ICONIX BRAND GROUP, INC.
Form S-3
November 09, 2006
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As filed with the Securities and Exchange Commission on November 9, 2006

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

ICONIX BRAND GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction** **of incorporation or organization)**	**11-2481903** **(I.R.S. employer** **identification no.)**

1450 Broadway

New York, New York 10018

Telephone: (212) 730-0030

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Neil Cole, Chief Executive Officer

Iconix Brand Group, Inc.

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New York, New York 10018

Telephone: (212) 730-0030

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable on or after the effective date of this Registration Statement.

If any of the securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box: ¨

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box: ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. ¨

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413 (b) under the Securities Act, check the following box. ¨

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered(1)	Amount to be registered	Proposed maximum offering price per share	Proposed maximum aggregate offering price	Amount of registration fee
Common Stock, par value $.001 per share(2)	N/A	N/A	$ 230,000,000	$ 24,610(3)

(1) There are being registered hereunder such indeterminate number of shares of common stock as shall have an aggregate initial offering price not to exceed $230 million, which amount includes $30 million subject to an overallotment option granted to the underwriters. Of such $230 million, an aggregate of up to $150 million may be sold on behalf of the registrant and an aggregate of up to $50 million may be sold on behalf of the selling stockholders, which include members of senior management, referred to herein. The allocation of the underwriters overallotment option has not yet been determined.
(2) Includes preferred share purchase rights. Prior to the occurrence of certain events, the preferred share purchase rights will not be evidenced separately from the common stock.
(3) Fee calculated pursuant to Rule 457(0) and Section 6(b) of the Securities Act of 1933.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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Subject to Completion, dated November 9, 2006

PRELIMINARY PROSPECTUS

Shares

Iconix Brand Group, Inc.

Common Stock

We are selling shares of our common stock and the selling stockholders identified in this prospectus, which include members of our senior management, are selling shares of our common stock. We will not receive any proceeds from the sale of shares by the selling stockholders.

Our common stock is quoted on the Nasdaq Global Market under the symbol ICON. On November 6, 2006, the last reported sale price of our common stock on the Nasdaq Global Market was $17.02 per share.

Investing in our common stock involves risks that are described in the Risk Factors section beginning on page 8 of this prospectus.

	Per Share	Total
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds to us (before expenses)	$	$
Proceeds to selling stockholders (before expenses)	$	$

The underwriters may also purchase up to an additional shares of our common stock (up to shares from us and up to shares from certain of the selling stockholders) at the public offering price, less underwriting discounts and commissions, within 30 days from the date of this prospectus. The underwriters may exercise this option only to cover overallotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares on or about , 2006.

Merrill Lynch & Co. **Lehman Brothers**

Lazard Capital Markets **Piper Jaffray** **Wachovia Securities**

The date of this prospectus is , 2006.

[INSIDE COVER ARTWORK]

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You should rely only on the information contained in this document or other documents to which we have referred you. We have not, and the underwriters have not, authorized any other person or entity to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus regardless of the time of delivery of this prospectus or of any sale of shares. Our business, financial condition, results of operations and prospects may have changed since that date. Except where the context requires otherwise, in this prospectus, the Company, Iconix, we, us, and our refer to the combined business of Iconix Brand Group, Inc., a Delaware corporation, and all of its consolidated entities.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus or incorporated by reference into this 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, including our historical consolidated financial statements and the related notes. You should also carefully consider, among other things, the matters discussed in this prospectus in the section entitled Risk factors.

Our company

We are a brand management company engaged in licensing, marketing and providing trend direction for our portfolio of owned consumer brands. Our portfolio currently includes nine iconic brands Candie s, Bongo, Badgley Mischka, Joe Boxer, Rampage, Mudd, London Fog, Mossimo and Ocean Pacific which we license directly to leading retailers and wholesalers. Our brands are used in connection with numerous product categories, are distributed across a wide range of distribution channels and are marketed to a broad range of customers worldwide. We seek to maximize the value of our brands by developing innovative marketing campaigns to increase brand awareness and by providing trend direction to our licensees to enhance product appeal.

For the year ended December 31, 2005 and the nine months ended September 30, 2006, we had net revenues of $30.2 million and $53.8 million, respectively, and, as of November 6, 2006, we had over 115 royalty producing licenses with respect to our nine brands. We estimate that products sold in the marketplace under these brands collectively represent in excess of $3.5 billion in net retail sales per year.

Our business model

We believe we have a unique business model. As opposed to operating companies that design, manufacture and distribute product, we transfer these responsibilities to our 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 business model. Key aspects of our model include its:

- applicability to a broad universe of consumer brands;
- 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 guaranteed minimum royalties; and
- low overhead, absence of inventory risk and minimal working capital and capital expenditure requirements.

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Our business strengths

Our unique business model differentiates us from other companies and enables us to generate strong financial results. Included in our business strengths are 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.

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.

Broad network of licensees: We maintain a strong, diverse licensee network that 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.

Proven acquisition approach: Our acquisition approach is unique as we evaluate 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. We have made seven acquisitions since October 2004, including six since July 2005.

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 new product categories, expanding the brands retail presence and optimizing the sales of their licensees;

expand internationally to capitalize on the overseas demand for American culture and brands; and

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

Our business model transition

We have a limited history operating solely as a brand management company. Prior to 2003, we operated as a traditional apparel and footwear operating company. Our initial brand was Candie s, which we acquired in 1993 and then built into one of the most well-recognized junior footwear brands in the United States. In 1995, we began designing, manufacturing, selling and marketing footwear under the Bongo name. From 2003 to 2004, we implemented a shift in our business model from our historic operating model to a brand management model. By the end of 2004, we had eliminated all of our legacy retail and manufacturing operations, reduced our workforce from over 200 to under 40 and entered into our first multi-category retail license agreement with Kohl s Department Stores, Inc., sometimes referred to herein as Kohl s, for the exclusive right in the United States to design, manufacture, sell and distribute a broad range of Candie s products. In October 2004, we also began to expand our consumer brand portfolio and, by November 2006, we had acquired seven additional brands: Badgley Mischka, Joe Boxer, Rampage, Mudd, London Fog, Mossimo and Ocean Pacific.

