CANDIES INC
Form 10-Q
December 15, 2004

United States Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-Q

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly Period Ended October 31, 2004

OR

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Transition Period From _____ to _____.

Commission file number 0-10593

CANDIE'S, INC.

(Exact name of registrant as specified in its charter)

Delaware	11-2481903
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

215 West 40th Street New York, NY	10018
(Address of principal executive offices)	(Zip Code)

(212) 730-0030

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No .

Indicate the number of shares outstanding of each of the issuer's classes of

Common Stock, as of the latest practicable date.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act) Yes__ No. X

Common Stock, $.001 Par Value -- 27,942,694 shares as of December 8, 2004

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FORM 10-Q

CANDIE'S, INC. and SUBSIDIARIES

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Part I. Financial Information

Item 1. FINANCIAL STATEMENTS-(Unaudited)

Candie's, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

	October 31, 2004 (Unaudited) (000's omitted,
Assets	
Current Assets	
Cash	$ 692
Accounts receivable, net	2,784
Due from factors, net	2,526
Due from affiliate	217
Inventories	2,055
Deferred income taxes	1,549
Prepaid advertising and other	852
Total Current Assets	10,675
Property and equipment, at cost:	
Furniture, fixtures and equipment	2,701
Less: Accumulated depreciation and amortization	2,321
	380
Restricted cash	2,900
Other assets:	
Goodwill	25,241
Intangibles, net	14,943
Deferred financing costs, net	2,230
Deferred income taxes	2,073
Other	2,247
	46,734
Total Assets	$ 60,689
Liabilities and Stockholders' Equity	
Current Liabilities:	
Revolving notes payable - banks	$ -
Accounts payable and accrued expenses	5,565
Due to related parties	4,819
Current portion of deferred revenue	1,230
Current portion of long-term debt	3,102
Total Current Liabilities	14,716
Deferred revenue	625
Long-term liabilities	21,332
Stockholders' Equity	
Common stock, $.001 par value - shares authorized 75,000; shares issued 27,533 at October 31, 2004 and 25,915 issued	

at January 31, 2004	29
Additional paid-in capital	74,999
Retained earnings (deficit)	(50,345)
Treasury stock - at cost - 198 shares at October 31, 2004 and January 31, 2004	(667)
Total Stockholders' Equity	24,016
Total Liabilities and Stockholders' Equity	$ 60,689

See notes to condensed consolidated financial statements.

Candie's, Inc. and Subsidiaries

Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended October 31,		N
	2004	2003	2004
		(000's omitted, except	
Net sales	$ 10,679	$25,305	$54,55
Licensing income	2,725	1,808	6,74
Net revenues	13,404	27,113	61,30
Cost of goods sold	7,320	21,189	44,38
Gross profit	6,084	5,924	16,92
Operating expenses:			
Selling, general and administrative expenses	4,824	6,251	13,57
Special charges	-	764	9
	4,824	7,015	13,67
Operating income (loss)	1,260	(1,091)	3,24
Interest expense	657	746	2,09
Income (loss) before income taxes	603	(1,837)	1,15
Income tax expense	-	47	
Net income (loss)	$ 603	$(1,884)	$ 1,15

Earnings (loss) per common share:			
Basic	$ 0.02	$ (0.07)	$ 0.0
Diluted	$ 0.02	$ (0.07)	$ 0.0
Weighted average number of common shares outstanding:			
Basic	27,264	25,372	26,63
Diluted	29,462	25,372	28,03

See notes to condensed consolidated financial statements.

Candie's, Inc. and Subsidiaries

Condensed Consolidated Statement of Stockholders' Equity
(Unaudited)

Nine Months Ended October 31, 2004
(000's omitted)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings (Deficit)	Treas Sto
Balance at February 1, 2004	25,915	$ 26	$ 71,008	$ (51,499)	$ (6
Issuance of common stock to directors	44	--	110	--	
Issuance of common stock to designees of TKO Apparel, Inc.	1,000	1	2,184	--	
Issuance of common stock to B.E.M. Enterprises, Ltd for asset acquisition	215	1	949	--	
Issuance of common stock to a non-employee	10	--	25	--	
Exercise of stock options	349	1	723	--	
Net income	--	--	--	1,154	
Balance at October 31, 2004	27,533	$ 29	$ 74,999	$ (50,345)	$ (6

See notes to condensed consolidated financial statements.

Candie's, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Month	
	October 31, 2004	Oc
	(000's omit	
OPERATING ACTIVITIES:		
Net cash provided by operating activities	$ 4,831	$
INVESTING ACTIVITIES:		
Purchases of property and equipment	(31)	
Net cash used in investing activities	(31)	
FINANCING ACTIVITIES:		
Proceeds from long - term debt	3,600	
Proceeds of loans from related parties	1,711	
Payment of long-term debt	(1,869)	
Prepaid interest expense - long term	(500)	
Deferred financing costs	24	
Proceeds from common stock issuance	2,184	
Proceeds from exercise of stock options	723	
Repayment of revolving notes payable - bank	(12,775)	
Net cash provided by (used in) financing activities	(6,902)	
INCREASE (DECREASE) IN CASH	(2,102)	
Cash at beginning of period	2,794	
Cash at end of period	$ 692	$
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 2,225	$

See notes to condensed consolidated financial statements.

Candie's, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements
(Unaudited)

October 31, 2004

NOTE A BASIS OF PRESENTATION AND FISCAL YEAR END

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month and nine-month period ended October 31, 2004 are not necessarily indicative of the results that may be expected for a full fiscal year.

On December 7, 2004, the Company announced that beginning January 1, 2005, it will change its fiscal year to a calendar year beginning on January 1st and ending on December 31st. The change is designed to align the Company's financial reporting with that of its licensees. As a result, the current fiscal period will be reported as an eleven month period ending on December 31, 2004.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended January 31, 2004.

NOTE B STOCK OPTIONS

Pursuant to a provision in SFAS No. 123, "Accounting for Stock-Based Compensation," the Company has elected to continue using the intrinsic-value method of accounting for stock options granted to employees in accordance with Accounting Principles Board Opinion 25, "Accounting for Stock Issued to Employees." Accordingly, compensation cost for stock options has been measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the amount the employee must pay to acquire the stock. Under this approach, the Company only recognizes compensation expense for stock-based awards to employees for options granted at below-market prices, with the expense recognized over the vesting period of the options.

