ICONIX BRAND GROUP, INC.
Form DEF 14A
July 11, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

Schedule 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the registrant x Filed by a party other than the registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to Section 240.14a-12

Iconix Brand Group, Inc.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

ICONIX BRAND GROUP, INC.

1450 Broadway

New York, New York 10018

July 11, 2007

Dear Fellow Stockholders:

You are cordially invited to attend the Annual Meeting of Stockholders which will be held on Thursday, August 16, 2007, at 10:00 A.M., at the offices of Iconix Brand Group, Inc., 1450 Broadway, New York, New York 10018.

The Notice of Annual Meeting and Proxy Statement, which follow, describe the business to be conducted at the meeting.

Whether or not you plan to attend the meeting in person, it is important that your shares be represented and voted. After reading the enclosed Notice of Annual Meeting and Proxy Statement, please complete, sign, date and return your proxy card in the envelope provided. If the address on the accompanying material is incorrect, please advise our transfer agent, Continental Stock Transfer & Trust Company, in writing, at 17 Battery Place, New York, New York 10004.

Your vote is very important, and we will appreciate a prompt return of your signed proxy card. We hope to see you at the meeting.

Cordially,

Neil Cole
Chairman of the Board,
President and Chief Executive Officer

ICONIX BRAND GROUP, INC.

1450 Broadway

New York, New York 10018

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON AUGUST 16, 2007

To the Stockholders of ICONIX BRAND GROUP, INC.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Iconix Brand Group, Inc. (the Company) will be held on Thursday, August 16, 2007, at 10:00 A.M. at the Company s offices at 1450 Broadway, New York, New York 10018, for the following purposes:

1. To elect six directors to hold office until the next Annual Meeting of Stockholders and until their respective successors have been duly elected and qualified;

2. To consider and vote upon a proposal to adopt an amendment to the Company s Certificate of Incorporation to increase the number of shares of common stock that the Company has authority to issue from 75,000,000 to 150,000,000 and, consequently, to increase the total number of shares of all classes of capital stock that the Company has authority to issue from 80,000,000 to 155,000,000;

3. To ratify the appointment of BDO Seidman, LLP as the Company s independent registered public accountants for the fiscal year ending December 31, 2007; and

4. To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

Only stockholders of record at the close of business on July 5, 2007 are entitled to notice of and to vote at the Annual Meeting of Stockholders or any adjournments thereof.

By Order of the Board of Directors,

Neil Cole
Chairman of the Board, President and Chief Executive Officer

July 11, 2007

IF YOU <u>DO</u> <u>NOT</u> EXPECT TO BE PRESENT AT THE MEETING:

PLEASE FILL IN, DATE, SIGN AND RETURN THE ENCLOSED PROXY CARD IN THE ENVELOPE PROVIDED FOR THAT PURPOSE, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES. THE PROXY MAY BE REVOKED AT ANY TIME PRIOR TO EXERCISE, AND IF YOU ARE PRESENT AT THE MEETING YOU MAY, IF YOU WISH, REVOKE YOUR PROXY AT THAT TIME AND EXERCISE THE RIGHT TO VOTE YOUR SHARES PERSONALLY.

PROXY STATEMENT

ICONIX BRAND GROUP, INC.

ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON AUGUST 16, 2007

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of ICONIX BRAND GROUP, INC. (the Company , Iconix , we , us or our) for use at the Annual Meeting of Stockholders (the Annual Meeting) to be held on August 16, 2007, including any adjournment or adjournments thereof, for the purposes set forth in the accompanying Notice of Meeting.

Management intends to mail this proxy statement and the accompanying form of proxy to stockholders on or about July 11, 2007.

Proxies in the accompanying form, duly executed and returned to the management of the Company and not revoked, will be voted at the Annual Meeting. Any proxy given pursuant to such solicitation may be revoked by the stockholder at any time prior to the voting of the proxy by a subsequently dated proxy, by written notification to the Secretary of the Company, or by personally withdrawing the proxy at the meeting and voting in person.