Recent developments

On October 31, 2006, we acquired all of the capital stock of Mossimo, Inc., a company engaged in the design and licensing of apparel and related products principally under the Mossimo brand, in a merger transaction, sometimes referred to herein as the Mossimo merger. In consideration for such acquisition, we paid the stockholders of Mossimo, Inc. a total of approximately $67.5 million in cash and 3,608,810 shares of our common stock. In addition, if our common stock does not close at or above $18.71 per share for at least 20 consecutive trading days during the 12 months ending October 31, 2007, the recipients of the initial merger consideration will be entitled to receive additional shares of our common stock (the aggregate of which will not exceed 40,965 shares). In connection with this merger, we also paid Cherokee Inc. a total of $33.0 million in cash in consideration for its withdrawal of a proposal it had submitted to acquire the capital stock of, and the termination of its finder s agreement with Mossimo, Inc. The cash portion of the merger consideration, the related withdrawal/termination fee and the costs and expenses related to the merger were financed through the issuance by one of our subsidiaries of a secured note in the principal amount of $90.0 million, maturing on December 18, 2008, together with approximately $17.5 million of the funds we acquired in the merger.

On November 6, 2006, we acquired certain of the assets of Ocean Pacific Apparel Corp., a subsidiary of Warnaco Group, Inc., related to the Ocean Pacific brand, associated trademarks, intellectual property and related names worldwide. In consideration for these assets, we paid the seller $10.0 million in cash and issued the seller a note in the principal amount of $44.0 million. The note, which is secured by the acquired assets, matures on December 31, 2006 (subject to extension at our option until January 31, 2007 under certain circumstances) and is payable in, at our option, cash or a combination of cash and shares of our common stock. In connection with this acquisition, we assumed 30 licenses, including 15 international licenses. We also entered into a new license agreement with the seller. Pursuant to this license, the seller has the exclusive right to the use of the Ocean Pacific trademark in the United States in connection with the design, manufacture and sale of women s and juniors swimwear for a period of three years and has guaranteed us certain minimum annual royalties in connection with the use of the license.

Additional information

We were incorporated under the laws of the state of Delaware in 1978. In July 2005, we changed our name from Candies, Inc. to Iconix Brand Group, Inc. Our principal executive offices are located at 1450 Broadway, New York, New York 10018 and our telephone number is (212) 730-0300. Our web site address is www.iconixbrand.com. The information on our web site does not constitute part of this prospectus. We have included our website address in this document as an inactive textual reference only. Candie s®, Bongo®, Joe Boxer®, Rampage®, Mudd® and London Fog® are the registered trademarks of our wholly-owned subsidiary, IP Holdings LLC; 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; and Ocean Pacific® is the registered trademark of our wholly-owned subsidiary, OP Holdings LLC. Each of the other trademarks, trade names or service marks of other companies appearing in this prospectus or information incorporated by reference into this prospectus is the property of its respective owner.

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The Offering

Shares of common stock offered by us	shares.
Shares of common stock offered by selling stockholders	shares, including shares to be issued upon exercise of options.
Shares of common stock to be 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 to repay $90.0 million of indebtedness incurred by us in connection with the Mossimo merger and up to $44.0 million of indebtedness incurred by us in connection with the Ocean Pacific brand acquisition and the balance for general corporate purposes. See Use of Proceeds for additional information.

We will not receive any proceeds from the sale of shares by the selling stockholders, which include members of our senior management.

Risk factors	See Risk factors beginning on page 8 of this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.
Nasdaq Global Market symbol	ICON
Overallotment option	We and certain of the selling stockholders have granted the underwriters an option to purchase up to an aggregate of additional shares of our common stock to cover overallotments, if any. See Underwriting.

The number of shares of common stock to be outstanding after this offering is based on the shares outstanding as of November , 2006 after giving effect to the issuance of the shares to be sold by us in this offering and the shares that will be issued upon exercise of options held by selling stockholders and sold by them in this offering.

Unless otherwise indicated, information contained in this prospectus regarding the number of shares of our common stock outstanding after this offering (a) does not include a maximum of 40,965 shares which may become issuable to the former stockholders of Mossimo, Inc. as additional merger consideration if our common stock does not close at or above $18.71 per share for at least 20 consecutive trading days during the 12 months ending October 31, 2007, (b) assumes no shares are issued by us in repayment of the note issued by us in connection with the Ocean Pacific brand acquisition and (c) does not include an aggregate of up to additional shares, comprised of:

- up to shares issuable by us upon exercise of the underwriters overallotment option;

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shares issuable by us upon the exercise of outstanding warrants with a weighted average exercise price of $ per share;

shares still issuable by us (after the exercise of options by selling stockholders in connection with this offering) upon exercise of stock options granted under our stock option plans with a weighted average exercise price of $ per share; and

shares issuable by us upon exercise of outstanding non-plan stock options with a weighted average exercise price of $ per share.

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, 2005 and for the fiscal year ended December 31, 2005, the 11 months ended December 31, 2004 and the fiscal year ended January 31, 2004 have been derived from our historical audited consolidated financial statements, which are included elsewhere in this prospectus. The summary historical consolidated financial data presented as of September 30, 2006 and for the nine month periods ended September 30, 2005 and 2006 have been derived from our unaudited condensed consolidated financial statements included elsewhere in this 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 nine months ended September 30, 2006 are not necessarily indicative of results that may be expected for the entire year ending December 31, 2006.