The stock-based employee compensation cost that would have been included in the determination of net income if the fair value based method had been applied to all awards, as well as the resulting pro forma net income and earnings per share using the fair value approach, are presented in the following table. These pro forma amounts may not be representative of future disclosures since the estimated fair value of stock options is amortized to expense over the vesting period, and additional options may be granted in future years.

(000's omitted except per share data)	Three Months Ended October 31, 2004	Three Months Ended October 31, 2003	Nine M Oc 20
Net income (loss) - as reported	$ 603	$(1,884)	$ 1,1
Deduct: Stock-based employee compensation determined under the fair value based method	(447)	(686)	(1,34
Pro forma net income (loss)	$ 156	$(2,570)	$ (18
Basic and diluted earnings (loss) per share:			
As reported	$ 0.02	$(0.07)	$ 0.

Pro forma	$ 0.01	$(0.10)	$ (0.0

NOTE C FINANCING AGREEMENTS

In August 2002, IP Holdings LLC ("IPH"), an indirect wholly owned subsidiary of the Company, issued $20 million of asset-backed notes in a private placement secured by intellectual property assets (trade names, trademarks and license payments thereon). The notes have a 7-year term with a fixed interest rate of 7.93% with quarterly principal and interest payments of approximately $859,000.

The notes are subject to a liquidity reserve account of $2.9 million (reflected as restricted cash in the accompanying balance sheet) funded by a deposit of a portion of the proceeds of the notes. The net proceeds of $16.2 million were used to reduce amounts due by the Company under its existing revolving credit facilities. Concurrent with this payment, the credit facility was further amended to eliminate the over-advance provision along with certain changes in the availability formula. Costs incurred to obtain this financing totaled approximately $2.6 million which amount have been deferred and is being amortized over the life of the debt.

In April 2004, IPH amended the asset-backed notes to borrow an additional $3.6 million. The additional borrowing matures in August 2009, at a floating interest rate of LIBOR + 4.45%, with $500,000 of interest prepaid at closing. The net proceeds of $2.9 million were for general working capital purposes. Costs incurred to obtain this financing totaling approximately $178,500 has been deferred and amortized over the life of the debt.

See Note F of the Notes to the Condensed Consolidated Financial Statements regarding the financing agreement of Unzipped Apparel, LLC ("Unzipped"), the Company's wholly-owned subsidiary.

NOTE D EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share includes no dilution and is computed by dividing earnings (loss) attributable to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per share reflects, in periods in which they have a dilutive effect, the effect of common shares issuable upon exercise of stock options, warrants and convertible preferred stock. At October 31, 2004, approximately 6.5 million options were outstanding under the Company's various option plans.

The following is a reconciliation of the shares used in calculating basic and diluted earnings (loss) per share:

	Three Months Ended October 31,	
	2004	2003
		(000's om
Basic	27,264	25,372
Effect of assumed conversions of employee stock options	2,198	-
Diluted	29,462	25,372

NOTE E COMMITMENTS AND CONTINGENCIES

In April 2003, the Company settled the Securities and Exchange Commission's ("SEC") investigation of the Company regarding matters that had been under investigation by the SEC since July 1999.

In connection with the settlement, the Company, without admitting or denying the SEC's allegations, consented to the entry by the SEC of an administrative order in which the Company was ordered to cease and desist from committing or causing any violations and any future violations of certain books and records, internal controls, periodic reporting and the anti-fraud provisions of the Securities Exchange Act of 1934 and the anti-fraud provisions of the Securities Act of 1933.

In November 2001, the Company settled a litigation filed in December 2000 in the United States District Court for Southern District of New York, by Michael Caruso, as trustee of the Claudio Trust and Gene Montasano (collectively, "Caruso"). The settlement agreement between the Company and Caruso provided for the Company to pay to Caruso equal quarterly payments of $62,500, up to a maximum amount of $1 million, over a period of four years. However, the Company's obligation to make these quarterly payments terminated on or about November 15, 2004 based upon a provision of the settlement agreement that stated that in the event that the last daily sale price per share of the Company's common stock reached at least $4.98 during any ten days within a thirty day period, the Company's obligation to make the quarterly payments would terminate. The remaining balance of $238,000 will be recognized as a reduction of special charges in the fourth quarter of the current fiscal year.

In January 2002, Redwood Shoe Corporation ("Redwood"), one of the Company's former buying agents of footwear filed a complaint against the Company in the United States District Court for the Southern District of New York, alleging that the Company breached various contractual obligations to Redwood and seeking to recover damages in excess of $20 million and its litigation costs. The Company filed a motion to dismiss certain counts of the complaint based upon Redwood's failure to state a claim, in response to which Redwood has filed an amended complaint. The Company moved to dismiss certain parts of the amended complaint. The magistrate assigned to the matter granted, in part, the Company's motion to dismiss, and this ruling is currently pending before the District Court. The Company intends to vigorously defend the lawsuit, and file counterclaims against Redwood after the District Court rules on the pending motion to dismiss. At October 31, 2004 and 2003, the payable to Redwood totaled approximately $1.8 million which is subject to any claims, offsets or other deductions the Company may assert against Redwood.

On August 5, 2004, the Company, along with Unzipped Apparel, LLC. ("Unzipped"), Michael Caruso & Co., Inc. and IPH (collectively, "Plaintiffs") commenced a lawsuit in the Superior Court of California, Los Angeles County, against Unzipped's former manager, former supplier and former distributor, Sweet Sportswear, LLC ("Sweet"), Azteca Production International, Inc. ("Azteca"), and Apparel Distribution Services, LLC ("ADS"), and a principal of these entities and former Company Board member, Hubert Guez (collectively, "Defendants"). Plaintiffs amended their Complaint on November 22, 2004. In their Amended Complaint, Plaintiffs allege that Defendants' fraudulently induced Plaintiffs to purchase Sweet's 50% interest in Unzipped for an inflated price, Sweet and Azteca committed material breaches of the management, supply and distribution agreements and Guez materially breached his fiduciary obligations to the Company while a member of the Company's Board of Directors, and seeks damages in excess of $50 million. Additionally, Plaintiffs allege that Defendants have imported, distributed and sold goods bearing the Company's BONGO(R) trademarks in violation of federal and California law. On August 31, 2004, the Superior Court granted Plaintiffs' request for preliminary injunctive relief, and ordered Defendants to make available to Plaintiffs approximately 657,000 pairs of BONGO(R) jeans in Defendants' possession or control upon Plaintiffs making a $75,600 cash payment into the Court's escrow account and posting a $1.7 million bond with the Court. Plaintiffs made the required payment into the Court's

escrow account, and Defendants released the BONGO(R) jeans encompassed by the Court's injunction.