The address and telephone number of the principal executive offices of the Company are:

1450 Broadway

New York, New York 10018

Telephone No.: (212) 730-0030

OUTSTANDING STOCK AND VOTING RIGHTS

Only stockholders of record at the close of business on July 5, 2007 (the Record Date) are entitled to notice of and to vote at the Annual Meeting. As of the Record Date, there were issued and outstanding 56,767,000 shares of the Company s common stock, $.001 par value per share (the Common Stock), the Company s only class of voting securities. Each share of Common Stock entitles the holder to one vote on each matter submitted to a vote at the Annual Meeting.

VOTING PROCEDURES

The directors will be elected by the affirmative vote of the holders of a plurality of the shares of Common Stock present in person or represented by proxy at the Annual Meeting, provided a quorum is present. Therefore, the six nominees receiving the greatest number of votes cast at the meeting will be elected as directors of the Company. The affirmative vote of the holders of a majority of the shares of Common Stock outstanding on the Record Date will be required to approve the proposal to amend our Certificate of Incorporation to increase our authorized Common Stock. All other matters at the Annual Meeting, including the ratification of the appointment of BDO Seidman, LLP as the Company s independent registered public accountants for its fiscal year ending December 31, 2007 will be decided by the affirmative vote of the holders of a majority of the shares of Common Stock present in person or represented by proxy at the Annual Meeting and entitled to vote on the matter, provided a quorum is present. A quorum is present if at least a majority of the shares of Common Stock outstanding as of the Record Date are present in person or represented by proxy at the Annual Meeting. Votes will be counted and certified by one or more Inspectors of Election who are expected to be employees of the Company. In accordance with Delaware law, abstentions and broker non-votes (*i.e.,* proxies from brokers or nominees indicating that such persons have not received instructions from the beneficial owner or other person entitled to vote shares as to a matter with respect to which the brokers or nominees do not have discretionary power to vote) will be treated as present for purposes of determining the presence of a quorum. For purposes of determining approval of a matter presented at the meeting, abstentions will be deemed present and entitled to vote and will, therefore, have the same legal effect as a vote against a matter presented at the meeting. Broker non-votes will be deemed not entitled to vote on the subject matter as to which the non-vote is indicated and will, therefore, have no legal effect on the vote on that particular matter although it will have the same practical effect as a vote against the proposal to amend the Company s Certificate of Incorporation.

Proxies will be voted in accordance with the instructions thereon. Unless otherwise stated, all shares represented by a proxy will be voted as instructed. Proxies may be revoked as noted above.

ELECTION OF DIRECTORS

At the Annual Meeting, six (6) directors will be elected to hold office for a term expiring at the Annual Meeting of Stockholders to be held in 2008. Each director will be elected to serve until a successor is elected and qualified or until the director s earlier resignation or removal.

At the Annual Meeting, proxies granted by stockholders will be voted individually for the election, as directors of the Company, of the persons listed below, unless a proxy specifies that it is not to be voted in favor of a nominee for director. In the event any of the nominees listed below is unable to serve, it is intended that the proxy will be voted for such other nominees as are designated by the Board of Directors. This is the first opportunity for the stockholders to elect Mr. Cuneo and Mr. Friedman. Mr. Cuneo was recommended to the Corporate Governance/Nominating Committee by the Company s Chief Financial Officer, and Mr. Friedman was recommended to the Corporate Governance/Nominating Committee by one of the Company s non-executive directors. Each of the persons named below is presently a member of the Company s Board of Directors and has indicated to the Board that he will be available to serve.