In December 2004, we determined to change our fiscal year end from January 31 to December 31, effective for the period ending December 31, 2004. As a result, while our most recently completed fiscal year commenced on January 1, 2005 and ended on December 31, 2005, our prior reporting year, which was our transitional period, commenced on February 1, 2004 and ended on December 31, 2004 and was thus reported as an 11-month year.

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(In thousands, except per share data)	Fiscal year ended January 31, 2004	11 months ended December 31, 2004(1)	Fiscal year ended December 31, 2005(2)	Nine months ended September 30, 2005 (unaudited)	Nine months ended September 30, 2006(3) (unaudited)
Consolidated statements of operations data:					
Net sales	$ 123,160	$ 58,427	$	$	$
Licensing and commission revenue	8,217	10,553	30,156	17,792	53,791
Net revenues	131,377	68,980	30,156	17,792	53,791
Selling, general and administrative expenses(4)	30,682	10,154	13,880	9,385	17,572
Operating income (loss)(5)	(8,164)	2,736	14,810	7,411	34,319
Interest expense net of interest income(6)	3,118	2,495	3,977	2,134	7,991
Net income (loss)	(11,340)	241	15,943(7)	8,457(7)	23,648
Earnings (loss) per share:					
Basic	$ (0.45)	$ 0.01	$ 0.51	$ 0.28	$ 0.62
Diluted	$ (0.45)	$ 0.01	$ 0.46	$ 0.26	$ 0.54
Weighted average number of common shares outstanding:					
Basic	25,181	26,851	31,284	29,859	38,075
Diluted	25,181	28,706	34,773	33,071	43,469
Consolidated statements of cash flow data(8):					
Net cash provided by operating activities	$ 11,163	$ 4,809	$ 15,982	$ 5,627	$ 18,770
Cash flows used in investing activities:					
Purchase of property and equipment	$ (248)	$ (30)	$ (731)	$ (26)	$ (558)
Proceeds from sale of equity securities of other entities			110		
Purchases of equity securities of other entities			(663)		(78)
Acquisition of Badgley Mischka		(372)			
Acquisition of Joe Boxer			(40,755)	(40,100)	
Acquisition of Rampage			(26,159)	(25,850)	
Acquisition of Mudd					(45,000)
Purchase of London Fog trademarks					(31,522)
Purchase of other trademarks		(19)	(320)	(247)	(1,269)
Net cash used in investing activities	$ (248)	$ (421)	$ (68,518)	$ (66,223)	$ (78,427)
Net cash (used in) provided by financing activities	$ (10,543)	$ (6,391)	$ 59,861	$ 67,205	$ 57,264

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(1) We acquired the Badgley Mischka brand in October 2004.

(2) We acquired the Joe Boxer and Rampage brands in July 2005 and September 2005, respectively.

(3) We acquired the Mudd brand in April 2006 and purchased the London Fog trademarks in August 2006.

(4) Net of reductions related to shortfall payments arising from the former management agreement between our wholly-owned subsidiary, Unzipped Apparel, LLC, referred to herein as Unzipped, and Sweet Sportswear LLC of $1.6 million in the year ended January 31, 2004, $7.6 million (net of $685,000 recorded as a reserve pending the outcome of our litigation relating to Unzipped) in the 11 months ended December 31, 2004 and $438,000 in the year ended December 31, 2005 and the nine months ended September 30, 2005. See Business Legal proceedings.

(5) Includes special charges of $4.6 million in the year ended January 31, 2004, $295,000 in the 11 months ended December 31, 2004, $1.5 million in the year ended December 31, 2005, $996,000 in the nine months ended September 30, 2005 and $1.9 million in the nine months ended September 30, 2006.

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(6) Net of interest income of $36,000 in the year ended January 31, 2004, $24,000 in the 11 months ended December 31, 2004, $295,000 in the year ended December 31, 2005, $89,000 in the nine months ended September 30, 2005 and $629,000 in the nine months ended September 30, 2006.

(7) During the year ended December 31, 2005 and the nine months ended September 30, 2005, we recognized a net non-cash tax benefit of $5.0 million and $3.2 million, respectively, by reducing the valuation allowance on the deferred tax asset related to our net operating loss carryforwards.

(8) 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 appear elsewhere in this prospectus.

Consolidated balance sheet data (in thousands):

	As of December 31, 2005	As of September 30, 2006 (unaudited) Actual	Pro forma	Pro forma as adjusted	Pro forma as further adjusted for this offering
Cash and cash equivalents(1)	$ 11,687	$ 21,255	$ 36,413	$ 26,080	$
Working capital (deficit)	$ (4,388)	$ 2,124	$ 122	$ (55,011)	$
Total assets	$ 217,244	$ 383,564	$ 605,196	$ 651,380	$
Total current liabilities	$ 26,733	$ 39,728	$ 63,420	$ 108,220	$
Long term debt, less current portion	$ 85,414	$ 144,882	$ 224,382	$ 224,382	$
Other liabilities	$ 4,201	$ 7,939	$ 56,939	$ 56,939	$
Stockholders equity	$ 100,896	$ 191,015	$ 260,455	$ 261,839	$

(1) Including restricted cash of $4.1 million at December 31, 2005 and $16.1 million at September 30, 2006.

The pro forma information included in the above summary balance sheet data as of September 30, 2006 gives effect, at that date, to the October 2006 Mossimo merger, including our financing of the merger and of a related settlement/termination fee. See Unaudited pro forma condensed combined financial statements for additional pro forma information with respect to the Mossimo merger.

The pro forma as adjusted information included in the above summary balance sheet data as of September 30, 2006 gives effect, at that date, to the foregoing adjustments and to our November 2006 acquisition of the Ocean Pacific trademarks and related intellectual property assets. See Management s discussion and analysis of financial condition and results of operations recent acquisitions.

