. Giannulli in which he has agreed to continue to provide us with his creative director services, including those which could be required by Target under the Target license for a term expiring on January 31, 2012, there can be no assurance that if his services are required by Target he will provide such services or that in the event we, and thus Target, were to lose the ability to draw on such services, Target would continue its license agreement with us. The loss of the Target license would significantly devalue the assets acquired by us in the Mossimo merger and decrease our expected revenues and cash flows until we were able to enter into one or more replacement licenses.

We have a material amount of goodwill and other intangible assets, including our trademarks, recorded on our balance sheet. As a result of changes in market conditions and declines in the estimated fair value of these assets, we may, in the future, be required to write down a portion of this goodwill and other intangible assets and such write-down would, as applicable, either decrease our net income or increase our net loss.

As of March 31, 2009, goodwill represented approximately $151.5 million, or approximately 11% of our total assets, and trademarks and other intangible assets represented approximately $1,058.7 million, or approximately 76% of our total assets. Under Statement of Financial Accounting Standards, or SFAS, No. 142, goodwill and indefinite life intangible assets, including some of our trademarks, are no longer amortized, but instead are subject to impairment evaluation based on related estimated fair values, with such testing to be done at least annually. While, to date, no impairment write-downs have been necessary, any write-down of goodwill or intangible assets resulting from future periodic evaluations would, as applicable, either decrease our net income or increase our net loss and those decreases or increases could be material.

We may not be able to pay the cash portion of the conversion price upon any conversion of the $287.5 million principal amount of our outstanding convertible notes, which would constitute an event of default with respect to such notes and could also constitute a default under the terms of our other debt.

We may not have sufficient cash to pay, or may not be permitted to pay, the cash portion of the consideration that we will be required to pay when our convertible notes become due in June 2012. Upon conversion of the convertible notes, we will be required to pay to the holder of such notes a cash payment equal to the par value of the convertible notes. This part of the payment must be made in cash, not in shares of our common stock. As a result, we will be required to pay a minimum of $287.5 million in cash to holders of the convertible notes upon their conversion.

If we do not have sufficient cash on hand at the time of conversion, we may have to raise funds through debt or equity financing. Our ability to raise such financing will depend on prevailing market conditions. Further, we may not be able to raise such financing within the period required to satisfy our obligation to make timely payment upon any conversion. In addition, the terms of any current or future debt may prohibit us from making these cash payments or otherwise restrict our ability to make such payments and/or may restrict our ability to

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raise any such financing. In particular, the terms of our outstanding term loan facility restrict the amount of proceeds from collateral pledged to secure our obligations thereunder that may be used by us to make payments in cash under certain circumstances, including payments to the convertible note holders upon conversion. A failure to pay the required cash consideration upon conversion would constitute an event of default under the indenture governing the convertible notes, which could constitute a default under the terms of our other debt.

Changes in the accounting method for business combinations will have an adverse impact on our reported or future financial results.

For the years ended December 31, 2008 and prior, in accordance with Statement of Financial Accounting Standard 141 Business Combinations all acquisition-related costs such as attorney s fees and accountant s fees, as well as contingent consideration to the seller, are capitalized as part of the purchase price.

In December 2007, the Financial Accounting Standards Board issued SFAS No. 141 (revised 2007), Business Combinations which requires an acquirer to do the following: expense acquisition related costs as incurred; record contingent consideration at fair value at the acquisition date with subsequent changes in fair value to be recognized in the income statement; and recognize any adjustments to the purchase price allocation as a period cost in the income statement. This statement applies prospectively to business combinations for which the acquisition date is on or after beginning of the first annual reporting period beginning on or after December 15, 2008. Earlier application is prohibited. At the date of adoption, this statement is expected to have a material impact on our results of operations and our financial position due to our acquisition strategy.

Changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our results.

Our future effective tax rates could be adversely affected by changes in the valuation of our deferred tax assets and liabilities, or by changes in tax laws or interpretations thereof. In addition, we are subject to the continuous examination of our income tax returns by the Internal Revenue Service and other tax authorities. We regularly assess the likelihood of recovering the amount of deferred tax assets recorded on the balance sheet and the likelihood of adverse outcomes resulting from examinations by various taxing authorities in order to determine the adequacy of our provision for income taxes. We cannot guarantee that the outcomes of these evaluations and continuous examinations will not harm our reported operating results and financial conditions.

The market price of our common stock has been, and may continue to be, volatile, which could reduce the market price of our common stock.

The publicly traded shares of our common stock have experienced, and may continue to experience, significant price and volume fluctuations. This market volatility could reduce the market price of our common stock, regardless of our operating performance. In addition, the trading price of our common stock could change significantly over short periods of time in response to actual or anticipated variations in our quarterly operating results, announcements by us, our licensees or our respective competitors, factors affecting our licensees markets generally and/or changes in national or regional economic conditions, making it more difficult for shares of our common stock to be sold at a favorable price or at all. The market price of our common stock could also be reduced by general market price declines or market volatility in the future or future declines or volatility in the prices of stocks for companies in the trademark licensing business or companies in the industries in which our licensees compete.

Convertible note hedge and warrant transactions that we have entered into may affect the value of our common stock.

In connection with the initial sale of our convertible notes, we entered into convertible note hedges with affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Lehman Brothers Inc. At such time, the hedging transactions were expected, but were not guaranteed, to eliminate the potential dilution upon conversion of the convertible notes. Concurrently, we entered into warrant transactions with the hedge counterparties.

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On September 15, 2008 and October 3, 2008, respectively, Lehman Brothers Holdings Inc., or Lehman Holdings, and its subsidiary, Lehman Brothers OTC Derivatives Inc., or Lehman OTC, filed for protection under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court in the Southern District of New York. We had purchased 40% of the convertible note hedges from Lehman OTC, or the Lehman note hedges, and we had sold 40% of the warrants to Lehman OTC. Lehman OTC s obligations under the Lehman note hedges are guaranteed by Lehman Holdings. If the Lehman note hedges are rejected or terminated in connection with the Lehman OTC bankruptcy, we would have a claim against Lehman OTC and Lehman Holdings, as guarantor, for the damages and/or close-out values resulting from any such rejection or termination. While we intend to pursue any claim for damages and/or close-out values resulting from the rejection or termination of the Lehman note hedges, at this point in the Lehman bankruptcy cases it is not possible to determine with accuracy the ultimate recovery, if any, that we may realize on potential claims against Lehman OTC or Lehman Holdings, as guarantor, resulting from any rejection or termination of the Lehman note hedges. We also do not know whether Lehman OTC will assume or reject the Lehman note hedges, and therefore cannot predict whether Lehman OTC intends to perform its obligations under the Lehman note hedges. As a result, if Lehman OTC does not perform such obligations and the price of our common stock exceeds the $27.56 conversion price (as adjusted) of the convertible notes, the effective conversion price of the convertible notes (which is higher than the actual $27.56 conversion price due to these hedges) would be reduced and our existing stockholders may experience dilution at the time or times the convertible notes are converted. The extent of any such dilution would depend, among other things, on the then prevailing market price of our common stock and the number of shares of common stock then outstanding, but we believe the impact will not be material and will not affect our income statement presentation. We are not otherwise exposed to counterparty risk related to the Lehman bankruptcies. We currently believe, although there can be no assurance, that the bankruptcy filings and their potential impact on these entities will not have a material adverse effect on our financial position, results of operations or cash flows. We will continue to monitor the bankruptcy filings of Lehman Holdings and Lehman OTC.

Moreover, in connection with the warrant transactions with the counterparties, to the extent that the price of our common stock exceeds the strike price of the warrants, the warrant transactions could have a dilutive effect on our earnings per share.

This offering may be dilutive to our per share earnings.

If we do not make acquisitions which are sufficiently accretive to our earnings, the issuance of common stock in this offering may have a dilutive effect on our expected earnings per share for the year ending December 31, 2009. The actual amount of such dilution cannot be determined at this time and will be based on numerous factors, some of which are outside of our control. Moreover, our ability to meet our previously announced earnings per share guidance, which relates to our existing portfolio of brands only and assumes neither the issuance of shares contemplated in this offering nor any acquisitions, may be adversely affected by the completion of this offering.

Future sales of our common stock may cause the prevailing market price of our shares to decrease.

We have issued a substantial number of shares of common stock that are eligible for resale under Rule 144 of the Securities Act of 1933, as amended, or Securities Act, and that may become freely tradable. We have also already registered a substantial number of shares of common stock that are issuable upon the exercise of options and warrants and have registered for resale a substantial number of restricted shares of common stock issued in connection with our acquisitions. If the holders of our options and warrants choose to exercise their purchase rights and sell the underlying shares of common stock in the public market, or if holders of currently restricted shares of our common stock choose to sell such shares in the public market under Rule 144 or otherwise, the prevailing market price for our common stock may decline. The sale of shares issued upon the exercise of our derivative securities could also further dilute the holdings of our then existing stockholders, including holders of the convertible notes that receive shares of our common stock upon conversion of their notes. In addition, future public sales of shares of our common stock could impair our ability to raise capital by offering equity securities.

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Provisions in our charter and in our share purchase rights plan and Delaware law could make it more difficult for a third party to acquire us, discourage a takeover and adversely affect our stockholders.

Certain provisions of our certificate of incorporation and our share purchase rights plan, either alone or in combination with each other, could have the effect of making more difficult, delaying or deterring unsolicited attempts by others to obtain control of our company, even when these attempts may be in the best interests of our stockholders. Our certificate of incorporation currently authorizes 150,000,000 shares of common stock to be issued. Based on our outstanding capitalization at March 31, 2009, and assuming the exercise of all outstanding options and warrants and the issuance of the maximum number of shares of common stock issuable upon conversion of all of our outstanding convertible notes, there are still a substantial number of shares of common stock available for issuance by our board of directors without stockholder approval. Our certificate of incorporation also authorizes our board of directors, without stockholder approval, to issue up to 5,000,000 shares of preferred stock, in one or more series, which could have voting and conversion rights that adversely affect or dilute the voting power of the holders of our common stock, none of which has been issued to date. Furthermore, under our share purchase rights plan, often referred to as a poison pill, if anyone acquires 15% or more of our outstanding shares, all of our stockholders (other than the acquirer) have the right to purchase additional shares of our common stock for a fixed price. We are also subject to the provisions of Section 203 of the Delaware General Corporation Law, which could prevent us from engaging in a business combination with a 15% or greater stockholder for a period of three years from the date it acquired that status unless appropriate board or stockholder approvals are obtained.

These provisions could deter unsolicited takeovers or delay or prevent changes in our control or management, including transactions in which stockholders might otherwise receive a premium for their shares over the then current market price. These provisions may also limit the ability of stockholders to approve transactions that they may deem to be in their best interests.

We do not anticipate paying cash dividends on our common stock.

You should not rely on an investment in our common stock to provide dividend income, as we have not paid any cash dividends on our common stock and do not plan to pay any in the foreseeable future. Instead, we plan to retain any earnings to maintain and expand our existing licensing operations, further develop our trademarks and finance the acquisition of additional trademarks. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any return on their investment.

Due to the recent downturn in the market, certain of the marketable securities we own may take longer to auction than initially anticipated, if at all.