From time to time, the Company is also made a party to certain litigation incurred in the normal course of business. While any litigation has an element of uncertainty, the Company believes that the final outcome of any of these routine matters will not have a material effect on the Company's financial position or future liquidity. Except as set forth herein, the Company knows of no material legal proceedings, pending or threatened, against the Company.

NOTE F UNZIPPED APPAREL, LLC

Equity Investment:

On October 7, 1998, the Company formed Unzipped with a joint venture partner Sweet, the purpose of which was to market and distribute apparel under the BONGO(R) label. The Company and Sweet each had a 50% interest in Unzipped. Pursuant to the terms of the joint venture, the Company licensed the BONGO trademark to Unzipped for use in the design, manufacture and sale of certain designated apparel products.

Acquisition:

On April 23, 2002, the Company acquired the remaining 50% interest in Unzipped from Sweet for 3 million shares of the Company's common stock and $11 million in debt evidenced by an 8% senior subordinated note due 2012. In connection with the acquisition of Unzipped, the Company filed a registration statement with the SEC for the 3 million shares of the Company's common stock issued to Sweet. The terms of this agreement provided that in the event the registration statement was not declared effective by April 23, 2003, the Company would be required to pay penalties to Sweet. Since the registration statement was not declared effective by the SEC until July 29, 2003, the Company was required to pay $82,500 to Sweet as a penalty. The Company recorded $82,500 expense for such penalty in the quarter ended April 30, 2003.

Revolving Credit Agreement:

On February 25, 2003, Unzipped entered into a two-year $25 million credit facility ("the Unzipped Credit Facility") with GE Capital Commercial Services, Inc. ("GECCS" or "the Lender"). Borrowings were limited by advance rates against eligible accounts receivable and inventory balances, as defined. Under the facility, Unzipped could also arrange for letters of credit in an amount up to $5 million. The borrowings bore interest at a rate of 2.25% per annum in excess of the 30 day Commercial Paper rate or 3%, whichever is greater.

Borrowings under the facility were secured by substantially all of the assets of Unzipped. In addition, Unzipped had agreed to subordinate its accounts payable to Azteca, ADS and Sweet to GECCS. Unzipped was required to meet a minimum tangible net worth covenant, as defined. At October 31, 2004, the loan had been repaid in full and the borrowing arrangement with GECCS was terminated.

Related Party Transactions:

Prior to August 5, 2004, Unzipped was managed by Sweet pursuant to a management agreement. Unzipped also had a supply agreement with Azteca and a distribution agreement with ADS. All of these entities are owned or controlled by Hubert Guez. On August 5, 2004, Unzipped terminated the management agreement with Sweet, the supply agreement with Azteca and the distribution with ADS, and at the same time with the Company commenced a lawsuit against Sweet, Azteca, ADS and Hubert Guez. See Note E of Notes to Condensed Consolidated Financial Statements.

Until August 5, 2004, the Company had a management agreement with Sweet for a term ending January 31, 2005, which provided for Sweet to manage the operations of Unzipped in return for, commencing in Fiscal 2004, a management fee based upon certain specified percentages of net income that Unzipped achieved during the three-year term. In addition, Sweet guaranteed that the net income, as defined, of Unzipped shall be no less than $1.7 million for each year during the term commencing in Fiscal 2004 (the "Guarantee"), or $425,000 per quarter. In the event that the Guarantee is not met, Sweet is obligated to pay the difference between the actual net income, as defined, and the Guarantee (the "Shortfall Payment").

For the quarter ended October 31, 2004, Unzipped had a net loss (as defined, for the purpose of determining if the Guarantee has been met) of $3.1 million. Based upon the $425,000 quarterly Guarantee, a Shortfall Payment of $3.5 million was computed for the quarter ended October 31, 2004. Of this total adjustment, $3.1 million has been recorded in the condensed consolidated income statement as a reduction of Unzipped's cost of sales and on the balance sheet as a reduction of the 8% senior subordinated note due to Sweet, as provided for in the management agreement. The Company believes that it is entitled to the full quarterly Guarantee of $425,000 for each of the third and fourth quarters under the management agreement with Sweet notwithstanding the termination of the management agreement on August 5, 2004. However, for financial statement purposes, the Company has pro-rated the $425,000 third quarter Guarantee to the termination date, and has established a reserve of $400,000 for the difference, pending the outcome of its litigation. See Note E of Notes to Condensed Consolidated Financial Statements. After adjusting for the Shortfall Payment, Unzipped's reported net loss for the quarter ended October 31, 2004 was $89,400. In the fiscal quarter ended October 31, 2004, the Company did not make an interest payment on the 8% senior subordinated note to partially offset the Shortfall Payment of January 31, 2004 due from Sweet. Such interest payment is to be resumed if and when the Shortfall Payment is satisfied.

For the nine months ended October 31, 2004, Unzipped had a net loss (as defined, for the purpose of determining if the Guarantee has been met) of $4.2 million, resulting in an adjustment of Shortfall Payment of $5.2 million based on a $1.3 million nine- month Guarantee. Of this total, $4.8 million has been recorded in the condensed consolidated income statement as a reduction of Unzipped's cost of sales and on the balance sheet as a reduction of the 8% senior subordinated note due to Sweet, as provided for in the management agreement. As discussed above, the Company believes that it is entitled to a quarterly Guarantee of $425,000 for each of the third and forth quarters under the management agreement with Sweet notwithstanding the termination of the management agreement on August 5, 2004. After adjusting for the Shortfall Payment, Unzipped's reported net income for the nine months ended October 31, 2004 was $535,600.