The pro forma as further adjusted for this offering information included in the above summary balance sheet data as of September 30, 2006 gives effect, at that date, to all of the foregoing adjustments and to the following events:

- our sale of shares of common stock in this offering at an assumed public offering price of $ per share; and

- our receipt of the estimated net proceeds therefrom, after deducting the underwriting discount and commissions and other expenses of this offering, giving effect to our repayment from such proceeds of the $90.0 million note issued by our subsidiary, Mossimo Holdings, in connection with the Mossimo merger and assuming our repayment from such proceeds of all $44.0 million of the indebtedness incurred by us in connection with the Ocean Pacific brand acquisition. See Use of Proceeds.

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 in, or incorporated by reference into, this prospectus, including the historical consolidated financial statements and related notes and pro forma financial information, 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 financial condition. 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.

Risks related to our operations

Our current business model is new and our operating history as a brand management company is limited, which makes it difficult to evaluate our current business and future prospects.

We began our transition in 2003 from a procurer of manufacturing, seller and marketer of footwear and jeanswear products to a brand management company that owns, licenses and manages its own consumer brands. We only completed the elimination of our retail and manufacturing operations in mid-2004 and, therefore, have operated solely as a brand management company for only eight quarters, including only one full reporting fiscal year, which makes it difficult to evaluate our ability to successfully manage and grow our business long-term. Furthermore, our business model depends on a number of factors for its continued success, including the continued market acceptance of our brands, the production and sale of quality products by our licensees and the expansion of our brand portfolio through the acquisition of additional brands and the growth of our existing brands. While we believe our diversified brand portfolio protects us from the underperformance of any one brand and that we will be able to continue our growth through continued development of our existing brands, through the acquisition of additional brands and by expanding internationally, we cannot guarantee the continued success of our business.

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

We are no longer directly engaged in the sale of branded products and, consequently, our revenues are now 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 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 reduce their guaranteed minimums, 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. This, in turn, could decrease our 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 ratio required in connection with the asset-backed notes issued by our subsidiary, IP Holdings, which would give the note holders 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 debt.

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

Although our licensees guarantee minimum net sales and minimum royalties to us, a failure of our trademarks or of products utilizing our trademarks to achieve or maintain market acceptance could cause a reduction of our licensing revenues. 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 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 trademarks and our licensees products, as well as market acceptance of any future products bearing our trademarks, 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 and product development 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 our licensed products 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 September 30, 2006, we had total consolidated debt of approximately $170.4 million (approximately $304.4 million after giving pro forma effect to the note issued by our subsidiary, Mossimo Holdings, in connection with the Mossimo merger and the note issued by us in connection with the Ocean Pacific brand acquisition) and had working capital of $2.1 million. Of such debt, as of September 30, 2006, approximately $159.9 million represented the principal amount outstanding under the asset-backed notes issued by our subsidiary, IP Holdings. The payment of the principal and interest on these asset-backed notes is made from amounts received by IP Holdings under license agreements with the various licensees of its intellectual property assets, all of which assets also serve as security under the notes. In addition, the $90.0 million note issued by Mossimo Holdings in connection with the Mossimo merger is secured by the Mossimo trademarks, license agreements and other related intellectual property assets and the $44.0 million note issued by us in connection with the Ocean Pacific brand acquisition is secured by the Ocean Pacific trademarks, license agreements and other related intellectual property assets. 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;
- 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 IP Holdings asset-backed notes, it would also 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 Brand trademarks, and in the case of the note issued in connection with the Mossimo merger and the note issued in connection with the Ocean Pacific brand acquisition, it would enable the holders of such notes to foreclose on the assets securing such notes, including the Mossimo and Ocean Pacific trademarks, respectively.

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 profitability or increase our net loss.

As of September 30, 2006, goodwill represented approximately $42.5 million, or 11% of our total assets, and other intangible assets represented approximately $267.9 million, or 70% of our total assets. Under Statement of Financial Accounting Standard No. 142, or SFAS No. 142, Goodwill and Other Intangible Assets, goodwill and indefinite lived 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.

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

Our licenses with Kohl s and Kmart Corporation, a subsidiary of Sears Holdings Corp., were our two largest licenses during the nine months ended September 30, 2006, representing approximately 16% and 26%, respectively, of our total revenue for such period. In addition, in connection with the Mossimo merger in October 2006, we acquired a license agreement with Target Corporation. Assuming, on a pro forma basis, that the Mossimo merger had been completed as of January 1, 2006, revenue under the Kohl s, Kmart and Target licenses would have collectively represented approximately 50% of our total pro forma revenue for the nine months ended September 30, 2006. Our license agreement with Kohl s grants it the exclusive U.S. license with respect to the Candie s trademark for a wide variety of product categories for an initial term expiring in January 2011. 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 an initial term expiring in December 2010. Finally, our license agreement with Target grants it the exclusive U.S. license with respect to the Mossimo trademark for substantially all Mossimo-branded products for a term currently expiring in January 2010. 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. In addition, as of September 2006, Kmart had not approached the sales levels of Joe Boxer products needed to trigger royalty payments in excess of its guaranteed minimums since 2004, and, as a result, when we entered into the current license agreement with Kmart in September 2006 expanding its distribution to include Sears stores and extending its term from December 2007 to December 2010, we agreed to reduce its guaranteed annual royalty minimums by approximately half, as a result of which our revenues from this license, at least for the short term, will likely be substantially reduced.

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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 decreasing our expected revenues and cash flows.

