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

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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 w 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.

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

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*)

(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.

Consolidated balance sheet data (in thousands):	As of December 31, 2008[1]	As of March 31, 2009 Actual	As of March 31, 2009 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;

- 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.

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

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.

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						