Until August 5, 2004, Unzipped had a distribution agreement with ADS for a term ending January 31, 2005. The agreement provided for a per unit fee for warehousing and distribution functions and per unit fee for processing and invoicing orders. The agreement also provided for reimbursement for certain operating costs incurred by ADS and charges for special handling fees at hourly rates approved by management.

Prior to August 5, 2004, Azteca also allocated expenses to Unzipped for Unzipped's use of a portion of Azteca's office space, design and production team and support personnel.

The related party transactions are summarized as follows ('000 omitted):

	Three Months Ended October 31, 2004	2003	Nine Months En 2004
Products purchased from Azteca	$ 436	$ 9,939	$22,886
Allocated office space, design and			

production team and support personnel expense from Azteca	-	112	118
Management fee	-	(75)	-
Expenses of distribution services per distribution agreement with ADS	480	581	2,405

Until August 5, 2004, Unzipped occupied office space in a building rented by ADS and Commerce Clothing Company, LLC (Commerce), a related party to Azteca.

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On June 9, 2004, the Company entered into a license agreement with TKO Licensing, Inc. ("TKO"), pursuant to which the Company entered into a license to design, manufacture, sell and distribute BONGO(R) name on jeans wear effective August 1, 2004. The Company also entered into an agreement to sell Unzipped to TKO on or before February 1, 2005 for a purchase price based on the tangible net worth of Unzipped at the time of closing.

On September 21, 2004, Unzipped entered into an agreement with Bongo Apparel, Inc ("Bongo Apparel", an affiliate of TKO) to assist the Company with the management of Unzipped through January 31, 2005. As part of the agreement, Bongo Apparel agreed to lend Unzipped up to $2.5 million under a revolving note due January 31, 2005 at a rate of prime rate plus 1% (5.75% at October 31, 2004) per annum. At October 31, 2004, Unzipped had $1.5 million outstanding under the note. In connection with this agreement, Unzipped was charged $189,000 of fees and expenses by Bongo Apparel during the quarter.

On September 14, 2004, the Company borrowed $400,000 from Neil Cole, the President and CEO of the Company. The Company repaid $200,000 on October 12, 2004. The balance was repaid on December 1, 2004. The loan bore interest at the rate of 2% per annum.

Amounts due to related parties at October 31, 2004 consist of the following:

(`000 omitted)	
Azteca	$ 2,261
Sweet	-
ADS	847
Due from Bongo Apparel	1,511
Due from Neil Cole	200
	$ 4,819

NOTE G BADGLEY MISCHKA LICENSING LLC

On October 29, 2004 (the "Closing Date"), the Company acquired the principal assets (the "Purchased Assets") of B.E.M. Enterprise, Ltd. ("BEM"), the holding company for the designer business "Badgley Mischka" from parent company Escada U.S.A. The purchased assets include the Badgley Mischka trademark, two existing licenses and the rights to operate the existing Badgley Mischka retail store located on Rodeo Drive in Beverly Hills, California. The purchase price for the transaction was $950,000, which was paid by the Company's issuance of 214,981 shares of the Company's common stock. The purchase price of the Purchased Assets is subject to an upward adjustment in the event that the closing sale price of the Company's common stock on the date which is 180 days after the Closing Date is less than the closing sale price on the Closing Date. Any such adjustment will also be paid in shares of the Company's common stock. The Company filed a registration statement with the SEC for the resale of the 214,981 shares of the Company's common stock issued to BEM. The registration statement was declared effective by the SEC on December 1, 2004.

In the accompanying balance sheet, the purchase price is reflected as other long term assets. The Company is in the process of obtaining a third party valuation

of the acquired intangible assets, thus the allocation of the purchase price is subject to change.

The Company was advised in the transaction by UCC Capital Corporation ("UCC"), of which Robert D'Loren, a director of the Company, is President. In connection with the services provided in the acquisition, UCC received 50,000 stock options and will receive a fee of 5% of the gross revenues that the Company derives from the Badgley Mischka Trademark and all derivative trademarks. In addition, should the Company sell all or substantially all of the acquired assets, UCC will receive a cash payment calculated under a formula based on the sales price.

NOTE H SEGMENT INFORMATION

The Company identifies operating segments based on, among other things, the way the Company's management organizes the components of its business for purposes of allocating resources and assessing performance. With the acquisition of Unzipped, the Company redefined the reportable operating segments. The Company's operations are now comprised of two reportable segments: footwear and apparel. Segment revenues are generated from the royalty income from licensees and the sale of footwear, apparel and accessories through wholesale channels and the Company's retail locations. The Company defines segment income as operating income before interest expense and income taxes. Summarized below are the Company's segment revenues, income (loss) and total assets by reportable segments for the fiscal quarter ended October 31, 2004.

(000's omitted)	Footwear	Apparel	Consolidated
For the fiscal quarter ended October 31, 2004			
Total revenues	$ 10,039	$ 3,365	$ 13,404
Segment income	1,256	4	1,260
Net interest expense			657
Income before provision for income taxes			$ 603
For the nine months ended October 31, 2004			
Total revenues	$ 25,809	$ 35,494	$ 61,303
Segment income	2,312	935	3,247
Net interest expense			2,093
Income before provision for income taxes			$ 1,154
Total assets as of October 31, 2004	$ 27,581	$ 33,108	$ 60,689
For the fiscal quarter ended October 31, 2003			
Total revenues	$ 14,347	$ 12,766	$ 27,113
Segment (loss) income	(719)	(372)	(1,091)
Net interest expense			746
Loss before provision for income taxes			$ (1,837)
For the nine months ended October 31, 2003			
Total revenues	$ 57,592	$ 53,617	$ 111,209
Segment (loss) income	(5,191)	2,762	(2,429)
Net interest expense			2,462
Loss before provision for income taxes			$ (4,891)
Total assets as of October 31, 2003	$ 36,276	$ 40,899	$ 77,175

NOTE I SUBSEQUENT EVENTS

On December 6, 2004, a license agreement (the "License Agreement") was entered into by and among the Company, IPH, and Kohl's Department Stores, Inc.