While we believe that there has been significant consumer acceptance of products sold under our newly-acquired Mossimo brand as a stand-alone brand, the image and reputation of Mossimo Giannulli, the creator of the brand, remain important factors to Target, the brand s primary licensee. Target has the right under its license agreement with us to terminate the agreement if Mr. Giannulli s services as our creative director for Mossimo-branded products are no longer available to us, 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 required under the Target license, for an initial term expiring in January 31, 2010, there can be no assurance that he will continue to do so or that in the event we were to lose such services, Target would continue its license agreement with us. The loss of the Target license would significantly decrease our expected revenues and cash flows until we were able to enter into one or more replacement licenses.

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 any anticipated benefits.

A key component of our growth strategy is the acquisition of additional trademarks. If competitors pursue our brand management model, acquisitions could become more expensive and suitable acquisition candidates 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; and
- risks of entering new domestic and international licensing 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. 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. Any issuance by us of shares of our common stock as equity consideration in future acquisitions 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.

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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 trademark acquisitions. If, at the time required, we have not generated sufficient cash from operations to finance those additional capital needs, we will need to raise additional funds through equity and/or debt financing. We cannot assure you 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 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.

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 which 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.

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, footwear and fashion industries, in which industries our licensees face intense and substantial 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 retailer 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 and with other brand management companies 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 down our growth rate.

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

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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. Further, trademark protection may not be available in every country where our licensees products are sold. 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 will likely be precluded from doing so 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.

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.

We are dependent upon our president 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 successful transition from a manufacturer and marketer of footwear and jeanswear to a 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, 2007, 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.

We are currently in litigation that could negatively impact our financial results.

We are currently a plaintiff and cross-defendant in a litigation pending in California state court involving our wholly-owned subsidiary, Unzipped, a defendant in a litigation pending in federal district court in New York involving a former supplier and a defendant in a litigation pending in New York state court involving one of our licensees. Even if we prevail on all counts in these actions, the costs of these litigation matters have been and are expected to continue to be high, not only in absolute terms but also because they divert available cash and personnel resources from our business affairs. Moreover, if we are ultimately required to pay the monetary damages sought from us in these actions, or if it is adjudicated that our contractual rights concerning Unzipped are invalid, our operating results and profitability would be reduced.

Until recently we incurred losses on a consistent basis and we may not be able to sustain our profitability in the future.

Although we have consistently recorded net income in connection with our new business model, we cannot guarantee you that we will continue to be profitable in the future. Prior to our transition to a brand management company in 2004, we consistently sustained net losses, including net losses of $11.3 million, $3.9 million and $2.3 million in the fiscal years ended January 31, 2004, 2003 and 2002, respectively.

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.

Risks related to our securities

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.

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 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 existing stockholders. 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 existing 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 authorizes 75,000,000 shares of common stock to be issued. Based on our outstanding capitalization at November , 2006, after giving effect to this offering and assuming the exercise of all outstanding options and warrants, there are still a total of approximately 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. Investors in this offering may never obtain a return on their investment.

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.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements based on our current expectations, assumptions, estimates and projections about our business and our industry. These statements include those relating to future events, performance and/or achievements, 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.

We have attempted to identify forward-looking statements by the use of words such as may, should, will, could, estimate, project, predi potential, continue, anticipate, believe, plan, seek, expect, future and intend or the negative of these terms or other comparable e which are 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 above and elsewhere in this prospectus or in documents incorporated by reference herein. These forward-looking statements reflect our view only as of the date of this prospectus. We assume no obligation to publicly update or revise these forward-looking statements for any reason, or to update the reasons actual results could differ materially from those anticipated in, or implied by, these forward-looking statements. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements and risk factors contained in this prospectus or in documents incorporated by reference herein.

USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of the shares we are offering in this offering will be approximately $ million ($ million in the event the underwriters overallotment option is exercised in full), based on an assumed offering price of $ per share and after deducting underwriting discounts and commissions and approximately $ of estimated offering expenses payable by us. We will not receive any of the proceeds from the sale of shares by the selling stockholders, which include members of our senior management. See Selling Stockholders.

We intend to use the net proceeds from this offering:

- to repay the $90.0 million principal amount of indebtedness outstanding under the secured note issued by our subsidiary, Mossimo Holdings, to Merrill Lynch Mortgage Capital Inc. on October 31, 2006 in connection with the Mossimo merger, which matures on December 18, 2008 and bears interest at a variable rate equal to the three-month LIBOR plus 5.125% per annum (see Underwriting Other relationships);

- to repay all or a portion of the $44.0 million principal amount of indebtedness outstanding under the secured note issued by us to the sellers as part of the purchase price for the Ocean Pacific brand acquisition, the terms of which are set forth below; and

- for general corporate purposes.

The note issued by us to finance the Ocean Pacific brand acquisition bears interest at the rate of 7% per annum and matures, at our option, on either (a) December 31, 2006, in which case it is payable, in cash or through a combination of shares of our common stock and at least $17.0 million in cash, on or prior to such date, or (b) January 31, 2007, provided we repay at least $25.0 million in cash on or prior to December 31, 2006 and the remaining balance, in cash or through a combination of shares of our common stock and at least $5.5 million in cash, on or prior to such date.

If this offering is consummated on or prior to December 31, 2006, we intend to repay the indebtedness outstanding under the Ocean Pacific note in full. If this offering is not consummated by December 31, 2006 and we exercise our option to repay only $25.0 million of the note on December 31, 2006 and to satisfy the $19.0 million balance of the note on the earlier of the consummation of this offering and January 31, 2007, we may fund the December payment through the issuance by our subsidiary, OP Holdings, of a secured note to Merrill Lynch Mortgage Capital Inc. in the principal amount of $25.0 million. The terms of such secured note to Merrill Lynch Mortgage Capital would be similar to the Mossimo Holdings note described above. We have already received a commitment letter from Merrill Lynch Mortgage Capital for such funding, subject to our satisfaction of certain conditions and the negotiation of definitive loan documentation. In such event, upon the consummation of this offering, we would likely use proceeds from this offering to repay the $25.0 million note to Merrill Lynch Mortgage Capital as well as the cash portion (which would be at least $5.5 million) of our final $19.0 million payment under the Ocean Pacific note. If this offering is not consummated by December 31, 2006 and we elect to satisfy all of our obligations under the Ocean Pacific note on December 31, 2006, either with cash or with cash and shares of our common stock, we may still fund up to $25.0 million of the cash portion of the Ocean Pacific note through our commitment letter from Merrill Lynch Mortgage Capital and repay such funding upon the consummation, and from the proceeds of, this offering. (see Underwriting other relationships).