Name	**Age**	**Position with the Company**
Neil Cole	50	Chairman of the Board, President and Chief Executive Officer
Barry Emanuel	65	Director
Steven Mendelow	64	Director
Drew Cohen	38	Director
F. Peter Cuneo	63	Director
Mark Friedman	43	Director

Neil Cole has served as Chairman of our Board of Directors and as our Chief Executive Officer and President since our public offering in February 1993. In addition, from February through April 1992, Mr. Cole served as our Acting President and as a member of our Board of Directors. Mr. Cole also served as Chairman of the Board, President, Treasurer and a Director of New Retail Concepts, Inc., the company from which we acquired the Candie s® trademark in 1993, from its inception in April 1986 until it was merged with and into us in August 1998. In 2001, Mr. Cole founded The Candie s Foundation for the purpose of educating teenagers as to the risks and consequences of teen pregnancy. In April 2003, Mr. Cole, without admitting or denying the allegations of the Securities and Exchange

Commission (SEC), consented to the entry by the SEC of an administrative order in which he agreed to cease and desist from violating or causing any violations or future violation of certain books and records and periodic reporting provisions and the anti-fraud provisions of the Securities Exchange Act of 1934 (the Exchange Act). Mr. Cole also paid a $75,000 civil monetary fine. Mr. Cole received a Bachelor of Science degree in political science from the University of Florida in 1978 and his Juris Doctor degree from Hofstra Law School in 1982.

Barry Emanuel has served on our Board of Directors since May 1993. For more than the past five years, Mr. Emanuel has served as president of Copen Associates, Inc., a textile manufacturer located in New York, New York. Mr. Emanuel was a director of New Retail Concepts, Inc. from 1992 until its merger with us in 1998. He received his Bachelor of Science degree from the University of Rhode Island in 1962.

Steven Mendelow has served on our Board of Directors since December 1999. He has been a principal with the accounting firm of Konigsberg Wolf & Co. and its predecessor, which is located in New York, New York, since 1972. Mr. Mendelow was a director of New Retail Concepts, Inc. from 1992 until its merger with us in 1998. He also serves as a director of several privately-held companies. He is a member of the board of directors of Soldiers For the Truth, a trustee of The Washington Institute for Near East Studies and actively involved with the Starlight Starbright Children s Foundation and the Foundation for Fighting Blindness. He received a Bachelor of Science degree in business administration from Bucknell University in 1964 where he was elected to Delta Mu Delta, the national Business Administration Honor Society.

Drew Cohen has served on our Board of Directors since April 2004. He is the General Manager of Music Theatre International, which represents the dramatic performing rights of classic properties, such as West Side Story and Fiddler on the Roof, and licenses over 50,000 performances a year around the world. Before joining Music Theatre International in September 2002, Mr. Cohen was, from July 2001, the Director of Investments for Big Wave NV, an investment management company, and, prior to that, General Manager for GlassNote Records, an independent record company. Mr. Cohen received a Bachelor of Science degree from Tufts University in 1990, his Juris Doctor degree from Fordham Law School in 1993, and a Masters degree in business administration from Harvard Business School in 2001.

F. Peter Cuneo has served as one of our directors since October 2006. He has served as the Vice Chairman of the Board of Directors of Marvel Entertainment, Inc., a publicly traded entertainment company active in motion pictures, television, publishing, licensing and toys, since June 2003, and prior thereto, he served as the President and Chief Executive Officer of Marvel Entertainment from July 1999 to December 2002. Mr. Cuneo has also served as the Chairman of Cuneo & Co., L.L.C., a private investment firm, since July 1997 and previously served on the Board of Directors of WaterPik Technologies, Inc., a New York Stock Exchange company engaged in designing, manufacturing and marketing health care products, swimming pool products and water-heating systems, prior to its sale earlier in 2006. Mr. Cuneo currently serves as the Vice Chairman of the Alfred University Board of Trustees, and he received a Bachelor of Science degree from Alfred University in 1967 and a Masters degree in business administration from Harvard Business School in 1973.