Marketable securities consist of auction rate securities. From the third quarter of 2007 to the present, our balance of auction rate securities failed to auction due to sell orders exceeding buy orders. These funds will not be available to us until a successful auction occurs or a buyer is found outside the auction process. As a result, $13.0 million of auction rate securities have been written down to approximately $7.5 million, based on our analysis, as an unrealized pre-tax loss to reflect a temporary decrease in fair value, reflected as an accumulated other comprehensive loss of $5.5 million in the stockholders equity section of our unaudited condensed consolidated balance sheet. We estimated the fair value of our auction rate securities using a discounted cash flow model where we used the expected rate of interest to be received. We believe this decrease in fair value is temporary due to general macroeconomic market conditions, and interest is being paid in full as scheduled. Further, we have the ability and intent to hold the securities until an anticipated full redemption, and we have no reason to believe that any of the underlying issuers of these auction rate securities or third-party insurers are presently at risk of default. However, there are no assurances that a successful auction will occur, or that we can find a buyer outside the auction process.

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A decline in general economic conditions resulting in a decrease in consumer-spending levels and an inability to access capital may adversely affect our business.

Many economic factors beyond our control may impact our forecasts and actual performance. These factors include consumer confidence, consumer spending levels, employment levels, availability of consumer credit, recession, deflation, inflation, a general slowdown of the U.S. economy or an uncertain economic outlook. Furthermore, changes in the credit and capital markets, including market disruptions, limited liquidity and interest rate fluctuations, may increase the cost of financing or restrict our access to potential sources of capital for future acquisitions.

USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of the 9,200,000 shares we are offering in this offering will be approximately $ million ($ million in the event the underwriters exercised their option to purchase additional shares of common stock in full) and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We will not receive any of the proceeds from the sale of shares by the selling stockholders, including our chairman of the board, president and chief executive officer. See Principal and Selling Stockholders.

We intend to use these net proceeds for general corporate purposes, which may include, among other things, funding acquisitions, although we have no present commitments or agreements with respect to any such transactions. Pending the application of such proceeds, we expect to invest the proceeds in short-term, interest bearing, investment-grade marketable securities or money market obligations.

PRICE RANGE OF OUR COMMON STOCK

Our common stock is listed on the Nasdaq Global Market under the symbol ICON . The following table sets forth the high and low sales prices per share of our common stock for the periods indicated, as reported on the Nasdaq Global Market:

	High	Low
Year ending December 31, 2009		
Second Quarter (through May 31, 2009)	$ 17.91	$ 8.55
First Quarter	$ 9.89	$ 6.73
Year ended December 31, 2008		
Fourth Quarter	$ 14.13	$ 5.11
Third Quarter	14.40	10.26
Second Quarter	19.23	11.86
First Quarter	22.80	15.96
Year ended December 31, 2007		
Fourth Quarter	$ 24.04	$ 18.61
Third Quarter	24.48	18.41
Second Quarter	23.37	18.84
First Quarter	23.13	18.01

As of June 1, 2009, the closing sale price of our common stock as reported on the Nasdaq Global Market was $16.82 per share. As of May 1, 2009, there were 2,122 holders of record of our common stock.

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DIVIDEND POLICY

We have never declared or paid any cash dividends on our common stock since our inception and we do not anticipate paying any such cash dividends in the foreseeable future. Payment of cash dividends will be at the discretion of our board of directors and will depend upon our financial condition, operating results, capital requirements, contractual restrictions, restrictions imposed by applicable law and other factors our board of directors deems relevant. Our ability to pay dividends on our common stock may also be prohibited by our current and future indebtedness.

CAPITALIZATION

The following table presents our consolidated cash and capitalization as of March 31, 2009, both:

on an actual basis; and

on an as adjusted basis to reflect our receipt of the estimated net proceeds from the sale by us in this offering of 9,200,000 shares of our common stock, the issuance of 511,759 shares upon the exercise of options by the selling stockholders at a weighted-average exercise price of $1.24 per share, after deducting the underwriting discounts and commissions and the estimated offering expenses payable by us. See Use of Proceeds.

You should read this table together with Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus supplement and with our consolidated financial statements and related notes that are included herein and/or incorporated by reference in this prospectus supplement and the accompanying prospectus:

	As of March 31, 2009	
(In thousands, except par value and footnotes)	**Actual**	**As Adjusted**
Cash (including restricted cash of $5,103)	$ 43,195	$
Long-term debt, including current maturities:		
Convertible notes[1]	$ 236,935	$
Term loan facility	217,187	
Asset-backed notes	111,716	
Sweet note	12,186	
Total	578,024	
Stockholders equity:		
Common stock, $.001 par value, authorized 150,000 shares (actual and as adjusted); 58,077 shares issued and outstanding (actual) and shares issued and outstanding (as adjusted)	58	
Additional paid-in capital	535,244	
Retained earnings	136,007	
Accumulated other comprehensive loss	(3,912)	
Treasury stock 1,125 shares at cost	(7,167)	
Total Iconix Stockholders Equity	660,230	
Non-controlling interest	1,920	
Total Stockholders Equity	662,150	
Total Liabilities and Stockholders Equity	$ 1,398,088	$

(1) Reflects the net debt carrying amount of the convertible notes as adjusted for the adoption of FSP APB 14-1. The principal amount owed to the holders of the convertible notes is $287.5 million.

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As of May 1, 2009, we had 59,287,902 shares of common stock outstanding, excluding:

- 286,900 shares of common stock underlying warrants outstanding as of May 1, 2009 at a weighted average exercise price of $16.99 per share; and

- 3,727,137 shares of common stock underlying options outstanding as of May 1, 2009 at a weighted average exercise price of $4.54 per share, including 511,759 shares which will be issued upon the exercise of options by selling stockholders, and sold by them, in connection with this offering.

Unless we specifically state otherwise, information in this prospectus supplement regarding the number of shares of our common stock outstanding after this offering also assumes that (a) none of the circumstances necessary for the conversion of our outstanding convertible notes has occurred and (b) the underwriters do not exercise their option to purchase up to 1,500,000 additional shares of our common stock within 30 days after the date of this prospectus supplement.

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SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA

The following table sets forth selected consolidated historical financial data for the periods and as of the dates indicated. We have derived the selected historical consolidated financial data presented as of December 31, 2008 and 2007, and for the fiscal years ended December 31, 2008, 2007 and 2006 from our audited consolidated financial statements, which are included herein and/or incorporated by reference in this prospectus supplement and the accompanying prospectus. The selected historical consolidated financial data presented as of the years ended December 31, 2006, 2005 and 2004, and for the year ended December 31, 2005 and the 11 months ended December 31, 2004 have been derived from our audited financial statements for such periods, which are not included in, or incorporated into, this prospectus supplement or the accompanying prospectus but can be found in our publicly available documents filed with the Securities and Exchange Commission, herein referred to as the SEC. The selected historical consolidated financial data presented as of March 31, 2009 and for the three months ended March 31, 2009 and 2008 have been derived from our unaudited condensed consolidated financial statements incorporated by reference, which in the opinion of our management included all adjustments, consisting of primarily normal recurring adjustments, that we consider necessary for a fair presentation of our financial position and results of the operations as of such date and for such unaudited periods. The historical results are not necessarily indicative of results to be expected for future periods, and results for the three months ended March 31, 2009 are not necessarily indicative of results that may be expected for the entire year ending December 31, 2009. You should read the information presented below in conjunction with the section in this prospectus supplement entitled Management s Discussion and Analysis of Financial Condition and Results of Operations and with our consolidated financial statements and the related notes included herein and/or incorporated by reference into this prospectus supplement and the accompanying prospectus.

As described below, the comparability of the selected data for the periods presented has been affected by several events:

Beginning in 2005, in keeping with the lower risk profile of our brand management model, we changed our business practices with respect to our Bright Star subsidiary (which, prior to such time, had acted as an indirect supplier of footwear under various private label programs) such that it began acting solely as an agent for, as opposed to an indirect wholesaler to, its private label clients and its revenues started being recognized solely from its net agent commissions and no longer from gross product sales as they were prior to such time. As a result of the foregoing events, by January 1, 2005, we had completed our transition to a brand management company and no longer had any product inventory or wholesale or retail sales or operations. Since then, we have only licensing and commission revenues, which include the licensing revenues for all of our brands and Bright Star s net commission revenues.

In addition, in December 2004, in order to align our financial reporting with that of our licensees, we determined to change our fiscal year end from January 31 to December 31, effective commencing with the period ended December 31, 2004. As a result, while our four most recently completed fiscal years (the year ended December 31, 2008, or fiscal 2008, the year ended December 31, 2007, or fiscal 2007, the year ended December 31, 2006, or fiscal 2006, and the year ended December 31, 2005, or fiscal 2005) commenced on January 1 and ended on December 31, our transitional period, which commenced on February 1, 2004 and ended on December 31, 2004 was reported as an 11-month year, which we sometimes refer to as the 11-month 2004 period.

As a result of our transition to a brand management business, and to a lesser extent, our change in fiscal year end, our operating results for the periods after the 11-month 2004 period are not, and are not expected to be, comparable to prior periods. Further, as a result of our acquisitions in fiscal 2005 and to a lesser extent the change in Bright Star revenue recognition, our operating results for fiscal 2005 are not comparable to prior periods and, as a result of our acquisitions of brands in fiscal 2006, fiscal 2007 and fiscal 2008, our operating results for each of fiscal 2006, fiscal 2007 and fiscal 2008 are not comparable to the periods prior thereto.

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(In thousands, except per share data)	11 months ended December 31, 2004	Fiscal year ended December 31, 2005	2006	2007[1]	2008[1][3]	Three months ended March 31, 2008[1]	2009
Consolidated statements of operations data:							
Licensing and commission revenue	$ 10,553	$ 30,156	$ 80,694	$ 160,004	$ 216,761	$ 55,667	$ 50,501
Net sales	58,427						
Net revenues	68,980	30,156	80,694	160,004	216,761	55,667	50,501
Cost of goods sold	55,795						
Gross profit	13,185	30,156	80,694	160,004	216,761	55,667	50,501
Selling, general and administrative expenses	9,948	13,329	24,527	44,254	73,816	18,711	16,270
Expense related to specific litigation, net[2]	295	1,466	2,494	(6,039)	893	191	54
Operating income	2,942	15,361	53,673	121,789	142,052	36,765	34,177
Other expenses net[5]	2,701	4,453	13,837	31,231	44,967	11,380	9,798
Income before income taxes	241	10,908	39,836	90,558	97,085	25,385	24,379
Provision (benefit) for income taxes[4]		(5,035)	7,335	30,294	34,177	8,864	8,730
Net income	$ 241	$ 15,943	$ 32,501	$ 60,264	$ 62,908	$ 16,521	$ 15,649
Earnings per share:							
Basic	$ 0.01	$ 0.51	$ 0.81	$ 1.06	$ 1.09	$ 0.29	$ 0.27
Diluted	$ 0.01	$ 0.46	$ 0.72	$ 0.98	$ 1.03	$ 0.27	$ 0.26
Weighted average number of common shares outstanding:							
Basic	26,851	31,284	39,937	56,694	57,810	57,422	58,044
Diluted	28,706	34,773	45,274	61,426	61,248	61,350	60,892
Consolidated statements of cash flow data:[6]							
Net cash provided by operating activities	$ 4,809	$ 15,982	$ 29,331	$ 83,687	$ 89,243	$ 19,126	$ 25,717
Cash flows used in investing activities:							
Purchases of property and equipment	$ (30)	$ (731)	$ (739)	$ (134)	$ (6,281)	$ (438)	$ (11)
Earn-out payment on acquisition							(6,667)
Purchases of equity securities of other entities		(663)					
Sale of equity securities of other entities		110					
Acquisition of Badgley Mischka	(372)						
Acquisition of Joe Boxer		(40,755)					
Acquisition of Rampage		(26,159)					
Acquisition of Mudd			(46,728)				
Purchase of London Fog trademarks			(31,034)				
Acquisition of Mossimo, net of cash acquired			(85,438)				
Acquisition of Ocean Pacific			(10,491)				
Acquisition of Danskin				(71,302)			
Acquisition of Rocawear				(206,057)	(1,123)		
Acquisition of Official-Pillowtex				(233,781)	(5,001)		
Acquisition of Starter				(60,319)			
Acquisition of Artful Dodger by Scion LLC				(13,358)			
Acquisition of Waverly					(27,619)		
Investment in joint venture					(2,000)		
Payment of accrued expenses related to acquisitions					(1,630)		
Collection of promissory note					1,000	500	
Purchase of other trademarks	(19)	(320)	(2,328)	(215)	(1,420)	(106)	(58)
Purchase of marketable securities				(196,400)			
Sale of marketable securities				183,400			
Net cash used in investing activities	$ (421)	$ (68,518)	$ (176,758)	$ (598,166)	$ (44,074)	$ (44)	$ (6,736)
Net cash (used in) provided by financing activities	$ (6,391)	$ 59,861	$ 213,406	$ 488,974	$ (26,833)	$ (14,652)	$ (47,293)