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.

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PRICE RANGE OF OUR COMMON STOCK

Our common stock, $0.001 par value per share, our only class of common equity, has been quoted on the Nasdaq Global Market under the symbol ICON since we changed our name from Candies, Inc. to Iconix Brand Group, Inc. on July 1, 2005. Prior to that time, our common stock was quoted on the Nasdaq Global Market under the symbol CAND commencing as of January 22, 1990. 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, 2006		
Fourth Quarter (through November 6, 2006)	$ 19.18	$ 14.49
Third Quarter	17.00	12.64
Second Quarter	18.09	13.70
First Quarter	14.89	9.51
Year ended December 31, 2005		
Fourth Quarter	$ 10.64	$ 7.66
Third Quarter	10.21	6.30
Second Quarter	6.98	4.16
First Quarter	5.50	4.25
11 months ended December 31, 2004		
Fourth Quarter	$ 6.34	$ 4.20
Third Quarter	4.95	2.46
Second Quarter	3.04	2.15
First Quarter	2.88	2.00

As of November 6, 2006, the closing sale price of our common stock as reported on the Nasdaq Global Market was $17.02 per share. As of November 6, 2006, there were 2,401 holders of record of our common stock, not including beneficial owners of shares registered in nominee or street name on such date.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our common stock 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.

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CAPITALIZATION

The following table presents our consolidated cash and cash equivalents, short-term debt and capitalization as of September 30, 2006, as follows:

- on an actual basis;
- on a pro forma basis giving effect at such date to the Mossimo merger, including our financing of the merger and of a related settlement/termination fee (see Unaudited pro forma condensed combined financial statements);
- on a pro forma as adjusted basis giving effect at such date to the foregoing and to our acquisition of the Ocean Pacific trademarks and related intellectual property (see Management s discussion and analysis of financial condition and results of operations recent acquisitions); and
- on a pro forma as further adjusted for this offering basis to reflect the foregoing as well as our receipt of the estimated net proceeds from the sale by us in this offering of shares of our common stock, after (a) deducting the underwriting discount and commissions and the estimated offering expenses payable by us, (b) giving effect to our repayment from such proceeds of the $90.0 million of indebtedness incurred by us in connection with the Mossimo merger and (c) assuming our repayment from such proceeds of all $44.0 million of the indebtedness incurred by us in connection with the Ocean Pacific brand acquisition. See Use of proceeds.

You should read this table together with Management s discussion and analysis of financial condition and results of operations and our consolidated financial statements and related notes that are included in, or incorporated by reference into, this prospectus:

(In thousands, except par value)	**As of September 30, 2006**			
	Actual	**Pro forma**	**Pro forma as adjusted**	**Pro forma as further adjusted for this offering**
Cash and cash equivalents, including $16,100 of restricted cash	$ 21,255	$ 36,413	$ 26,080	$
Short-term debt, excluding current maturities of long-term debt	$ 750	$ 750	$ 44,750	$
Long-term debt, including current maturities:				
Asset-backed notes	$ 159,942	$ 159,942	$ 159,942	$
Kmart note	7,377	7,377	7,377	
Sweet note	3,112	3,112	3,112	
Mossimo Holdings note		90,000	90,000	
Total	170,431	260,431	260,431	
Stockholders equity:				
Preferred stock, $0.01 par value, 5,000 shares authorized and none issued and outstanding (actual, pro forma, pro forma as adjusted and pro forma as further adjusted)				
Common stock, $.001 par value, authorized 75,000 shares (actual, pro forma and as adjusted); 40,521 shares issued and outstanding (actual), 44,130 shares issued and outstanding (pro forma and pro forma as adjusted) and shares issued and outstanding (pro forma as further adjusted)	41	45	45	
Additional paid-in capital	203,153	272,744	274,128	
Accumulated other comprehensive income	155			
Retained deficit	(11,667)	(11,667)	(11,667)	

Treasury stock 198,000 shares at cost	(667)	(667)	(667)	
Total stockholders equity	191,015	260,455	261,839	
Total capitalization	$ 361,446	$ 520,886	$ 522,270	$

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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, 2005 and 2004 and for the fiscal year ended December 31, 2005, the 11 months ended December 31, 2004 and the fiscal year ended January 31, 2004 from our audited consolidated financial statements, which are included elsewhere in this prospectus. The selected historical consolidated financial data as of January 31, 2004, 2003 and 2002 and for the fiscal years ended January 31, 2003 and 2002 have been derived from our audited financial statements for such periods, which are not included in, or incorporated into, this prospectus but can be found in our publicly available documents filed with the SEC. The selected historical consolidated financial data presented as of September 30, 2006 and for the nine months ended September 30, 2005 and 2006 have been derived from our unaudited condensed consolidated financial statements included elsewhere in this 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 nine months ended September 30, 2006 are not necessarily indicative of results that may be expected for the entire year ending December 31, 2006.