Mark Friedman has served as one of our directors since October 2006. He has been the Managing Partner of Trilea Partners LLC, an investment and consulting firm, since May 2006. From July 1996 to May 2006, he was with Merrill Lynch, where he served in various capacities including, most recently, as group head of its U.S. equity research retail team where he specialized in analyzing and evaluating specialty retailers in the apparel, accessory and home goods segments. From June 1995 to July 1996, he specialized in similar services for Lehman Brothers Inc. and from August 1990 to June 1995 in a similar capacity with Goldman, Sachs & Co. Mr. Friedman has been ranked on the Institutional Investor All-American Research Team as one of the top-rated sector analysts. He received a Bachelor of Business Administration degree from the University of Michigan in 1986 and a Masters degree in business administration from The Wharton School, University of Pennsylvania in 1990.

Board Independence

Our Board of Directors has determined that Messrs. Cohen, Cuneo, Emanuel, Friedman and Mendelow are each an independent director under the Marketplace Rules of The NASDAQ Stock Market LLC (NASDAQ). Our Board has also determined that Mr. Mendelow is the audit committee financial expert, as that term is defined under applicable SEC rules and NASDAQ Marketplace Rules, serving on the Audit Committee.

Board Attendance at Stockholder Meetings

Members of the Board are encouraged to attend Annual Meetings of Stockholders. Five Board members attended last year s Annual Meeting of Stockholders.

Communications with the Board of Directors

Our Board of Directors, through its Corporate Governance/Nominating Committee, has established a process for stockholders to send communications to the Board of Directors. Stockholders may communicate with the Board of Directors individually or as a group by writing to: The Board of Directors of Iconix Brand Group, Inc. c/o Corporate Secretary, 1450 Broadway, New York, NY 10018. Stockholders should identify their communication as being from a stockholder of the Company. The Corporate Secretary may require reasonable evidence that the communication or other submission is made by a stockholder of the Company before transmitting the communication to the Board of Directors.

Consideration of Director Nominees by the Board

Stockholders of the Company wishing to recommend director candidates to the Corporate Governance/Nominating Committee for election to our Board of Directors at the Annual Meeting of Stockholders to be held in 2008 must submit their recommendations in writing to the Corporate Governance /Nominating Committee, c/o Corporate Secretary, Iconix Brand Group, Inc., 1450 Broadway, New York, NY 10018.

The Corporate Governance/Nominating Committee will consider nominees recommended by the Company s stockholders provided that the recommendation contains sufficient information for the Corporate Governance /Nominating Committee to assess the suitability of the candidate, including the candidate s qualifications, name, age, business and residence addresses. Candidates recommended by stockholders that comply with these procedures will receive the same consideration that candidates recommended by the Committee receive. The recommendations must also state the name and record address of the stockholder who is submitting the recommendation and the class and number of shares of the Company s Common Stock beneficially owned by the stockholder. In addition, it must include information regarding the recommended candidate relevant to a determination of whether the recommended candidate would be barred from being considered independent under NASDAQ Marketplace Rule 4200, or, alternatively, a statement that the recommended candidate would not be so barred. Each nomination is also required to set forth a representation that the stockholder making the nomination is a holder of record of capital stock of the Company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to vote for the person or persons nominated; a description of all arrangements and understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination was made by the stockholder; such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the SEC had the nominee been nominated by the Board of Directors; and the consent of each nominee to serve as a director of the Company if so elected. A nomination which does not comply with the above requirements or that is not received by the deadline referred to below in Deadline and Procedures for Submitting Director Nominations will not be considered.

The qualities and skills sought in prospective members of the Board are determined by the Corporate Governance/Nominating Committee. The Corporate Governance/Nominating Committee generally requires that director candidates be qualified individuals who, if added to the Board, would provide the mix of director characteristics, experience, perspectives and skills appropriate for the Company. Criteria for selection of candidates will include, but not be limited to: (i) business and financial acumen, as determined by the Committee in its discretion, (ii) qualities reflecting a proven record of accomplishment and ability to work with others, (iii) knowledge of our industry, (iv) relevant experience and knowledge of corporate governance practices, and (v) expertise in an area relevant to the Company. Such persons should not have commitments that would conflict with the time commitments of a director of the Company.