(*Footnotes on following page*)

(1) As adjusted, due to implementation of FSP APB 14-1.

(2) Includes expenses related to specific litigation (formerly known as special charges) of $0.1 million and $0.2 million for the Current Quarter and the Prior Year Quarter, respectively, $0.9 million in fiscal 2008, a net benefit from expenses related to specific litigation of $6.0 million in fiscal 2007, expenses related to specific litigation of $2.5 million in fiscal 2006, $1.5 million in fiscal 2005 and $0.3 million in the 11-month 2004 period. Further, included in operating income for the 11-month 2004 period and fiscal 2005 was an adjustment for the shortfall payment relating to Unzipped Apparel, LLC, herein refer to as Unzipped, of $7.6 million and $0.5 million, respectively.

(3) During fiscal 2008, fiscal 2007, fiscal 2006, fiscal 2005 and the 11-month 2004 period made one, four and four, two and one acquisitions, respectively.

(4) In fiscal 2006 and fiscal 2005, we recognized a net non-cash tax benefit of $6.2 million and $5.0 million, respectively by reducing the valuation allowance on the deferred tax asset related to our net operating loss carryforwards.

(5) Includes equity gain/loss on joint venture and other, which was a gain of less than $0.1 million for the Current Quarter, and a loss of $0.5 million for fiscal 2008. There was no such gain or loss in the other periods presented above.

(6) The cash flow information provided in this table is incomplete in that it does not show the individual components of net cash provided by operating activities or net cash provided by financing activities and should be read in the context of the complete cash flow statements included in our financial statements, which are included herein and/or incorporated by reference in this prospectus supplement and the accompanying prospectus.

Consolidated balance sheet data (in thousands):	**As of December 31,**					**As of March 31,**
	2004	**2005**	**2006**	**2007[1]**	**2008[1]**	**2009**
Cash[2]	$ 798	$ 11,687	$ 77,840	$ 53,272	$ 67,279	$ 43,195
Working capital	$ (5,984)	$ (4,388)	$ 64,124	$ 19,458	$ 27,160	$ 33,348
Total assets	$ 60,160	$ 217,244	$ 696,244	$ 1,336,130	$ 1,420,259	$ 1,398,088
Total current liabilities	$ 15,611	$ 26,733	$ 35,705	$ 76,410	$ 103,203	$ 72,085
Long-term debt, less current portion	$ 19,925	$ 85,414	$ 140,676	$ 588,311	$ 545,226	$ 531,503
Other liabilities	$ 366	$ 4,201	$ 54,406	$ 105,671	$ 127,741	$ 132,350
Stockholders equity	$ 24,258	$ 100,896	$ 465,457	$ 565,738	$ 644,089	$ 662,150

(1) As adjusted, due to implementation of FSP APB 14-1.

(2) Including restricted cash of $0.5 million, $4.1 million, $4.3 million, $5.2 million, $0.9 million and $5.1 million at December 31, 2004, 2005, 2006, 2007 and 2008 and March 31, 2009, respectively.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with Selected Consolidated Historical Financial Data and our consolidated financial statements and the related notes included herein and/or incorporated by reference into this prospectus supplement and the accompanying prospectus. This discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, those set forth under Risk Factors and elsewhere in this prospectus supplement or in documents incorporated by reference into this prospectus supplement and the accompanying prospectus.

Overview

We are a brand management company engaged in licensing, marketing and providing trend direction for a diversified and growing consumer brand portfolio. Our brands are sold across every major segment of retail distribution, from luxury to mass. As of March 31, 2009, we owned 17 iconic consumer brands: Candie s, Bongo, Badgley Mischka, Joe Boxer, Rampage, Mudd, London Fog, Mossimo, Ocean Pacific/OP, Danskin, Rocawear, Cannon, Royal Velvet, Fieldcrest, Charisma, Starter, and Waverly. In addition, Scion LLC, a joint venture in which we have a 50% investment, owns the Artful Dodger brand. On May 4, 2009, we acquired a 50% interest in Hardy Way, LLC, the owner of the Ed Hardy brand and trademarks. We license our brands worldwide through approximately 200 direct-to-retail and wholesale licenses for use across a wide range of product categories, including footwear, fashion accessories, sportswear, home products and décor, and beauty and fragrance. Our business model allows us to focus on our core competencies of marketing and managing brands without many of the risks and investment requirements associated with a more traditional operating company. Our licensing agreements with leading retail and wholesale partners throughout the world provide us with a predictable stream of guaranteed minimum royalties.

Our growth strategy is focused on increasing licensing revenue from our existing portfolio of brands through adding new product categories, expanding the retail penetration of our existing brands and optimizing the sales of our licensees. We will also seek to continue the international expansion of our brands by partnering with leading licensees and/or joint venture partners throughout the world. Finally, we believe we will continue to acquire iconic consumer brands with applicability to a wide range of merchandise categories and an ability to further diversify our brand portfolio.

We have focused and continue to focus on cost-saving measures. These measures have included a reduction of the total number of total full-time employees in the Current Quarter, as well as a continued review of all operating expenses.

For the Three Months Ended March 31, 2009

Revenue. Revenue for the three months ended March 31, 2009, or Current Quarter, decreased to $50.5 million from $55.7 million for the three months ended March 31, 2008, or Prior Year Quarter. The primary driver of this decrease was attributable to our Mudd brand, which is being transitioned to a direct-to-retail license with Kohl s and will only first be launched in Kohl s stores in the second half of 2009.

Operating Expenses. Consolidated selling, general and administrative, herein referred to as SG&A, expenses totaled $16.3 million in the Current Quarter compared to $18.7 million in the Prior Year Quarter. The decrease of $2.4 million was driven by a variety of cost saving initiatives, including: (i) a decrease of approximately $0.6 million in payroll costs related to a reduction in employee headcount, which was partially offset by the cost of severance for terminated employees; (ii) a decrease of approximately $0.6 million in advertising and marketing related expenses; (iii) a decrease of $0.5 million in professional fees; and (iv) a decrease of $0.3 million in employee travel related expenses.

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For the Current Quarter and the Prior Year Quarter, our expenses related to specific litigation included an expense for professional fees of approximately $0.1 million and $0.2 million, respectively, relating to litigation involving Unzipped.

Operating Income. Operating income for the Current Quarter decreased to $34.2 million, or approximately 68% of total revenue, compared to $36.8 million or approximately 66% of total revenue in the Prior Year Quarter. The increase in our operating margin percentage is primarily the result of the decrease in SG&A, offset by the decrease in revenue, for the reasons detailed above.

Other Expenses Net. Other expenses net decreased by $1.6 million in the Current Quarter to $9.8 million, compared to other expenses net of $11.4 million for the Prior Year Quarter. This decrease was primarily due to interest expense related to our variable rate debt, which decreased as a result of both a lower average debt balance as well as a decrease in our effective interest rate to 3.71% in the Current Quarter from 7.08% in the Prior Year Quarter. This was offset by a decrease in interest income related to a decrease in interest rates on money invested by us during the Current Quarter.

Provision for Income Taxes. The effective income tax rate for the Current Quarter is approximately 35.8% resulting in the $8.7 million income tax expense, as compared to an effective income tax rate of 34.9% in the Prior Year Quarter which resulted in the $8.9 million income tax expense.

Net Income. Our net income was $15.6 million in the Current Quarter, compared to net income of $16.5 million in the Prior Year Quarter, as a result of the factors discussed above.

Fiscal 2008 Compared to Fiscal 2007

Revenue. Revenue for fiscal 2008 increased to $216.8 million from $160.0 million during fiscal 2007. During fiscal 2008, we recorded a non-cash gain of approximately $2.6 million related to the sale of trademarks to our joint venture in China, and a gain of $5.7 million related to the Iconix Latin America transaction. The two largest drivers of the growth of $48.5 million were a full year of revenue generated from the fiscal 2007 acquisitions of Danskin, Rocawear, the Official-Pillowtex brands (*i.e.*, Cannon, Royal Velvet, Fieldcrest, Charisma), Artful Dodger, and Starter, which in the aggregate contributed approximately $57.1 million, as well as approximately $1.4 million contributed by the fiscal 2008 acquisition of Waverly, which had no comparable revenue in fiscal 2007. For brands owned for the full year in fiscal 2008 and fiscal 2007, revenue remained approximately flat, excluding the Mudd brand, which began a transition to a direct-to-retail license with Kohl s in November 2008, and the Ocean Pacific/OP brand, which began a transition to a direct-to-retail license with Wal-Mart in August 2007 and was re-launched in Wal-Mart stores in Spring 2008.

Operating Expenses. SG&A expenses totaled $73.8 million in fiscal 2008 compared to $44.3 million in fiscal 2007. The increase of $29.5 million was primarily related to: (i) an increase of approximately $12.5 million in payroll costs, primarily due to an increase of $7.5 million in non-cash stock compensation expense (from $1.8 million in fiscal 2007 to $9.3 million in fiscal 2008), of which $6.9 million of the increase related to the new employment contract with our chairman, chief executive officer and president, with the balance of the aggregate increase in payroll costs attributable to the increase in employee headcount mainly related to our fiscal 2007 and fiscal 2008 acquisitions; (ii) an increase of approximately $7.3 million in advertising mainly driven by advertising related to brands acquired in fiscal 2007; (iii) amortization of intangible assets (mainly contracts and non-compete agreements) as a direct result of the Danskin, Rocawear, Official-Pillowtex, Starter, Artful Dodger and Waverly brand acquisitions, which accounted for $4.7 million in fiscal 2008 and $2.0 million in fiscal 2007; and (iv) an increase of $4.1 million in professional fees primarily related to increased maintenance costs on trademarks acquired through recent acquisitions.