You should read the information presented below in conjunction with the section in this prospectus entitled Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes included elsewhere in, or incorporated by reference into, this prospectus. As discussed in further detail there, the comparability of the selected data for the periods presented in the tables below has been affected by several events:

- Commencing as of May 2, 2002, the operating results of Unzipped, which conducted our Bongo jeanswear business until our transition to a licensing model, were consolidated. As a result, our operating results commencing with our fiscal year ended January 31, 2003 are not comparable to prior years.

- In May 2003, we changed our business model from that of a jeanswear and footwear wholesaler to a licensing only model and as a result our fiscal year ended January 31, 2004, 11 months ended December 31, 2004 and fiscal year ended December 31, 2005 are not comparable with prior years.

- In December 2004, we determined to change our fiscal year end from January 31 to December 31, effective for the period ending December 31, 2004. As a result, while our most recently completed fiscal year commenced on January 1, 2005 and ended on December 31, 2005, our prior reporting year, which was our transitional period, commenced on February 1, 2004 and ended on December 31, 2004 and was thus reported as an 11-month year.

- We acquired the Badgley Mischka brand in October 2004, the Joe Boxer and Rampage brands in the third quarter of 2005 and the Mudd brand and the London Fog trademarks during the nine months ended September 30, 2006, which affects the comparability of the information reflected in the selected data presented for the 11 months ended December 31, 2004, the fiscal year ended December 31, 2005, and the nine months ended September 30, 2006, respectively.

Subsequent to September 30, 2006, we completed the Mossimo merger and the Ocean Pacific brand acquisition. As a result, the selected data presented for the year ended December 31, 2005 and the nine months ended September 30, 2006 is not expected to be comparable with that of future periods.

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(In thousands, except per share data)	Fiscal year ended January 31,			11 months ended December 31,	Fiscal year ended December 31,	Nine months ended September 30,	
	2002	2003	2004	2004	2005	2005	2006
						(unaudited)	
Consolidated statements of operations data:							
Net sales	$ 94,500	$ 149,543	$ 123,160	$ 58,427	$	$	$
Licensing and commission revenue	6,902	7,240	8,217	10,553	30,156	17,792	53,791
Net revenues	101,402	156,783	131,377	68,980	30,156	17,792	53,791
Cost of goods sold	70,468	116,306	104,230	55,795			
Gross profit	30,934	40,477	27,147	13,185	30,156	17,792	53,791
Selling, general and administrative expenses(1)	30,688	37,872	30,682	10,154	13,880	9,385	17,572
Special charges	1,791	3,566	4,629	295	1,466	996	1,900
Operating income (loss)	(1,545)	(961)	(8,164)	2,736	14,810	7,411	34,319
Other expenses:							
Interest expense(2)	1,175	3,373	3,118	2,495	3,977	2,134	7,991
Equity (income) in joint venture	(500)	(250)					
Gain on sale of securities					(75)		
Income (loss) before income taxes	2,220	(4,084)	(11,282)	241	10,908	5,277	26,328
Provision (benefit) for income taxes	62	(139)	58		(5,035)	(3,180)	2,680
Net income (loss)	$ (2,282)	$ (3,945)	$ (11,340)	$ 241	$ 15,943	$ 8,457	$ 23,648
Earnings (loss) per share:							
Basic	$ (0.12)	$ (0.17)	$ (0.45)	$ 0.01	$ 0.51	$ 0.28	$ 0.62
Diluted	$ (0.12)	$ (0.17)	$ (0.45)	$ 0.01	$ 0.46	$ 0.26	$ 0.54
Weighted average number of common shares outstanding:							
Basic	19,647	23,681	25,181	26,851	31,284	29,859	38,075
Diluted	19,647	23,681	25,181	28,706	34,773	33,071	43,469
Consolidated statements of cash flow data(3):							
Net cash provided by (used in) operating activities	$ 240	$ (9,867)	$ 11,163	$ 4,809	$ 15,982	$ 5,627	$ 18,770
Cash flows used in investing activities:							
Purchases of property and equipment	$ (2,554)	$ (1,729)	$ (248)	$ (30)	$ (731)	$ (26)	$ (558)
Proceeds from the sale of equity securities of other entities					110		
Proceeds from sale of retail store	500						
Purchases of equity securities of other entities					(663)		(78)
Acquisition of Badgley Mischka				(372)			
Acquisition of Joe Boxer					(40,755)	(40,100)	
Acquisition of Rampage					(26,159)	(25,850)	
Acquisition of Mudd							(45,000)
Purchase of London Fog trademarks							(31,522)
Purchase of other trademarks	(160)	(450)		(19)	(320)	(247)	(1,269)
Net cash used in investing activities	$ (2,214)	$ (2,179)	$ (248)	$ (421)	$ (68,518)	$ (66,223)	$ (78,427)
Net cash (used in) provided by financing activities	$ 2,244	$ 13,309	$ (10,543)	$ (6,391)	$ 59,861	$ 67,205	$ 57,264

(1) Net of reductions related to shortfall payments arising from the former management agreement between our subsidiary, Unzipped, and Sweet Sportswear of $1.6 million in the year ended January 31, 2004, $7.6 million (net of $685,000 recorded as a reserve pending the outcome of our litigation relating to Unzipped) in the 11 months ended December 31, 2004 and $438,000 in the year ended December 31, 2005 and the nine months ended September 30, 2005.

See Business legal proceedings.

(2) Net of interest income of $36,000 in the year ended January 31, 2004, $24,000 in the 11 months ended December 31, 2004, $295,000 in the year ended December 31, 2005, $89,000 in the nine months ended September 30, 2005 and $629,000 in the nine months ended September 30, 2006.

(3) 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 appear elsewhere in this prospectus.