Deadline and Procedures for Submitting Director Nominations

A stockholder wishing to nominate a candidate for election to our Board of Directors at the Annual Meeting of Stockholders to be held in 2008 is required to give written notice containing the required information specified above addressed to the Corporate Governance/Nominating Committee, c/o Secretary of the Company, Iconix Brand Group, Inc., 1450 Broadway, New York, NY 10018 of his or her intention to make such a nomination. The notice of nomination and other required information must be received by the Company s Secretary not less than 50 nor more than 75 days prior to the meeting unless less than 65 days notice or prior public disclosure of the date of the meeting is given or made to stockholders, in which case the notice and other required information must be received not later than the close of business on the tenth day following the date on which the notice of the date of the meeting was mailed or other public disclosure was made.

Corporate Governance Policies

We have adopted a written code of business conduct that applies to our officers, directors and employees, responsive to Section 406 of the Sarbanes-Oxley Act of 2002 and the rules of the SEC. In addition, we have established an ethics web site at www.ethicspoint.com. To assist individuals in upholding the code of conduct and to facilitate reporting, we have established an on-line anonymous and confidential reporting mechanism that is hosted at www.ethicspoint.com, and an anonymous and confidential telephone hotline at 800-963-5864. Copies of our code of business conduct are available, without charge, upon written request directed to our corporate secretary at Iconix Brand Group, Inc., 1450 Broadway, New York, NY 10018.

Committees of the Board of Directors

Our bylaws authorize our Board of Directors to appoint one or more committees, each consisting of one or more directors. Our Board of Directors currently has three standing committees: an Audit Committee, a Corporate Governance/Nominating Committee and a Compensation Committee, each of which has adopted written charters. Copies of the charters are available on our corporate web site www.iconixbrand.com. We are not incorporating any of the information on our web site into this proxy statement. Each member of the Audit Committee, Corporate Governance/Nominating Committee and the Compensation Committee is, and is required to be, an independent director under the Marketplace Rules of NASDAQ.

Audit Committee

Our Audit Committee s responsibilities include:

- appointing, replacing, overseeing and compensating the work of a firm to serve as the registered independent public accounting firm to audit our financial statements;
- discussing the scope and results of the audit with the independent registered public accounting firm and reviewing with management and the independent registered public accounting firm our interim and year-end operating results;
- considering the adequacy of our internal accounting controls and audit procedures; and
- approving (or, as permitted, pre-approving) all audit and non-audit services to be performed by the independent registered public accounting firm.

The members of our Audit Committee are Messrs. Mendelow, Cuneo and Cohen, and Mr. Mendelow currently serves as its chairperson. In addition to being an independent director under the Marketplace Rules of NASDAQ, each member of the Audit Committee is an independent director under applicable SEC rules under the Exchange Act. As noted above, our Board of Directors has also determined that Mr. Mendelow is the Audit Committee financial expert, as that term is defined under applicable SEC rules and NASDAQ Marketplace Rules, serving on the Audit Committee.

Corporate Governance/Nominating Committee

Our Corporate Governance/Nominating Committee s responsibilities include:

- identifying, evaluating and recommending nominees to serve on our Board and committees of the Board;
- conducting searches for appropriate directors and evaluating the performance of the Board and of individual directors; and
- reviewing developments in corporate governance practices, evaluating the adequacy of our corporate governance practices and reporting and making recommendations to the Board concerning corporate governance matters.

The members of our Corporate Governance/Nominating Committee are Messrs. Cohen, Emanuel and Friedman, and Mr. Cohen currently serves as its chairperson.

Compensation Committee

Our Compensation Committee s responsibilities include:

- setting the chief executive officer s compensation based on the achievement of corporate objectives;
- reviewing and recommending approval of the compensation of our other executive officers;

administering our stock option and stock incentive plans;

reviewing and making recommendations to the Board with respect to our overall compensation objectives, policies and practices, including with respect to incentive compensation and equity plans; and

evaluating the chief executive officer s performance in light of corporate objectives.