For fiscal 2008 and fiscal 2007, our expenses related to specific litigation, formerly known as special charges, included an expense for professional fees of $0.9 million and a net benefit of $6.0 million, respectively, relating to litigation involving Unzipped.

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Operating Income. Operating income for fiscal 2008 increased to $142.1 million, or approximately 66% of total revenue, compared to $121.8 million or approximately 76% of total revenue in fiscal 2007. The decrease in our operating margin percentage is primarily the result of the increase in operating expenses for the reasons detailed above.

Other Expenses Net. Other expenses net increased by approximately $13.8 million in fiscal 2008 to approximately $45.0 million, compared to other expenses net of approximately $31.2 million in fiscal 2007. This increase was due to several factors: (i) an increase in our debt in connection with the acquisitions of Rocawear, Official-Pillowtex and Starter; (ii) interest expense related to the Sweet note (which is discussed below); and (iii) a decrease in interest income related to a combination of our higher cash balance during fiscal 2007 related to the proceeds from the convertible notes and a decrease in interest rates on money invested by us in fiscal 2008. This increase in interest expense was partially offset by a decrease in interest rates for our variable rate debt (*i.e.,* our term loan facility) and interest income related to our judgment against Hubert Guez and Apparel Distribution Service LLC, or ADS. Specifically, for fiscal 2008, there was a total interest expense relating to the term loan facility, convertible notes and our judgment against Guez and ADS of approximately $15.5 million, $18.5 million (including non-cash interest of $12.2 million related to the retrospective implementation of FSP APB 14-1) and $1.0 million, respectively, with no comparable interest expense in fiscal 2007. Deferred financing costs increased by $0.3 million in fiscal 2008 to $2.3 million from $2.0 million in fiscal 2007 due to additional financing obtained in fiscal 2007. Further, during fiscal 2008 we recorded a loss of $0.5 million from our 50% equity investment in Iconix China. The Sweet note is described in Management s Discussion and Analysis of Financial Condition and Results of Operations Obligations and Commitments the Sweet Note .

Provision for Income Taxes. The effective income tax rate for fiscal 2008 is approximately 35.2% resulting in the $34.2 million income tax expense, as compared to an effective income tax rate of 33.5% in fiscal 2007 which resulted in the $30.3 million income tax expense.

Net Income. Our net income was $62.9 million in fiscal 2008, compared to net income of $60.3 million in fiscal 2007, as a result of the factors discussed above.

Fiscal 2007 Compared to Fiscal 2006

Revenue. Revenue for fiscal 2007 increased to $160.0 million from $80.7 million during fiscal 2006. The two largest drivers of the growth of $79.3 million were a full year of revenue generated from the acquisitions of Mudd, London Fog, Mossimo and Ocean Pacific made during fiscal 2006 which contributed approximately $37.1 million, as well as approximately $49.3 million contributed by the fiscal 2007 acquisitions of Danskin, Rocawear, the Official-Pillowtex brands (*i.e.,* Cannon, Royal Velvet, Fieldcrest, Charisma) and Starter, which had no comparable revenue in fiscal 2006. For brands owned for the full year in fiscal 2007 and fiscal 2006, revenue increased approximately 5%, excluding the Joe Boxer license with Kmart, which was renewed at lower guaranteed minimum royalties while extended for an additional term of four years and providing for expansion into Sears stores.

Operating Expenses. SG&A expenses totaled $44.3 million in fiscal 2007 compared to $24.5 million in fiscal 2006. The increase of $19.8 million was primarily related to (i) an increase of approximately $6.7 million in advertising mainly driven by increased advertising related to brands acquired in fiscal 2007, with no comparable advertising expense in fiscal 2006 and (ii) an increase of approximately $5.6 million in payroll costs due to an increase in employee headcount of 48 people (comparing year-over-year ending headcount) relating primarily to our fiscal 2007 acquisitions of Rocawear and Starter. Further, for fiscal 2007, non-cash items consisting of the amortization of restricted stock awards, and the amortization of intangible assets (mainly contracts and non-competes) as a direct result of the Mossimo, Ocean Pacific, Danskin, Rocawear and the Pillowtex brands acquisitions which accounted for $1.7 million and $3.4 million, respectively.

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For fiscal 2007 our expenses related to specific litigation, formerly known as special charges, included $6.0 million net benefit, as compared to expenses related to specific litigation of $2.5 million in fiscal 2006, both years relating to litigation involving Unzipped. The $6.0 million net benefit includes approximately $3.4 million in legal expenses and a $9.4 million benefit relating to the judgment received in November 2007 relating to the Unzipped litigation. Expenses related to specific litigation for fiscal 2006 is comprised of legal expenses involving the Unzipped litigation.

Operating Income. Operating income for fiscal 2007 increased to $121.8 million, or approximately 76% of total revenue, compared to $53.7 million or approximately 67% of total revenue in fiscal 2006. The increase in our operating margin percentage is primarily the result of increased revenues relating to the fiscal 2007 acquisitions and a full year of revenue for fiscal 2006 acquisitions while leveraging off of the existing infrastructure and making modest additions to SG&A compared to the increase in revenue.

Other Expenses Net. Interest expense increased by $23.7 million in fiscal 2007 to $38.8 million, compared to interest expense of $15.1 million in fiscal 2006. This increase was due primarily to an increase in our debt financing arrangements in connection with the acquisitions of Rocawear, Official-Pillowtex and Starter, the retrospective implementation of FSP APB 14-1 as it relates to our convertible notes, as well as interest related to our judgment against Guez and ADS. Specifically, for fiscal 2007, there was a total interest expense relating to the term loan facility, convertible notes and our judgment against Guez and ADS of approximately $12.4 million, $9.1 million (including non-cash interest of $5.9 million related to the retrospective implementation of FSP APB 14-1) and $2.8 million, respectively, with no comparable interest expense in fiscal 2006. Deferred financing costs increased by $0.7 million in fiscal 2007 to $1.4 million from $0.7 million in fiscal 2006 due to additional financing obtained in fiscal 2007. Interest income increased by $6.3 million in fiscal 2007 from $1.2 million to $7.5 million. This increase was primarily driven by higher levels of cash balances throughout the year as compared to fiscal 2006 due to (i) cash generated from operations and (ii) cash raised through debt and equity financing which was on hand for during the first and third quarter of fiscal 2007 before used for acquisitions.

Provision for Income Taxes. The effective income tax rate for fiscal 2007 is approximately 33.5% resulting in the $30.3 million income tax expense. This difference between the effective tax rate and the statutory rate of 35%, is mainly driven by the benefit in state income taxes and relates to fluctuations in state rates expected to be realized by us due to new or revised tax legislation as well as changes we have recently experienced in the level of business performed within specific tax jurisdictions. Fiscal 2006 had a $7.3 million income tax expense due primarily to a reduction in our valuation allowance.

Net Income. Our net income was $60.3 million in fiscal 2007, compared to net income of $32.5 million in fiscal 2006, as a result of the factors discussed above.

Liquidity and Capital Resources

Liquidity

Our principal capital requirements have been to fund acquisitions, working capital needs, and to a lesser extent, capital expenditures. We have historically relied on internally generated funds to finance our operations and our primary source of capital needs for acquisition has been the issuance of debt and equity securities. At March 31, 2009 and December 31, 2008, our cash totaled $43.2 million and $67.3 million, respectively, including short-term restricted cash of $5.1 million and $0.9 million, respectively. Of the $5.1 million of short-term restricted cash at March 31, 2009, $4.1 million is in a cash collateral account in our name**.**

The term loan facility requires us to repay the principal amount of the term loan outstanding in an amount equal to 50% of the excess cash flow of the subsidiaries subject to the term loan facility for the most recently completed fiscal year. During the Current Quarter, we paid $38.7 million of the principal balance of the term loan facility, which represents 50% of the excess cash flow of the subsidiaries subject to the term loan facility for the year ended December 31, 2008.

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On May 4, 2009, we acquired a 50% interest in Hardy Way, the owner of the Ed Hardy brand and trademarks, for $17.0 million, including $9.0 million in cash, and such cash portion was funded entirely from cash on hand.

We believe that cash from future operations as well as currently available cash will be sufficient to satisfy our anticipated working capital requirements for the foreseeable future. We intend to continue financing future brand acquisitions through a combination of cash from operations, bank financing and the issuance of additional equity and/or debt securities.

As of March 31, 2009, our marketable securities consist of auction rate securities. Beginning in the third quarter of 2007, $13.0 million of our auction rate securities had failed auctions due to sell orders exceeding buy orders. These funds will not be available to us until a successful auction occurs or a buyer is found outside the auction process. As a result, $13.0 million of auction rate securities have been written down to $7.5 million, using Level 3 inputs with present value techniques as described by the fair value hierarchy and the income approach outlined in SFAS 157, as a cumulative unrealized pre-tax loss of $5.5 million to reflect a temporary decrease in fair value. As the write-down of $5.5 million has been identified as a temporary decrease in fair value, the write-down has not impacted our earnings and is reflected as an other comprehensive loss in the stockholders equity section of our consolidated balance sheet. We estimated the fair value of our auction rate securities using a discounted cash flow model where we used the expected rate of interest to be received. We believe this decrease in fair value is temporary due to general macroeconomic market conditions, and interest is being paid in full as scheduled. Further, we have the ability and intent to hold the securities until an anticipated full redemption, and we have no reason to believe that any of the underlying issuers of these auction rate securities or third-party insurers are presently at risk of default. We believe our cash flow from future operations and our existing cash on hand will be sufficient to satisfy our anticipated working capital requirements for the foreseeable future, regardless of the timeliness of the auction process.

Changes in Working Capital

At March 31, 2009 and December 31, 2008 the working capital ratio (current assets to current liabilities) was 1.46 to 1 and 1.26 to 1, respectively. This increase in our working capital ratio was driven by the factors set forth below:

Operating Activities

Net cash provided by operating activities increased $6.6 million to $25.7 million in the Current Quarter from $19.1 million of net cash provided by operating activities in the Prior Year Quarter. This increase is primarily due to an increase of $1.0 million in our non-cash deferred income taxes to $5.6 million in the Current Quarter as compared to $4.6 million in the Prior Year Quarter; a decrease of $1.7 million in prepaid advertising and other, as compared to an increase of $1.2 million in the Prior Year Quarter, and an increase in accounts receivable of $0.6 million in the Current Quarter as compared to an increase of $7.1 million in the Prior Year Quarter. The increases in accounts receivable and prepaid advertising and other in the Prior Year Quarter were primarily related to acquisitions made during the three months ended December 31, 2007. There was no such impact in the Current Quarter as there were no new acquisitions in the Current Quarter, and the acquisition of Waverly during the three months ended December 31, 2008 only accounted for approximately $1.4 million of our $47.1 million balance of accounts receivable at December 31, 2008. The aggregate of these increases to our cash provided by operating activities was offset by a decrease of $0.5 million in stock option expense to $1.6 million in the Current Quarter from $2.1 million in the Prior Year Quarter, a decrease of $1.1 million in accounts payable and accrued expenses in the Current Quarter as compared to an increase of $0.9 million in accounts payable and accrued expenses in the Prior Year Quarter, and an increase of $0.5 million in other assets in the Current Quarter as compared to a decrease of $0.4 million in other assets in the Prior Year Quarter.