("Kohl's"). Pursuant to the License Agreement, the Company granted Kohl's the exclusive right to design, manufacture, sell and distribute a broad range of products under the CANDIE'S(R) trademark, including women's, juniors' and children's apparel, accessories (except optical), beauty and personal care products, home accessories and electronics. Kohl's was also granted the non-exclusive right to sell footwear and handbags bearing the CANDIE'S brand through December 31, 2006, which rights become exclusive to Kohl's on January 1, 2007.

In connection with the Kohl's License Agreement, on December 6, 2004, the Company also amended the Company's existing exclusive footwear license agreement with Steve Madden Ltd. ("SML") dated May 12, 2003, to provide Kohl's with the exclusive rights to footwear commencing January 1, 2007. In connection with the amendment, the Company is forgoing certain minimum royalties from SML. The amendment also provides for the Company to make certain payments to SML in the event that Kohl's fails to purchase certain amounts of footwear from SML through January 2011.

On December 7, 2004, the Company announced that beginning January 1, 2005, it will change its fiscal year to a calendar year beginning on January 1st and ending on December 31st. The change is designed to align the Company's financial reporting with that of its licensees. As a result, the current fiscal period will be reported as an eleven month period ending on December 31, 2004.

Subsequent to October 31, 2004, the Company's obligation to make quarterly payments pursuant to the settlement agreement with Caruso (See Note E of Notes to Condensed Consolidated Financial Statements) was terminated as the last daily sales price per share of the Company's common stock exceeded the $4.98 per share requirement for any ten days within a thirty day period. As a result, the Company will realize the remaining balance of $238,000 as a reduction of special charges in the fourth quarter.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995. The statements that are not historical facts contained in this Form 10-Q are forward looking statements that involve a number of known and unknown risks, uncertainties and other factors, all of which are difficult or impossible to predict and many of which are beyond the control of the Company, which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements.

Such factors include, but are not limited to, uncertainty regarding continued market acceptance of current products and the ability of licensees to successfully develop and market new products, particularly in light of rapidly changing fashion trends, the impact of supply and manufacturing constraints or difficulties relating to their dependence on foreign manufacturers, uncertainties relating to customer plans and commitments, the ability of licensees to sell branded products, competition, uncertainties relating to economic conditions in the markets in which the licensees operate, the ability to hire and retain key personnel, the ability to obtain capital if required, the risks of litigation and regulatory proceedings, the risks of uncertainty of trademark protection, the uncertainty of marketing and licensing trademarks and other risks detailed below and in the Company's other Securities and Exchange Commission filings.

The words "believe", "expect", "anticipate", "seek" and similar expressions identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward looking statements, which speak only as of the date

the statement, was made.

General Introduction. In May 2003, the Company changed its business model by licensing the CANDIE'S(R) and BONGO(R) trademarks for footwear to Steven Madden, Ltd. and Kenneth Cole Productions, Inc., respectively, effectively eliminating the Company's operations as they related to the production and distribution of women's and girl's footwear. In conjunction with the elimination of its footwear operations, the Company closed all of its retail stores during Fiscal 2004. On June 9, 2004, the Company licensed its jean wear business to TKO effective August 1, 2004. The license expires on December 31, 2007 subject to certain renewal options and is subject to TKO meeting certain performance and minimum net sales standards. See Note F of Notes to Condensed Consolidated Financial Statements. The Company also markets and sells a variety of men's outdoor boots and casual shoes under private label brands through Bright Star Footwear, LLC ("Bright Star").

On June 9, 2004, the Company entered into an agreement with TKO whereby TKO agreed to purchase Unzipped on or before February 1, 2005 for a purchase price based on the tangible net worth of Unzipped on the date of closing. See Note F of Notes to Condensed Consolidated Financial Statements. Further, in June 2004, TKO agreed that it or its designees would purchase 1 million shares of the Company's restricted common stock for an aggregate price of $2.2 million and the Company sold the shares to such designees. In connection therewith, the Company subsequently filed with SEC a registration statement, which was declared effective on July 2, 2004.

As a result of the Company's transition to a licensing business, the Company's operating results are not comparable to prior years. Further, since there will be no net sales attributable to women's wholesale and retail footwear activities in Fiscal 2005 and thereafter the results for Fiscal 2005 and 2006 are also expected to be non-comparable to Fiscal 2004 and prior years.

Seasonal and Quarterly Fluctuations. The Company's quarterly results may fluctuate quarter to quarter as a result of its licensees' businesses as well as a result of holidays, weather, the timing of product shipments, market acceptance of Company products, the mix, pricing and presentation of the products offered and sold, the hiring and training of personnel, the timing of inventory write downs, fluctuations in the cost of materials, the mix between wholesale and licensing businesses, and the incurrence of operating costs beyond the Company's control as may be caused general economic conditions, and other unpredictable factors such as the action of competitors. Accordingly, the results of operations in any quarter will not necessarily be indicative of the results that may be achieved for a full fiscal year or any future quarter.

In addition, the timing of the receipt of future revenues could be impacted by the recent trend among retailers in the Company's industry to order goods closer to a particular selling season than they have historically done so. The Company continues to seek to expand and diversify its product lines under license to help reduce the dependence on any particular product line and lessen the impact of the seasonal nature of its business. The success of the Company, however, will still largely remain dependent on its ability to contract with and retain key licensees and the licensees' ability to retain key licenses, to predict accurately upcoming fashion trends among its customer base, to build and maintain brand awareness and to fulfill the product requirements of the retail channel within the shortened timeframe required. Unanticipated changes in consumer fashion preferences, slowdowns in the United States economy, changes in the prices of supplies, consolidation of retail establishments, among other factors noted herein, could adversely affect the Company's future operating results. The Company's products are marketed primarily for Fall and Spring seasons, with slightly higher volumes of products sold during the second fiscal quarter.

Effects of Inflation. The Company does not believe that the relatively moderate rates of inflation experienced over the past few years in the United States,

where it primarily competes, have had a significant effect on revenues or profitability.