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Consolidated balance sheets data (in thousands):

	As of December 31, 2005	As of September 30, 2006 (unaudited) Actual	Pro forma	Pro forma as adjusted	Pro forma as further adjusted for this offering
Cash and cash equivalents(1)	$ 11,687	$ 21,255	$ 36,413	$ 26,080	$
Working capital (deficit)	$ (4,388)	$ 2,124	$ 122	$ (55,011)	$
Total assets	$ 217,244	$ 383,564	$ 605,196	$ 651,380	$
Total current liabilities	$ 26,733	$ 39,728	$ 63,420	$ 108,220	$
Long term debt, less current portion	$ 85,414	$ 144,882	$ 224,382	$ 224,382	$
Other liabilities	$ 4,201	$ 7,939	$ 56,939	$ 56,939	$
Stockholders equity	$ 100,896	$ 191,015	$ 260,455	$ 261,839	$

(1) Including restricted cash of $4.1 million at December 31, 2005 and $16.1 million at September 30, 2006.

The pro forma information included in the above summary balance sheet data as of September 30, 2006 gives effect, at that date, to the October 2006 Mossimo merger, including our financing of the merger and of a related settlement/termination fee. See Unaudited pro forma condensed combined financial statements for additional pro forma information with respect to the Mossimo merger.

The pro forma as adjusted information included in the above summary balance sheet data as of September 30, 2006 gives effect, at that date, to the foregoing adjustments and to our November 2006 acquisition of the Ocean Pacific trademarks and related intellectual property assets. See Management s discussion and analysis of financial condition and results of operations recent acquisitions.

The pro forma as further adjusted for this offering information included in the above summary balance sheet data as of September 30, 2006 gives effect, at that date, to all of the foregoing adjustments and to the following anticipated events:

our sale of the shares of common stock in this offering at an assumed public offering price of $ per share; and

our receipt of the estimated net proceeds therefrom, after deducting the underwriting discount and commissions and other expenses of this offering, giving effect to our repayment from such proceeds of the $90.0 million note issued by our subsidiary, Mossimo Holdings, in connection with the Mossimo merger and assuming our repayment from such proceeds of all $44.0 million of the indebtedness incurred by us in connection with the Ocean Pacific brand acquisition.

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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 financial data and our consolidated financial statements and the related notes included elsewhere in, or incorporated by reference into, this 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 or in documents incorporated by reference into this prospectus.

Overview

We are a brand management company engaged in licensing, marketing and providing trend direction for our diversified and growing consumer brand portfolio. Our brands are sold across every major segment of retail distribution, from luxury to mass. As of September 30, 2006, we owned seven iconic consumer brands: Candie s, Bongo, Badgley Mischka, Joe Boxer, Rampage, Mudd and London Fog. Subsequent to the end of our third quarter, we acquired the Mossimo and Ocean Pacific brands, bringing the total number of highly recognizable brands in our portfolio to nine. We license our brands worldwide via over 115 retail and wholesale licenses worldwide for use in connection with a broad variety of product categories, including women s, men s and children s apparel, footwear and accessories, home furnishings and beauty and fragrance. Our business model allows us to focus on our core competencies of marketing and managing brands without some 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 our brands retail penetration and optimizing the sales of our licensees. We will also seek to continue the international expansion of our brands by partnering with leading licensees throughout the world. Finally, we believe we will continue to acquire iconic consumer brands with an applicability to a wide range of merchandise categories and an ability to further diversify our brand portfolio.

Background

Transition to current business model

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. Thereafter, effective in August 2004, we also licensed out our Bongo jeanswear operations, which were previously conducted through our wholly-owned subsidiary, Unzipped, and, by the end of 2004, we had reduced our workforce from over 200 employees to under 40. 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. In July 2005, we entered into our first multi-category retail license, with Kohl s, and between October 2004 and September 2005, we acquired three new brands: Badgley Mischka, Joe Boxer and Rampage. As a result of these changes to our operations, we are now a brand management company that focuses exclusively on licensing, marketing and providing trend direction with respect to a diverse portfolio of owned consumer brands and that no longer has any wholesale or retail operations or product inventory.

Changes in our financial reporting

In December 2004, our board of directors approved a change in our fiscal year end from January 31 to December 31, effective for the period ending December 31, 2004, in order to align our financial reporting with

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that of the majority of our licensees. As a result, while our most recently completed fiscal year, sometimes referred to herein as fiscal 2005, commenced on January 1, 2005 and ended on December 31, 2005, our prior reporting year, which was our transitional period, commenced on February 1, 2004 and ended on December 31, 2004 and was thus reported as an 11-month year. That prior reporting year is sometimes referred to in this prospectus as 11-month 2004. The fiscal year preceding 11-month 2004, the 12 month period from February 1, 2003 to January 31, 2004, is sometimes referred to herein as fiscal 2003.

Commencing with fiscal 2005, revenues from Bright Star are recognized solely from its net agent commissions and no longer from gross product sales as they were prior to the change in our business practices with respect to Bright Star described above. In addition, for the fiscal years ending prior to fiscal 2005, our operations were comprised of two reportable segments: our licensing/ commission/footwear segment, which included Candie s footwear, Bongo footwear, private label footwear, Bright Star s operations, retail store operations and licensing operations, and our apparel segment, which was comprised of Unzipped s Bongo jeanswear operations. As a result of our shift in business model, including our licensing of the activities associated with our former Candie s and Bongo footwear and apparel operations, we now have only one revenue reporting segment, our licensing and commission segment, which includes the licensing revenues for all of our brands and Bright Star s net commission revenues.

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 fiscal 2003 are not, and are not expected to be, comparable to prior years. Further, as a result of our Joe Boxer and Rampage acquisitions and to a lesser extent the change in our Bright Star revenue recognition, our operating results for fiscal 2005 are not comparable to prior years, and as a result of our April 2006 Mudd acquisition and to a lesser extent our August 2006 London Fog trademark purchase, our operating results for the first nine months of 2006 are not comparable to comparable prior year periods.

Operating results

Nine months ended September 30, 200