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Net cash provided by operating activities totaled $89.2 million fiscal 2008, as compared to $83.7 million of net cash provided by operating activities in fiscal 2007. Cash provided by operating activities in fiscal 2008 totaled $89.2 million primarily due to net income of $62.9 million, stock-based compensation expense of $9.3 million of which $6.9 million can be directly attributed to our new contract with the chief executive officer, amortization of intangibles of $7.3 million of which $2.3 million relates to one additional quarter of amortization for those brands acquired at the end of the first quarter of 2007 (*i.e.*, Danskin and Rocawear) as well as three additional quarters of amortization for the Official-Pillowtex, Artful Dodger and Starter brands, and a full year of amortization of our convertible note discount which totaled $13.1 million in 2008 (due to the retrospective implementation of FSP APB 14-1), offset primarily by increases of $17.2 million in accounts receivable and $10.0 million in prepaid advertising and other primarily due to our 2007 acquisitions having been included in our operations for a full year, and non-cash gains from the sale of trademarks and the sale of a 50% interest in our subsidiary of $2.6 million and $4.7 million, respectively. We continue to rely upon cash generated from licensing operations to finance our operations.

Investing Activities

Net cash used in investing activities increased approximately $6.7 million to $6.7 million in the Current Quarter from less than $0.1 million of net cash used in investing activities in the Prior Year Quarter. This increase is primarily due to earn-out payments totaling $6.7 million made during the Current Quarter relating to the Official-Pillowtex acquisition.

Net cash used in investing activities in fiscal 2008 totaled $44.1 million, as compared to $598.2 million used in fiscal 2007. In fiscal 2008, we used $27.6 million in connection with the acquisition of certain assets related to the Waverly brand, we paid cash earn-outs of $5.0 million related to our acquisition of Official-Pillowtex and $1.1 million related to our acquisition of Rocawear, which were recorded as increases to goodwill; in addition, we made an initial cash contribution of $2.0 million to our 50% owned joint venture in China. The aggregate of cash used in these investing activities was offset by collection of $1.0 million related to an outstanding promissory note. In fiscal 2007, we paid $71.3 million in cash for certain assets related to the Danskin brand, $206.1 million in cash for certain assets related to the Rocawear brand, $233.8 million in cash for certain assets related to the Official-Pillowtex brands, $60.3 million in cash for certain assets related to the Starter brand, and $196.4 million for the purchase of certain marketable securities, offset by the sale of $183.4 million of those marketable securities. Capital expenditures for fiscal 2008 were $6.3 million, compared to $0.1 million in capital expenditures in fiscal 2007, primarily relating to the purchase of fixtures for certain brands.

Financing Activities

Net cash used in financing activities increased $32.6 million to $47.3 million in the Current Quarter from $14.7 million of net cash used in financing activities in the Prior Year Quarter. This increase is primarily due to payment of long term debt. Specifically, our payment in the Prior Year Quarter of 50% of our excess cash flow from the subsidiaries subject to the term loan facility for fiscal 2007 was $15.6 million, as compared to our payment in the Current Quarter of $38.7 million, which represented 50% of our excess cash flow from the subsidiaries subject to the term loan facility for fiscal 2008. Additionally, short-term restricted cash increased $4.2 million primarily as a result of an investment through our joint venture Scion, which was offset by a non-controlling interest contribution of $2.1 million. Further, in the Current Quarter the tax benefit from share-based payment arrangements was $0.3 million, as compared to a $4.0 million tax benefit in the Prior Year Quarter. Lastly, during the Current Quarter we repurchased shares of our common stock for $1.5 million related to a stock repurchase plan authorized by our Board of Directors in November 2008. There were no such repurchases in the Prior Year Quarter.

Net cash used in financing activities was $26.8 million in fiscal 2008, compared with $489.0 million of net cash provided by financing activities in fiscal 2007. Of the $26.8 million in net cash used in financing activities, $36.0 million was used for principal payments related to the asset-backed notes and the term loan facility, $3.2

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million was used to repurchase shares in net share settlements upon the vesting of certain employees restricted stock, and $1.8 million was used to repurchase shares in the open market in accordance with our new stock repurchase plan. This was offset by $8.3 million from the excess tax benefit from share-based payment arrangements, $2.3 million from net proceeds in connection with the exercise of stock options and warrants, and a net decrease of $3.6 million in total restricted cash.

Obligations and Commitments

Convertible notes. In June 2007, we completed the sale of $287.5 million principal amount of our convertible notes in a private offering to certain institutional investors from which we received net proceeds of approximately $281.1 million. The convertible notes bear interest at an annual rate of 1.875%, payable semi-annually in arrears on June 30 and December 31 of each year, commencing as of December 31, 2007. At March 31, 2009 and December 31, 2008, the net debt balance of the convertible notes was $236.9 million and $234.0 million, respectively, which reflects the implementation of FSP APB 14-1. However, the principal amount owed to the convertible note holders is $287.5 million.

Concurrently with the sale of the convertible notes, we purchased note hedges for approximately $76.3 million and issued warrants to the hedge counterparties for proceeds of approximately $37.5 million. These transactions will generally have the effect of increasing the conversion price of the convertible notes (by 100% based on the price of our common stock at the time of the offering). As a result of these transactions, we recorded a reduction to additional paid-in-capital of $12.1 million. These note hedges and warrants are separate and legally distinct instruments that bind only us and the counterparties thereto and have no binding effect on the holders of the convertible notes.

We utilized the proceeds of the convertible notes as follows: approximately $233.8 million was used for the Official-Pillowtex acquisition and approximately $38.8 million was the net payment for the related convertible note hedge. There are no covenants for this debt obligation.

Term loan facility. In connection with our acquisition of the Rocawear brand in March 2007, we entered into the term loan facility pursuant to which we borrowed, and received net proceeds of $212.5 million. Subsequently, in December 2007, in connection with our acquisition of the Starter brand, we borrowed an additional $63.2 million under the term loan facility, in connection with which we received net proceeds of $60.0 million. We may borrow an additional $36.8 million under the terms of the term loan facility.

Our obligations under the term loan facility are secured by the pledge of our ownership interests in many of our subsidiaries. In addition, these and other of our subsidiaries have guaranteed such obligations and their guarantees are secured by a pledge of, among other things, the Ocean Pacific/OP, Danskin, Rocawear, Mossimo, Cannon, Royal Velvet, Fieldcrest, Charisma, Starter and Waverly trademarks and related intellectual property assets. Amounts outstanding under the term loan facility bear interest, at our option, at the Eurodollar rate or the prime rate, plus an applicable margin of 2.25% or 1.25%, as the case may be, per annum, with minimum principal payable in equal quarterly installments in annual aggregate amounts equal to 1.00% of the aggregate principal amount of the loans outstanding, in addition to an annual payment equal to 50% of the excess cash flow of the subsidiaries subject to the term loan facility, with any remaining unpaid principal balance to be due on April 30, 2013, herein referred to as the loan maturity date. Upon completion of our offering of the convertible notes, the loan maturity date was accelerated to January 2, 2012. On March 11, 2008, we paid to Lehman Commercial Paper Inc., or LCPI, for the benefit of the lenders, $15.6 million, representing 50% of the excess cash flow for 2007 from the subsidiaries subject to the term loan facility. As a result of such payment, we are no longer required to pay the quarterly installments described above. As of December 31, 2008, $38.9 million has been classified as current portion of long-term debt, which represents 50% of the excess cash flow for 2008 of the subsidiaries subject to the term loan facility. Of this amount, $38.7 million was paid to LCPI, for the benefit of the lenders, on March 13, 2009. At March 31, 2009 and December 31, 2008, the balance outstanding under the term loan facility was $217.2 and $255.3 million, respectively. The effective interest rate for the

Current Quarter was 3.71%. The average effective interest rate for fiscal 2008 was 5.81%. For the three months ending June 30, 2009, the effective interest rate of the term loan facility will be 3.47%. As of December 31, 2008 and March 31, 2009, we are in compliance with all material covenants relating to this debt obligation.

*Asset-backed note*s. The financing for certain of our acquisitions in 2005 and 2006 was accomplished though private placements of the asset-backed notes, which notes are currently secured by the Candies, Bongo, Joe Boxer, Rampage, Mudd and London Fog trademarks and related intellectual property assets. As of March 31, 2009, the aggregate principal balance of the asset-backed notes was $111.7 million. Interest rates and terms on the outstanding principal amount of the asset-backed notes as of March 31, 2009 are as follows: $38.6 million principal amount bears interest at a fixed interest rate of 8.45% with a term ending August 2012, $17.1 million principal amount bears interest at a fixed rate of 8.12% with a term ending August 2012, and $56.0 million principal amount bears interest at a fixed rate of 8.99% with a term ending February 2013. The asset-backed notes have no financial covenants with which we or our subsidiaries need comply.

As of December 31, 2008, the aggregate principal balance of the asset-backed notes was $117.1 million. Interest rates and terms on the outstanding principal amount of the asset-backed notes as of December 31, 2008 were as follows: $40.6 million principal amount bears interest at a fixed interest rate of 8.45% and $18.0 million principal amount bears interest at a fixed rate of 8.12%, each with a term ending in August 2012, and $58.5 million principal amount bears interest at a fixed rate of 8.99% with a term ending February 2013.

The aggregate principal amount of the asset-backed notes will be fully paid by February 22, 2013.

Cash on hand in IP Holdings bank account is restricted at any point in time up to the amount of the next payment of principal and interest due by it under the asset-backed notes. Accordingly, as of March 31, 2009 and December 31, 2008, $1.0 million and $0.9 million, respectively, have been disclosed as restricted cash within our current assets. Further, a liquidity reserve account has been established and the funds on deposit in such account are to be applied to the last principal payment due with respect to the asset-backed notes. Accordingly, the $15.9 million in such reserve account as of March 31, 2009 and December 31, 2008 have been included on our balance sheets as restricted cash within our other assets. As of March 31, 2009 and December 31, 2008, we are in compliance with all material covenants relating to this debt obligation.

Sweet note. A description of the Sweet Sportswear/Unzipped litigation is contained in Business Legal Proceedings . On April 23, 2002, we acquired the remaining 50% interest in Unzipped from Sweet Sportswear, or Sweet, for a purchase price comprised of 3,000,000 shares of our common stock and $11.0 million in debt, which was evidenced by our issuance of a note to Sweet Sportswear, also referred to as the Sweet note. Prior to August 5, 2004, Unzipped was managed by Sweet pursuant to a management agreement, which obligated Sweet to manage the operations of Unzipped in return for, commencing in fiscal 2003, an annual management fee based upon certain specified percentages of net income achieved by Unzipped during the three-year term of the agreement. In addition, Sweet guaranteed that the net income, as defined in the agreement, of Unzipped would be no less than $1.7 million for each year during the term, commencing with fiscal 2003. In the event that the guarantee was not met for a particular year, Sweet was obligated under the management agreement to pay us the difference between the actual net income of Unzipped, as defined, for such year and the guaranteed $1.7 million. That payment, referred to as the shortfall payment, could be offset against the amounts due under the Sweet note at the option of either us or Sweet. As a result of such offsets, the balance of the Sweet note was reduced by us to $3.1 million as of December 31, 2006 and $3.0 million as of December 31, 2005 and is reflected in long- term debt. This note bears interest at the rate of 8% per year and matures in April 2012.