Summary of Operating Results:

The Company had net income of $603,000 and $1.2 million for the quarter ("Third Quarter")and nine months ("Nine Months") ended October 31, 2004, respectively, compared to net losses of $1.9 million and $4.9 million for the quarter and nine months ended October 31, 2003, respectively. In the Third Quarter, there were no special charges compared to $764,000 in the quarter ended October 31, 2003. Interest expense in the Third Quarter was $657,000 as compared to $746,000 of interest expense for the comparable period a year ago. In the Nine Months, there was $99,000 of special charges and $2.1 million of interest expense as compared to $3.6 million of special charges and $2.5 million of interest expense for the comparable period a year ago.

The Company's operating income was $1.3 million and $3.2 million for the Third Quarter and the Nine Months respectively, compared to an operating loss of $1.1 million and $2.4 million in the comparable prior year periods, respectively.

During Fiscal 2004, the Company exited the operating footwear business, closing its wholesale and retail footwear businesses and granting footwear licenses to third party licensees, which significantly impacted its operating results and its comparability to prior and subsequent periods.

Results of Operations

For the three months ended October 31, 2004

Revenues. During the Third Quarter, consolidated net sales decreased from the comparable prior year quarter by $14.6 million to $10.7 million. As a result of the Company's license of its footwear operations in May 2003, there were no wholesale or retail women's footwear net sales in the Third Quarter as compared to $5.5 million in the prior year quarter. There will be no net sales for wholesale and retail women's footwear for the remainder of Fiscal 2005 and thereafter.

Unzipped's net sales decreased by $9.4 million from $12.8 million in the prior year quarter to $3.4 million in Third Quarter. This decrease resulted primarily from transitioning of the jeans wear business from an operating business to a licensing business. The Company entered into a licensing agreement with TKO for Bongo jeans wear that was effective on August 1, 2004. The Company anticipates that this transition will be complete as of December 31, 2004 and as a result anticipates that Unzipped's net sales and gross profit in the fourth quarter will be significantly less than those reported in the prior year comparable quarter.

Bright Star men's private label footwear net revenues increased from $7.0 million in the prior year quarter to $7.3 million in the Third Quarter.

Licensing income increased $917,000, or 50.7% to $2.7 million in the Third Quarter from $1.8 million in the prior year quarter. The increase was due primarily to revenue generated by new licenses as the Company transitioned from an operating footwear business to a licensing business.

Gross Profit. Consolidated gross profit increased by $160,000 to $6.1 million in the Third Quarter from $5.9 million in the prior year quarter. There was no gross profit from wholesale and retail women's footwear in the Third Quarter as compared to $1.9 million in the prior year quarter. Unzipped's gross profit in Third Quarter was $2.6 million as compared to $1.5 million in the prior year quarter. Unzipped's gross profit in the Third Quarter included $3.1 million adjustment for the Shortfall Payment of $3.5 million with $400,000 recorded as a reserve pending the outcome of its litigation (See Note F to Condensed Consolidated Financial Statements). Bright Star gross profit increased by $30,000 from $699,000 in the prior year quarter to $729,000 in the Third Quarter.

Operating Expenses. During the Third Quarter, consolidated selling, general and administrative expenses decreased by $1.5 million to $4.8 million from $6.3 million in the prior year quarter. Selling, general and administrative expenses related to the Company's activities other than Unzipped decreased by $2.1 million to $2.2 million in the Third Quarter as compared to $4.3 million in the comparable prior year period. The decrease resulted from the Company's closing its wholesale and retail women's footwear operations and transitioning to a licensing business during the Third Quarter of Fiscal 2004. The Company anticipates further significant decreases in selling, general and administrative expenses for the remainder of Fiscal 2005, its first full year under the licensing model when compared to the prior year periods. Selling, general and administrative expenses for Bright Star were $233,000 in the Third Quarter, $104,000 increase from $129,000 in the prior year quarter.

Unzipped's selling, general and administrative expenses increased $712,000 in the Third Quarter to $2.6 million as compared to $1.9 million in the prior year quarter. This increase was due primarily to additional costs associated with the transition of the business as well as costs incurred relating to litigation. See Note E of Notes to Condensed Consolidated Financial Statements.

For the Third Quarter, the Company incurred no special charges as compared to $764,000 in the prior year quarter. (See Note F to Condensed Consolidated Financial Statements)

Interest Expense. Interest expense decreased by $89,000 in the Third Quarter to $657,000, compared to $746,000 in the prior year quarter. Included in interest expense in the Third Quarter was $93,000 from Unzipped's revolving credit facility, as compared to $147,000 in the prior year period, a decrease of $54,000. The Unzipped interest expense decrease resulted primarily from lower average outstanding borrowing as compared to the prior year period. There was no interest expense under the revolving credit facility for the operating footwear business in the Third Quarter, compared to $48,000 in the prior year quarter, as the Company closed its operating wholesale and retail footwear business. Also included in interest expense in the Third Quarter was $165,000 from the 8% senior subordinated note in connection with the Unzipped acquisition as compared to $203,000 in the prior year quarter. Interest expense in the Third Quarter associated with the asset backed notes issued by IPH, a subsidiary of the Company was $400,000 as compared to $360,000 in the comparable period in the prior year.

Income Tax Expense. No tax expense was recorded for the Third quarter, due to a reduction in the valuation reserve, which offsets the income tax provision. A $47,000 provision for local income taxes was recorded in the prior year quarter from the separate earnings of Unzipped.

Net Income(loss). The Company recorded net income of $603,000, compared to $1.9 million net loss in the comparable quarter of prior year.

For the nine months ended October 31, 2004

Revenues. During the Nine Months, consolidated net sales decreased from the comparable prior year period by $51.8 million to $54.6 million. As a result of the Company changing to licensing arrangements in its footwear operations in May 2003, there were no wholesale or retail women's footwear net sales in the Nine Months as compared to $36.2 million in the prior year period. There will be no net sales for wholesale and retail women's footwear for the remainder of Fiscal 2005 and thereafter.

Unzipped's net sales decreased by $18.2 million from $53.7 million in the prior year period to $35.5 million in Nine Months. This decrease resulted primarily from transitioning of the jeanswear business from an operating business to a licensing business. The Company entered into a licensing agreement with TKO for Bongo jeanswear that was effective on August 1, 2004. The Company anticipates

that this transition will be complete as of December 31, 2004 and as a result anticipates Unzipped net sales and gross profit in the fourth quarter will be significantly less than those reported in the prior year comparable quarter.