In November 2007, in connection with the judgment entered in the Unzipped litigation, we increased the balance of the Sweet note by approximately $6.2 million and recorded the expense as a special charge, and further increased the Sweet note by approximately $2.8 million to record the related interest and included the charge in interest expense. The balance of the Sweet note as of March 31, 2009 and December 31, 2008 is approximately $12.2 million and is included in current portion of long-term debt.

Other. We believe that we will be able to satisfy our ongoing cash requirements for operations and debt servicing for the foreseeable future, primarily with cash flow from operations. In addition, as part of our business growth strategy, we intend, in addition to growing through the organic development of our brands and expanding internationally, to grow through acquisitions of additional brands. We anticipate that we would fund any such acquisitions through a combination of cash, the issuance of equity and/or debt securities.

The following is a summary of contractual cash obligations, including interest for the periods indicated that existed as of March 31, 2009:

(000 s omitted)	April 1 through December 31, 2009	2010	2011	2012	2013	Thereafter	Total
Convertible notes[(1)]	$	$	$	$ 287,500	$	$	$ 287,500
Term loan facility		11,623		207,983			219,606
Asset-backed notes	16,850	24,216	26,380	33,468	10,802		111,716
Sweet note	12,186						12,186
Operating leases	1,611	2,158	2,153	1,864	1,923	20,545	30,254
Joint venture	1,500	1,500					3,000
Earn-out payments on acquisitions							
Employment contracts	3,155	3,348	1,691	1,000			9,194
Interest	10,948	12,848	10,685	5,451	242		40,174
Total contractual cash	$ 46,250	$ 55,693	$ 40,909	$ 537,266	$ 12,967	$ 20,545	$ 713,630

(1) Reflects the net debt carrying amount of the convertible notes as of March 31, 2009, in accordance with FSP APB 14-1. The principal amount owed to the holders of the convertible notes is $287.5 million.

Other Factors

We continue to seek to expand and diversify the types of licensed products being produced under our various brands, as well as diversify the distribution channels within which licensed products are sold, in an effort to reduce dependence on any particular retailer, consumer or market sector. The success of our company, however, will still remain largely dependent on our ability to build and maintain brand awareness and contract with and retain key licensees and on our licensees ability to accurately predict upcoming fashion trends within their respective customer bases and fulfill the product requirements of their particular retail channels within the global marketplace. Unanticipated changes in consumer fashion preferences, slowdowns in the U.S. economy, changes in the prices of supplies, consolidation of retail establishments, and other factors noted in Risk Factors, could adversely affect our licensees ability to meet and/or exceed their contractual commitments to us and thereby adversely affect our future operating results.

Effects of Inflation

We do not believe that the relatively moderate rates of inflation experienced over the past few years in the United States, where we primarily compete, have had a significant effect on revenues or profitability.

New Accounting Standards

In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments herein referred to as FSP 107-1 and APB 28-1. FSP 107-1 and APB 28-1 require that disclosures about the fair value of a company s financial instruments be made whenever summarized financial information for interim reporting periods is made. The provisions of FSP 107-1 are effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. Early adoption of FSP 107-1 and APB 28-1 may be made only if FSP FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly and FSP FAS 115-2 and FAS 124-2 Recognition and Presentation of Other-Than-Temporary Impairments, herein referred to as FSP 115-2 and FAS 124-2, are also adopted early. We are currently evaluating the impact that FSP 107-1 and APB 28-1 will have on our consolidated financial statements.

In April 2009, the FASB issued FSP No. FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly, referred to as FSP 157-4. FSP 157-4 does not change the definition of fair value as detailed in FAS 157, but provides additional guidance for estimating fair value in accordance with FAS 157 when the volume and level of activity for the asset or liability have significantly decreased. The provisions of FSP 157-4 are effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. If early adoption is elected for either FAS 115-2 or FAS 107-1 and APB 28-1, FSP 157-4 must also be adopted early. We are currently evaluating the impact that FSP 157-4 will have on our consolidated financial statements.

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments (FSP 115-2 and FAS 124-2). FSP 115-2 and FAS 124-2 amends the other-than-temporary impairment guidance in U.S. GAAP for debt securities and provides additional disclosure requirements for other-than-temporary impairments for debt and equity securities. FSP 115-2 and FAS 124-2 address the determination as to when an investment is considered impaired, whether that impairment is other than temporary, and the measurement of an impairment loss. The provisions of FSP 115-2 and FAS 124-2 are effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. If early adoption is elected for either FAS 157-4 or FAS 107-1 and APB 28-1, FSP 115-2 and FAS 124-2 must also be adopted early. We are currently evaluating the impact that FSP 115-2 and FAS 124-2 will have on our consolidated financial statements.

Summary of Critical Accounting Policies

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We review all significant estimates affecting the financial statements on a recurring basis and records the effect of any adjustments when necessary.

In connection with our licensing model, we have entered into various trademark license agreements that provide revenues based on minimum royalties and additional revenues based on a percentage of defined sales. Minimum royalty revenue is recognized on a straight-line basis over each period, as defined, in each license agreement. Royalties exceeding the defined minimum amounts are recognized as income during the period corresponding to the licensee s sales.

In June 2001, the FASB issued Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, herein referred to as SFAS 142, which changed the accounting for goodwill from an amortization method to an impairment-only approach. Upon our adoption of SFAS 142 on February 1, 2002, we ceased amortizing goodwill. As prescribed under SFAS 142, we had goodwill tested for impairment during the years ended December 31, 2008, 2007 and 2006, and no write-downs from impairments were necessary. Our tests for impairment utilize discounted cash flow models to estimate the fair values of the individual assets. Assumptions critical to our fair value estimates are as follow: (i) discount rates used to derive the present value factors used in determining the fair value of the reporting units and trademarks; (ii) royalty rates used in our trade mark valuations; (iii) projected average revenue growth rates used in the reporting unit and trademark models; and (iv) projected long-term growth rates used in the derivation of terminal year values. These tests factor in economic conditions and expectations of management and may change in the future based on period-specific facts and circumstances.

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Impairment losses are recognized for long-lived assets, including certain intangibles, used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are not sufficient to recover the assets carrying amount. Impairment losses are measured by comparing the fair value of the assets to their carrying amount. For the years ended December 31, 2008, 2007 and 2006 there was no impairment present for these long-lived assets.

Effective January 1, 2006, we adopted Statement of Financial Accounting Standards No. 123(R), Accounting for Share-Based Payment , herein referred to as SFAS 123(R), which requires companies to measure and recognize compensation expense for all stock-based payments at fair value. Under SFAS 123(R), using the modified prospective method, compensation expense is recognized for all share-based payments granted prior to, but not yet vested as of, January 1, 2006. Prior to the adoption of SFAS 123(R), we accounted for our stock-based compensation plans under the recognition and measurement principles of accounting principles board, or APB, Opinion No. 25, Accounting for stock issued to employees, and related interpretations. Accordingly, the compensation cost for stock options had been measured as the excess, if any, of the quoted market price of our common stock at the date of the grant over the amount the employee must pay to acquire the stock.

We account for income taxes in accordance with Statement of Financial Accounting Standards No. 109 Accounting for Income Taxes , herein referred to as SFAS 109. Under SFAS 109, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized. In determining the need for a valuation allowance, management reviews both positive and negative evidence pursuant to the requirements of SFAS 109, including current and historical results of operations, the annual limitation on utilization of net operating loss carry forwards pursuant to Internal Revenue Code section 382, future income projections and the overall prospects of our business. Based upon management s assessment of all available evidence, including our completed transition into a licensing business, estimates of future profitability based on projected royalty revenues from our licensees, and the overall prospects of our business, management concluded that it is more likely than not that the net deferred income tax asset will be realized.

We adopted FASB Interpretation 48, herein referred to as FIN 48, beginning January 1, 2007. The implementation of FIN 48 did not have a significant impact on our financial position or results of operations. The total unrecognized tax benefit was $1.1 million at the date of adoption. At December 31, 2008, the total unrecognized tax benefit was $1.1 million. However, the liability is not recognized for accounting purposes because the related deferred tax asset has been fully reserved in prior years. We are continuing our practice of recognizing interest and penalties related to income tax matters in income tax expense. There was no accrual for interest and penalties related to uncertain tax positions for the year ended December 31, 2008. We file federal and state tax returns and is generally no longer subject to tax examinations for fiscal years prior to 2004.

Marketable securities, which are accounted for as available-for-sale, are stated at fair value in accordance with Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities herein referred to as SFAS 115, and consist of auction rate securities. Temporary changes in fair market value are recorded as other comprehensive income or loss, whereas other than temporary markdowns will be realized through our statement of operations. On January 1, 2008, we adopted SFAS 157 Fair Value Measurements , referred to as SFAS 157, which establishes a framework for measuring fair value and requires expanded disclosures about fair value measurement. While SFAS 157 does not require any new fair value measurements in its application to other accounting pronouncements, it does emphasize that a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation.

Several of our accounting policies involve management judgments and estimates that could be significant. The policies with the greatest potential effect on our consolidated results of operations and financial position include the estimate of reserves to provide for collectability of accounts receivable. We estimate the collectability considering historical, current and anticipated trends of our licensees related to deductions taken by customers and markdowns provided to retail customers to effectively flow goods through the retail channels, and the possibility of non-collection due to the financial position of our licensees and their retail customers. Due to our licensing model, we do not have any inventory risk and reduced our operating risks, and can reasonably forecast revenues and plan expenditures based upon guaranteed royalty minimums and sales projections provided by our retail licensees.

Quantitative and Qualitative Disclosures About Market Risk

We limit exposure to foreign currency fluctuations by requiring substantially all of our licenses to be denominated in U.S. dollars.

We are exposed to potential loss due to changes in interest rates. Investments with interest rate risk include marketable securities. Debt with interest rate risk includes the fixed and variable rate debt. As of March 31, 2009, we had approximately $217.2 million in variable interest debt under our term loan facility. To mitigate interest rate risks, we are utilizing derivative financial instruments such as interest rate hedges to convert certain portions of our variable rate debt to fixed interest rates. If there were an adverse change of 10% in interest rates, the expected effect on net income would be immaterial.

We invested in certain auction rate securities. During the Current Quarter, our balance of auction rate securities failed to auction due to sell orders exceeding buy orders. These funds will not be available to us until a successful auction occurs or a buyer is found outside the auction process. We estimated the fair value of our auction rate securities to be $7.5 million, using a discounted cash flow model where we used the expected rate of interest to be received. We believe this decrease in fair value is temporary due to general macroeconomic market conditions, and interest is being paid in full as scheduled. Further, we have the ability and intent to hold the securities until an anticipated full redemption, and we have no reason to believe that any of the underlying issuers of these auction rate securities or third-party insurers are presently at risk of default. The cumulative effect of the failure to auction since the third quarter of fiscal 2007 has resulted in an accumulated other comprehensive loss of $5.5 million which is reflected in the stockholders equity section of the condensed unaudited consolidated balance sheet.

As described elsewhere in this prospectus supplement, in connection with the initial sale of our convertible notes, we entered into convertible note hedges with affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Lehman Brothers Inc. At such time, the hedging transactions were expected, but were not guaranteed, to eliminate the potential dilution upon conversion of the convertible notes. Concurrently, we entered into warrant transactions with the hedge counterparties.

On September 15, 2008 and October 3, 2008, respectively, Lehman Holdings and Lehman OTC filed for protection under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court in the Southern District of New York. We had purchased 40% of the convertible note hedges from Lehman OTC and we had sold 40% of the warrants to Lehman OTC. If Lehman OTC does not perform such obligations and the price of our common stock exceeds the $27.56 conversion price (as adjusted) of the convertible notes, the effective conversion price of the convertible notes (which is higher than the actual $27.56 conversion price due to these hedges) would be reduced and our existing stockholders may experience dilution at the time or times the convertible notes are converted.

The effect, if any, of any of these transactions and activities on the trading price of our common stock will depend in part on market conditions and cannot be ascertained at this time, but any of these activities could adversely affect the value of our common stock.

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BUSINESS

General

We are a brand management company engaged in licensing, marketing and providing trend direction for a portfolio of owned consumer brands. We currently own 17 brands, Candie s®, Bongo®, Badgley Mischka®, Joe Boxer®, Rampage®, Mudd®, London Fog®, Mossimo®, Ocean Pacific®/OP®, Danskin®/Danskin Now®, Rocawear®, Cannon®, Royal Velvet®, Fieldcrest®, Charisma®, Starter® and Waverly®, which we licenses directly to leading retailers, wholesalers and suppliers for use across a wide range of product categories, including apparel, footwear, sportswear, fashion accessories, home products and decor, and beauty and fragrance. In addition, Scion LLC, a joint venture in which we have a 50% investment, owns the Artful Dodger brand and Hardy Way, LLC, a limited liability company in which we have a 50% interest, owns the Ed Hardy brand and trademarks. Our brands are sold across a variety of distribution channels, from the mass tier to the luxury market. We support our brands with innovative advertising and promotional campaigns designed to increase brand awareness, and provide our licensees with coordinated trend direction to enhance product appeal and help maintain and build brand integrity.

We have a business strategy designed to maximize the value of our brands by entering into strategic licenses with partners that have the responsibility for manufacturing and selling the licensed products. Licensees are selected based upon our belief that they will be able to produce and sell quality products in the categories of their specific expertise and that they are capable of exceeding minimum sales targets and royalties that we generally require.

We plan to continue to build our portfolio by acquiring additional brands. In assessing potential acquisitions, we primarily evaluate the strength of the target brand and the viability of future royalty streams. We believe that this focused approach allows us to screen a wide pool of consumer brand candidates, quickly evaluate acquisition targets and efficiently complete due diligence for potential acquisitions.

In addition, we also seek to monetize our brands through international licenses, partnerships and other arrangements, such as joint ventures.

Commencing in May 2003, we began to implement a shift in our business model designed to transform us from a wholesaler and retailer of jeanswear and footwear products to a brand management company focused on licensing and marketing our portfolio of consumer brands. In May 2003, we licensed out both our Bongo footwear business and our Candie s footwear business to third party licensees, and, by the end of 2003, we had eliminated all of our Candie s retail concept stores. Effective in August 2004, we also licensed out our Bongo jeanswear operations, which were previously conducted through our wholly-owned subsidiary, Unzipped. Beginning January 2005, we also changed our business practices with respect to our Bright Star subsidiary, as a result of which Bright Star began acting solely as an agent for, as opposed to an indirect wholesaler to, its private label footwear clients. As a result of these changes to its operations, since the end of 2004, we have had no wholesale or retail operations or product inventory and have operated solely as a brand management company.

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Since October 2004, we have acquired or made investments relating to the following 17 brands:

Date acquired	**Brand**
October 2004	Badgley Mischka
July 2005	Joe Boxer
September 2005	Rampage
April 2006	Mudd
August 2006	London Fog
October 2006	Mossimo
November 2006	Ocean Pacific/OP
March 2007	Danskin/Danskin Now
March 2007	Rocawear
October 2007	Official-Pillowtex brands (Cannon, Royal Velvet, Fieldcrest and Charisma)
December 2007	Starter
October 2008	Waverly

Date of investment	**Brand**
November 2007	Artful Dodger
May 2009	Ed Hardy

Through our licensing model, we have eliminated inventory risk and substantially reduced the operating exposure associated with traditional operating companies, improved our cash flows and net income margins, and benefited from the model s scalability, all of which enables us to leverage new licenses with our existing infrastructure. Our objective is to capitalize on our brand management expertise and relationships and continue to build a diversified portfolio of consumer brands that generate increasing revenues.

Our brands

Our objective is to continue to develop and build a diversified portfolio of iconic consumer brands by organically growing our existing portfolio and by acquiring new brands that leverage our brand management expertise and existing infrastructure. To achieve this objective, we intend to:

extend our existing brands by adding additional product categories, expanding the brands distribution and retail presence and optimizing our licensees sales through innovative marketing that increases consumer awareness and loyalty;

continue our international expansion through additional licenses, partnerships, joint ventures and other arrangements with leading retailers and wholesalers worldwide; and

continue acquiring consumer brands with high consumer awareness, broad appeal, applicability to a range of product categories and an ability to diversify our portfolio.

In managing our brands, we seek to capitalize on the brands histories, while simultaneously working to keep them relevant to today s consumer.

As of March 31, 2009, our brand portfolio consisted of the following 17 iconic consumer brands:

Candie s. Candie s is known primarily as a junior lifestyle brand, with products in the footwear, apparel and accessories categories, and has achieved brand recognition for its flirty and fun image, value prices and affiliations with celebrity spokespeople. We purchased the brand from a predecessor company in 1993, making it our longest held trademark. The primary licensee for Candie s is Kohl s, which commenced the roll out of the brand in July 2005 in all of its stores with a multi-category line of Candie s lifestyle products, including sportswear, denim, footwear, handbags, intimate apparel, children s apparel, fragrance and home accessories. In 2008, Candie s shop-in-shops opened in all Kohl s stores, creating a brand specific shopping experience. Celebrity spokespeople for

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the Candie s brand over the past two decades have included Jenny McCarthy, Destiny s Child, Alyssa Milano, Kelly Clarkson, Ashlee Simpson, Hilary Duff, Pat Benatar, Fergie, and most recently, Hayden Panettiere.

Bongo. The Bongo brand is positioned as a California lifestyle brand, with a broad range of women s and children s casual apparel and accessories, including denim, sportswear, eyewear, fragrance and watches. The brand was established in 1982 and was purchased by us in 1998. Bongo products are sold primarily through mid-tier department stores, such as JC Penney, Kohl s and Sears. We have 11 Bongo licenses, including licenses in South America and Central America. Celebrity spokespeople for the Bongo brand have included Liv Tyler, Rachel Bilson, Nicole Richie, the stars of the top rated MTV television reality show *Laguna Beach*, Vanessa Minnillo, Kim Kardashian and Jesse McCartney.

Badgley Mischka. The Badgley Mischka brand is known as one of the premiere couture eveningwear brands. The brand was established in 1988 and was acquired by us in October 2004. Badgley Mischka products are sold in luxury department and specialty stores, including Bergdorf Goodman, Neiman Marcus and Saks Fifth Avenue, with its largest retail categories being women s apparel and accessories. We have 19 Badgley Mischka licenses. Badgley Mischka designs have been worn by such celebrities as Angelina Jolie, Catherine Zeta Jones, Halle Berry, Kate Winslet, Ashley and Mary Kate Olsen, and most recently, Teri Hatcher.

Joe Boxer. Joe Boxer is a highly recognized underwear, sleepwear and loungewear brand known for its irreverent and humorous image and provocative promotional events. The brand was established in 1985 and was acquired by us in July 2005. Since August 2001, Kmart, a wholly-owned subsidiary of Sears Holding Corporation, has held the exclusive license for the brand in the United States covering apparel, fashion accessories and home products for men, women, teens and children. In September 2006, we expanded the license with Kmart to extend the brand into Sears stores. The brand is also being developed internationally, with current licenses in Canada, Mexico and Scandinavia.

Rampage. Rampage was established in 1982 and is known as a contemporary/junior women s sportswear brand. The brand was acquired by us in September 2005. Rampage products are sold through better department stores such as Macy s, with the largest retail categories being sportswear, footwear, intimate apparel and swimwear. We license the brand to 12 wholesalers in the United States and to partners in Chile, Thailand and the Middle East. Supermodel Petra Nemcova has been the spokesperson for the Rampage brand and has modeled for its campaigns for the past few seasons. Currently, the spokesperson for the brand is Gisele Bundchen.

Mudd. Mudd is a highly recognizable junior apparel brand, particularly in the denim and footwear categories. It was established in 1995 and acquired by us in April 2006. In November 2008, we entered into a multi-year licensing agreement with Kohl s under which Kohl s will be the exclusive U.S. retailer for apparel, fashion accessories, jewelry and eyewear beginning Fall 2009. Mudd footwear will continue to be distributed through mid-level department stores such as JC Penney, Kohl s and specialty stores.

London Fog. London Fog is a classic brand known worldwide for its outerwear, cold weather accessories, umbrellas, luggage and travel products. The brand was established over 80 years ago and was acquired by us in August 2006. The brand is sold primarily through the better department store channel. We have 15 London Fog licenses, including a direct-to-retail license agreement with Hudson s Bay Corporation in Canada, covering apparel, accessories and lifestyle products.

Mossimo. Mossimo is known as a contemporary, active and youthful lifestyle brand and is one of the largest apparel brands in the U.S. The brand was established in 1986 and acquired by us in October 2006. Since 2000, Target has held the exclusive Mossimo license in the U.S., covering apparel products for men, women and children, including casual sportswear, denim, swimwear, bodywear, watches, handbags and other fashion accessories. The brand is also licensed to six wholesale partners in Australia, New Zealand, South America, Mexico, the Philippines, and Japan.

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Ocean Pacific/OP. Ocean Pacific and OP are global action-sports lifestyle apparel brands which trace their heritage to Ocean Pacific s roots as a 1960 s surfboard label. We acquired the Ocean Pacific brands in November 2006 at which time we assumed 15 domestic licenses covering such product categories as footwear, sunglasses, kids apparel and fragrance. In 2008, the U.S. OP business was converted to a direct-to-retail license with Wal-Mart. In Spring 2008, OP launched exclusively in 1,000 Wal-Mart stores in the U.S., and will be rolling out to all stores in the U.S., Canada and Mexico for Spring 2009. Wal-Mart also holds the OP license for Brazil, India and China. For 2008, the marketing campaign to support the Wal-Mart launch featured seven young Hollywood celebrities including Rumer Willis, Kristin Cavallari, Christina Milian, Josie Maran, Pete Wentz, Corbin Bleu and Wilmer Valderrama.

Danskin/Danskin Now. Danskin, our oldest brand, is a 126 year-old iconic brand of women s activewear, legwear, dancewear, yoga apparel and fitness equipment, which we acquired in March 2007. The Danskin brand is sold through better department, specialty and sporting goods stores and through freestanding Danskin boutiques and Danskin.com. In addition, we have a direct-to-retail license with Wal-Mart for our Danskin Now® brand for apparel and fitness equipment. The Danskin Now brand was repositioned and relaunched in January 2009 with an expanded assortment of products and new spokesperson Gabrielle Reece.