In the Nine Months, Bright Star men's private label footwear net revenues increased from $16.6 million in the prior year period to $19.1 million primarily as a result of a growth in its business with Wal-Mart.

Licensing income increased $1.9 million, or 39.7% to $6.6 million in the Nine Months from $4.7 million in the prior year period. The increase was due primarily to revenue generated by new licenses as the Company transitioned from an operating footwear business to a licensing business.

Gross Profit. Consolidated gross profit decreased by $10.0 million to $16.9 million in the Nine Months from $26.9 million in the prior year period. There was no gross profit from wholesale and retail women's footwear in the Nine Months as compared to $9.8 million in the prior year period. Unzipped's gross profit in Nine Months was $8.4 million as compared to $10.3 million in the prior year period. Unzipped's gross profit in the Nine Months included $5.2 million adjustment from the Shortfall Payment (See Note F to Condensed Consolidated Financial Statements). Bright Star gross profit increased from $1.7 million in the prior year period to $1.8 million in the Nine Months.

Operating Expenses. During the Nine Months, consolidated selling, general and administrative expenses decreased by $12.1 million to $13.6 million from $25.7 million in the prior year period. Selling, general and administrative expenses related to the Company's activities other than Unzipped decreased by $12.1 million to $6.1 million in the Nine Months as compared to $18.2 million in the comparable prior year period. The decrease resulted from the Company's closing its wholesale and retail women's footwear operations and transitioning to a licensing business during the second half of Fiscal 2004. Included in the Nine Months was $232,000 from the recovery of a bad debt written off in the prior year. The Company anticipates further significant decreases in selling, general and administrative expenses for the remainder of Fiscal 2005, its first full year under the licensing model when compared to the prior year periods.

Unzipped's selling, general and administrative expenses decreased $41,000 in the Nine Months to $7.4 million as compared to $7.5 million in the prior year period. Selling, general and administrative expenses for Bright Star were $734,000 in the Nine month, $7,000 decrease from $741,000 in prior year period, primarily due to the recovery of bad debt written off in prior year end.

For the Nine Months, the Company's special charges included $99,000, as compared to $3.6 million in the prior year period. (See Note F to Condensed Consolidated Financial Statements)

Interest Expense. Interest expense decreased by $369,000 in the Nine Months to $2.1 million, compared to $2.5 million in the prior year period. Included in interest expense in the Nine Months were $399,000 from Unzipped's revolving credit facility, as compared to $547,000 in the prior year period, a decrease of $148,000. The Unzipped interest expense decrease resulted primarily from lower average outstanding borrowing as compared to the prior year period. There was no interest expense under the revolving credit facility for the operating footwear business in the Nine Months, compared to $171,000 in the prior year period, as the Company closed its operating wholesale and retail footwear business. Also included in interest expense in the Nine Months were $534,000 from the 8% senior subordinated note in connection with the Unzipped acquisition as compared to $643,000 in the prior year period. Interest expense associated with the asset backed notes issued by IPH, a subsidiary of the Company was $1.2 million in the Nine Months, virtually the same as in the prior year comparable period.

Income Tax Expense. No tax expense was recorded for the Nine Months and comparable prior year period, due to a reduction in the valuation reserve, which offsets the income tax provision. A $47,000 provision for local income taxes was

recorded in the prior year quarter from the separate earnings of Unzipped.

Net Income(loss). The Company recorded net income of $1.2 million, compared to $4.9 million net loss in the comparable period of prior year.

Liquidity and Capital Resources

Working Capital.

At October 31, 2004, the current ratio of assets to liabilities was 0.73 to 1 as compared to 1.14 to 1 at October 31, 2003.

The Company continues to rely upon revenues generated from licensing operations and men's private label activity, as well as borrowings under Unzipped's revolving loan to finance its operations. Net cash provided in operating activities totaled $4.8 million in the nine months ended October 31, 2004, as compared to net cash provided of $11.3 million in the prior year comparable period.

Capital Expenditures.

There were $31,000 capital expenditures for the nine months ended October 31, 2004, compared to $133,000 for the nine months ended October 31, 2003. The Company does not anticipate any material additional capital expenditures for the reminder of Fiscal 2005.

Matters Pertaining to Unzipped.

On April 23, 2002, the Company acquired the remaining 50% interest in Unzipped from Sweet for 3 million shares of the Company's common stock and $11 million in debt evidenced by an 8% senior subordinated note due 2012. In connection with the acquisition, the Company entered into a management agreement with Sweet, a supply agreement with Azteca and a distribution agreement with ADS. All of these agreements have been terminated as of August 5, 2004. See Notes E and F of Notes to Condensed Consolidated Financial Statements.

For the nine months ended October 31, 2004, Unzipped had a net loss (as defined, for the purpose of determining if the Guarantee has been met) of $4.2 million, resulting in an adjustment of Shortfall Payment of $5.2 million based on a $1.3 million nine month Guarantee. $4.8 million of this adjustment has been recorded in the condensed consolidated income statement as a reduction of Unzipped's cost of sales and on the balance sheet as a reduction of the 8% senior subordinated note due to Sweet, as provided for in the management agreement. The Company believes that it is entitled to a quarterly Guarantee of $425,000 for each of the third and fourth quarters under the management agreement with Sweet notwithstanding that it was terminated on August 5, 2004. However, for financial statement purposes, the Company has pro-rated the $425,000 third quarter Guarantee to the termination date, and has established a reserve of $400,000 for the difference, pending the outcome of its litigation. See Note E of Notes to Condensed Consolidated Financial Statements. After adjusting for the Shortfall Payment, Unzipped's reported net income for the nine months ended October 31, 2004 was $535,600.

For each of the quarters ended July 31, and October 31, 2004, the Company did not make a interest payment on the 8% senior subordinated note to partially offset the Shortfall Payment of January 31, 2004 due from Sweet. Such interest payment is to be resumed after the Shortfall Payment is satisfied.

Current Revolving Credit Facilities.