Rocawear. Rocawear is a leading urban lifestyle apparel brand established by Shawn Jay-Z Carter, Damon Dash and Kareem Burke in 1999. We acquired the Rocawear brand in March 2007. There are 31 licenses for Rocawear products, including men s, women s and kids apparel, outerwear, footwear, jewelry, handbags and fragrance. Rocawear products are sold through better department and specialty stores. The founder, Jay-Z, remains actively involved in the brand as an owner of the core licensee, and serves as the brand s creative director pursuant to an endorsement and services agreement signed in March 2007. Jay-Z was featured in Rocawear s 2008 advertising campaign.

Cannon. Cannon is one of the most recognizable brands in home textiles with a strong heritage and history and is known as the first textile brand to sew logos onto products. When we acquired Cannon, it was distributed in over 1,000 regional department stores, including Meijer, ShopKo, Mervyn s and Steinmart, as well as in Wal-Mart and Costco. In February 2008, we signed a direct-to-retail license with Kmart for Cannon to be sold exclusively in both Kmart and Sears stores. Cannon was established in 1887, making it our third oldest brand.

Royal Velvet. Royal Velvet is a distinctive luxury home textile brand that strives to deliver the highest quality to consumers. Royal Velvet products include towels, sheets, rugs and shams. The Royal Velvet towel has been an industry standard since 1954. The core licensee for Royal Velvet is Li & Fung Limited, which in February 2008 established an exclusive distribution arrangement with Bed Bath & Beyond Inc. Brooke Shields and her family were featured in the most recent Royal Velvet advertising campaign.

Fieldcrest. Fieldcrest is a brand of contemporary relevance to the mass channel consumer. The brand is known for quality bed and bath textiles that are easy care, soft, easy to coordinate and classic in style. Fieldcrest home products are sold through the mass channel, with Target having the exclusive direct-to-retail license in the United States since Spring 2005. The Fieldcrest brand was created in 1883, making it our second oldest brand.

Charisma. Charisma home textiles were introduced in the 1970 s and are known for their quality materials and classic designs. Charisma products are currently distributed through better department stores such as Bloomingdales. Our most recent advertising campaign featured Ivanka Trump. In February 2009, we entered into a non-exclusive direct-to-retail agreement with Costco for the Charisma brand.

Starter. Starter, founded in 1971, is one of the original brands in licensed team merchandise and is a highly recognized brand of athletic apparel and footwear. We acquired Starter in December 2007. At the time of the acquisition, the brand was distributed in the United States primarily at Wal-Mart through a number of different wholesale licensees. In July 2008, the brand was licensed to Wal-Mart on a direct-to-retail basis. The Starter brand had an expanded re-launch in all U.S. Wal-Mart stores in Spring 2009, supported by an advertising

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campaign featuring Tony Romo, quarterback of the Dallas Cowboys. Starter is also licensed internationally and sold through retailers including Carrefour and Metro.

Waverly. Founded in 1923, Waverly is a premier home fashion and lifestyle brand and one of the most recognized names in home decor. Waverly has two direct-to-retail agreements, Waverly Home with Target and Waverly Home Classics with Lowe s Companies, Inc. for a variety of select home furnishings. Waverly also has licenses for products including fabric, window treatments and bedding that are sold through retailers such as Jo-Ann s and JC Penney as well as interior design rooms.

Scion LLC

Scion is a brand management and licensing company formed by us with Shawn Jay-Z Carter in March 2007, as a 50/50 joint venture, to buy, create, develop and license brands across a spectrum of consumer product categories. On November 7, 2007, Scion completed its first brand acquisition when its wholly-owned subsidiary, Artful Holdings LLC purchased *Artful Dodger*, a high end urban apparel brand for a purchase price of $15.0 million. Concurrent with the acquisition of Artful Dodger, the brand was licensed in the United States for all major apparel categories. In 2008, Artful Dodger shop-in-shops opened nationally in select Macy s stores, creating a brand specific shopping experience. Artful Dodger has also been licensed to wholesale partners and distributors in Canada and Europe.

Hardy Way, LLC

On May 4, 2009, we entered into a membership interest purchase agreement by and among Donald Edward Hardy, or Hardy, and certain other parties, pursuant to which we purchased 50% of the membership interests of Hardy Way, LLC, a Delaware limited liability company. Hardy Way owns the Ed Hardy brand and trademarks. Pursuant to the purchase agreement, we paid $17 million for our interest in Hardy Way, comprised of $9 million in cash and 588,668 shares of our common stock valued at $8 million. In addition, Hardy or his affiliate may be entitled to receive an additional $1 million in our common stock pursuant to an earn-out based on 2009 royalties received by Hardy Way.

Iconix China

On September 5, 2008, we and Novel Fashions Holdings Limited, herein referred to as Novel, formed a joint venture, herein referred to as Iconix China, to develop, exploit and market our brands in the People s Republic of China, Hong Kong, Macau and Taiwan, herein referred to as the China territory. Pursuant to the terms of this transaction, we contributed to Iconix China substantially all rights to our brands in the China territory and committed to contribute $5.0 million, and Novel committed to contribute $20 million. Upon closing of the transaction, we contributed $2.0 million and Novel contributed $8.0 million. The balance of the parties respective contributions are due in September 2009 and September 2010.

Iconix Latin America

In December 2008, we contributed substantially all rights to our brands in Mexico, Central America, South America, and the Caribbean, herein referred to as the Latin America territory, to Iconix Latin America LLC, herein referred to as Iconix Latin America, a newly formed subsidiary. On December 29, 2008, New Brands America LLC, herein referred to as New Brands, an affiliate of the Falic Group, purchased a 50% interest in Iconix Latin America, which will assist us in developing, exploiting, marketing and licensing our brands in the Latin America territory. In consideration for its 50% interest in Iconix Latin America, New Brands agreed to pay $6 million to us. New Brands paid $1.0 million upon closing of this transaction and has committed to pay an additional $5.0 million over the 30 month period following closing, of which $0.5 million was paid during the Current Quarter. As of March 31, 2009, the balance owed to us under this obligation is $4.5 million. The current portion of $2.0 million is included in the unaudited condensed consolidated balance sheet in prepaid advertising and other and the long term portion of $2.5 million is included in other assets non-current.

Bright Star

We arrange, as agent, through our wholly-owned subsidiary, Bright Star, for the manufacture of footwear products for mass market and discount retailers under their private label brands. Bright Star provides design direction and arranges for the manufacturing and distribution of men s private label footwear products primarily for Wal-Mart under its private labels. Bright Star acts solely as an agent and never assumes ownership of the goods. For the years ended December 31, 2008, 2007, and 2006 Bright Star s agency commissions represented approximately 1%, 2% and 3%, respectively, of our revenues. Bright Star has no inventory and earns commissions on sales.

Licensing and other relationships

Our business strategy is to maximize the value of our brands by entering into strategic licenses with partners who have the responsibility for manufacturing and selling the licensed products. We license our brands with respect to a broad range of products, including apparel, footwear, fashion accessories, sportswear, home products and décor, and beauty and fragrance. We seek licensees with the ability to produce and sell quality products in their licensed categories and the demonstrated ability to meet and exceed minimum sales thresholds and royalty payments to us.

We maintain direct-to-retail and traditional wholesale licenses. Typically, in a direct-to-retail license, we grant exclusive rights to one of our brands to a single national retailer for a broad range of product categories. For example, the Candie s brand is licensed exclusively to Kohl s in the United States across approximately 25 product categories. Direct-to-retail licenses provide retailers with proprietary rights to national brands and favorable economics. Proprietary brands also typically receive greater support from retailers, including premium shelf space and strong in-store presentations. In a traditional wholesale license, we grant rights to a single or small group of related product categories to a wholesale supplier, who is permitted to sell licensed products to multiple stores within an approved channel of distribution. For example, we license the Rocawear brand to numerous wholesale suppliers for products ranging from footwear and apparel to handbags and fragrances, for sale and distribution to department and specialty stores.

Each of our licenses has a stipulated territory or territories, as well as distribution channels in which the licensed products may be sold. Currently, most of our licenses are U.S. based licenses, but we also seek to monetize our trademarks internationally through licenses, partnerships, and other arrangements, such as joint ventures. In 2008, we entered into two international joint ventures. For further information, see above for discussion on Iconix China and Iconix Latin America.

Our licenses typically require the licensee to pay us royalties based upon net sales with guaranteed minimum royalties in the event that net sales do not reach certain specified targets. Our licenses also typically require the licensees to pay to us certain minimum amounts for the advertising and marketing of the respective licensed brands. As of January 1, 2009, we had a contractual right to receive over $500 million of aggregate minimum royalty revenue through the balance of the terms of all of our current licenses, excluding any renewals.

We believe that coordination of brand presentation across product categories is critical to maintaining the strength and integrity of our brands. Accordingly, we maintain the right in our licenses to preview and approve all product, packaging and presentation of the licensed mark. Moreover, in most licenses, prior to each season, our representatives supply licensees with trend guidance as to the look and feel of the current trends for the season, including colors, fabrics, silhouettes and an overall style sensibility, and then work with licensees to coordinate the licensed products across the categories to maintain the cohesiveness of the brand s overall presentation in the market place. Thereafter, we obtain and approve (or object and require modification to) product and packaging provided by each licensee on an on-going basis. In addition, we communicate with our licensees throughout the year to obtain and review reporting of sales and the calculation and payment of royalties.

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For the year ended December 31, 2008, our largest direct-to-retail licenses were with Target for the Mossimo brand, Kohl s for the Candie s brand, and Kmart for the Joe Boxer brand, which collectively represented 19% of total revenue for the period. Our largest wholesale licensee was Li & Fung for Royal Velvet and Cannon home furnishings, which collectively represented 11% of total revenue for the period.

Key direct-to-retail licenses

Target licenses

Mossimo. As part of our acquisition of the Mossimo trademarks in October 2006, we acquired the license with Target, which was originally signed in 2000 and was subsequently amended and restated in March 2006. Pursuant to this license, Target has the exclusive right to produce and distribute substantially all Mossimo-branded products sold in the United States, its territories and possessions through Target retail stores. In January 2009, Target renewed its license through January 31, 2012. If Target is current with payments of its obligations under the license, Target has the right to renew the license on the same terms and conditions for successive additional terms of two years each.

Under the Target license, Target pays royalty fees based on certain percentages of its net sales of Mossimo-branded products, subject to its obligation to pay a guaranteed minimum royalty for each contract year. The revenue generated by this license totaled 9%, 13% and 5% of our overall revenue in the years ended December 31, 2008, 2007 and 2006, respectively.

Fieldcrest. As part of our acquisition of Official-Pillowtex in October 2007, we acquired the license with Target for the Fieldcrest brand, which commenced in March 2004. Pursuant to this license, Target has the exclusive right to produce and distribute substantially all Fieldcrest-branded home furnishing products sold in the United States, its territories and possessions through Target retail stores. The initial term of this license expires on July 31, 2010, subject to Target s option to renew it for an additional term of five years.

Waverly. As part of our acquisition of Waverly in October 2008, we acquir