On January 23, 2002, the Company entered into a three-year $20 million credit facility ("the Credit Facility") with CIT Commercial Services. Borrowings under the Credit Facility are formula based and originally included a $5 million over advance provision with interest at 1.00% above the prime rate. In June 2002, the

Company agreed to amend the Credit Facility to increase the over advance provision to $7 million and include certain retail inventory in the availability formula. Borrowings under the amended Credit Facility bore interest at 1.5% above the prime rate.

On February 25, 2003, Unzipped entered into a two-year $25 million credit facility ("the Unzipped Credit Facility") with GE Capital Commercial Services, Inc. ("GECCS") replacing its arrangement with Congress Financial Corporation. Borrowings are limited by advance rates against eligible accounts receivable and inventory balances, as defined. Under the facility, Unzipped may also arrange for letters of credit in an amount up to $5 million. The borrowings bear interest at a rate of 2.25% per annum in excess of the 30 day Commercial Paper rate or 3%, whichever is greater.

At October 31, 2004, there were no outstanding borrowings under the Credit Facility which was terminated by an agreement dated January 15, 2004.

Bond Financing

In August 2002, IPH, an indirect wholly owned subsidiary of the Company, issued in a private placement $20 million of asset-backed notes secured by intellectual property assets (trade names, trademarks and license payments thereon). The notes have a 7-year term with a fixed interest rate of 7.93% with quarterly principal and interest payments of approximately $859,000. The notes are subject to a liquidity reserve account of $2.9 million, funded by a deposit of a portion of the proceeds of the notes. The net proceeds of $16.2 million were used to reduce amounts due by the Company under its existing revolving credit facilities. Costs incurred to obtain this financing totaled approximately $2.6 million which have been deferred and are being amortized over the life of the debt. At October 31, 2004, the unamortized portion of such costs was $2.0 million.

During the fiscal quarter ended April 30, 2004, IPH amended the asset-backed notes whereby it borrowed an additional $3.6 million. The additional borrowing matures in August 2009, at a floating interest rate of LIBOR + 4.45%, with $500,000 of interest prepaid at closing. The net proceeds of $2.9 million are being used for general working capital purposes. Costs incurred to obtain this financing totaling approximately $178,500 will be deferred and amortized over the life of the debt.

Other

The Company's cash flow fluctuates from time to time due to, among other factors, seasonal variations in the sales and related royalty payments to the Company by its licensees of licensed products. The Company believes that it will be able to satisfy its ongoing cash requirements for the foreseeable future, primarily with cash flow from operations. However, if the Company's plans change or its assumptions prove to be incorrect, it could be required to obtain additional capital that may not be available to it on acceptable terms, or at all.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

As a result of the Company's and Unzipped variable rate credit facilities, the Company is exposed to the risk of rising interest rates. The following table provides information on the Company's fixed maturity debt as of October 31, 2004 that is sensitive to changes in interest rates.

The IPH's amended asset-backed notes for an additional $3.6 million had an average interest rate of 4.95% for the three month period ended October 31, 2004	$ 3.4 million

Item 4. Controls and Procedures

The Company, under the supervision and with the participation of its management, including its principal executive officer and principal financial officer, evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, the principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures are effective in reaching a reasonable level of assurance that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time period specified in the Securities and Exchange Commission's rules and forms.

The principal executive officer and principal financial officer also conducted an evaluation of internal control over financial reporting ("Internal Control") to determine whether any changes in Internal Control occurred during the quarter ended October 31, 2004 that have materially affected or which are reasonably likely to materially affect Internal Control. Based on that evaluation, there has been no such change during the quarter ended October 31, 2004.

PART II. Other Information

Item 1. Legal Proceedings

See Note E of Notes to Condensed Consolidated Financial Statements for a description of certain pending legal proceedings.

Item 4. Submission of Matters to a Vote of Security-Holders.

At the Company's Annual Meeting of Stockholders held on September 8, 2004, the stockholders voted to elect the seven individuals named below to serve as Directors of the Company and to ratify the appointment of BDO Seidman, LLP ("BDO") as the Company's independent auditors for the fiscal year ending January 31, 2005.

Messrs. Neil Cole, Barry Emanuel, Steven Mendelow, Robert D'Loren, Michael Caruso, Michael Groveman and Drew Cohen were elected to serve as members of the Company's Board of Directors for the ensuing year and until the election and qualification of their successors. The votes cast by stockholders with respect to the election of Directors were as follows:

Director	Votes Cast "For"	Votes "Withheld
Neil Cole	19,008,515	185,5
Barry Emanuel	19,014,410	179,6
Steven Mendelow	19,014,658	179,4
Robert D'Loren	19,071,713	122,3
Michael Caruso	19,071,841	122,2
Michael Groveman	19,014,201	179,8
Drew Cohen	19,014,836	179,2

The ratification of the appointment of BDO as the Company's independent auditors for the fiscal year ending January 31, 2005 was approved by the stockholders. The votes cast by stockholders with respect to the ratification of the

appointment of BDO as the Company's independent auditors for the fiscal year ending January 31, 2005 were as follows:

Votes Cast "For"	Votes Cast "Against"	Votes "Abstainin
19,123,786	39,198	31,101

Item 6. Exhibits

Exhibit 10.1 - Asset Purchase Agreement dated October 29, 2004 by and among B.E.M. Enterprise, Ltd., Escada (USA) Inc, .Candie's, Inc. and Badgley Mischka Licensing LLC.

Exhibit 10.2 - Letter Agreement dated October 29, 2004 among UCC Funding Corporation, Content Holdings Inc., Candie's, Inc. and Badgley Mischka Licensing LLC.

Exhibit 31.1 - Certification of Chief Executive Officer pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit 31.2 - Certification of Chief Financial Officer pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit 32.1 - Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit 32.2 - Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CANDIE'S, INC.
(Registrant)

Date: December 15, 2004 /s/ Neil Cole
Neil Cole
Chairman of the Board, President
And Chief Executive Officer
(on Behalf of the Registrant)

Date: December 15, 2004 /s/ Richard Danderline
Richard Danderline

Executive Vice President - Finance and Operations
Principal Financial and Accounting Officer

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