The members of our Compensation Committee are Messrs. Mendelow, Emanuel, Cuneo and Friedman, and Mr. Friedman currently serves as its chairperson.

From time to time, management provides to the Compensation Committee proposals concerning total compensation for officers. The committee considers recommendations from our president and chief executive officer regarding total compensation for such officers. The committee presents proposals concerning grants of equity to all employees to the Corporate Governance/Nominating Committee for approval and submits its decisions regarding overall compensation to the full Board of Directors for ratification.

Under its charter, the Compensation Committee may form and delegate authority to subcommittees or individuals, including, but not limited to, a subcommittee composed of one or more members of the Board or an executive to grant and administer stock, option and other equity awards under the Company s equity incentive plans.

During the fiscal year ended December 31, 2006, management did not engage a compensation consultant.

Meetings of the Board of Directors and its Committees during Fiscal 2006

The Board of Directors held eight meetings (including six executive sessions of the independent Board members) during the fiscal year ended December 31, 2006, and it also took action by unanimous written consent in lieu of meetings. In addition, during fiscal 2006, the Board s Audit Committee held eight meetings, its Corporate Governance/Nominating Committee held five meetings and its Compensation Committee, which was not formed until the end of the fiscal year, held no meetings. During the fiscal year ended December 31, 2006, each of the Company s directors attended at least seventy-five percent of the aggregate of: (i) the total number of meetings of the Board of Directors; and (ii) the total number of meetings of all committees of the Board on which they served.

Compensation Committee Interlocks and Insider Participation

During the year ended December 31, 2006, none of our executive officers served on the board of directors or the compensation committee of any other entity that has officers that serve on our Board of Directors or on its Corporate Governance/Nominating Committee, which is the committee of our Board whose responsibilities include those relating to compensation. In addition, none of the members of our Corporate Governance/Nominating Committee was formerly, or during the year ended December 31, 2006, was one of our officers or employed by us.

Compliance with Section 16(a) of Securities Exchange Act of 1934

Section 16(a) of Exchange Act requires our officers and directors, and persons who beneficially own more than 10% of a registered class of our equity securities, to file reports of ownership and changes in ownership with the SEC. Officers, directors and greater than 10% owners are required by certain SEC regulations to furnish us with copies of all Section 16(a) forms they file.

Based solely on our review of the copies of such forms received by us, we believe that during the year ended December 31, 2006, there was compliance with the filing requirements applicable to our officers, directors and 10% common stockholders, except with respect to shares of Common Stock previously transferred out of a purported escrow account and sold without Mr. Cole s knowledge or authorization.

Director Compensation

The following table sets forth compensation information for 2006 for each member of our Board of Directors who is not also an executive officer. An executive officer who serves on our Board does not receive additional compensation for serving on the Board. See Summary Compensation Table and Grants of Plan-Based Awards Table for disclosures related to our chairman of the board, president and chief executive officer, Neil Cole.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation ($)	Total ($)
Barry Emanuel	35,500						35,500
Steven Mendelow	45,000						45,000
Drew Cohen	45,000						45,000
F. Peter Cuneo	6,250	83,336					89,586
Mark Friedman	6,250	83,336					89,586
Michael Caruso(1)	12,500						12,500
Michael Groveman(2)	40,000						40,000

(1) In August 2006, Mr. Caruso resigned from our Board of Directors

(2) In November 2006, Mr. Groveman resigned from our Board of Directors.

In 2006, compensation for each member of our Board of Directors who is not an employee of the Company or any of its subsidiaries was $25,000 per annum, plus each member of the Board who sat on a committee of the Board was paid $1,500 for each meeting that he attended. In addition, the chairs of each committee of the Board received $5,000 per year for services in connection with being the chair.

Effective May 1, 2007, Board and Board committee compensation for each member of our Board of Directors who is not an employee of the Company or any of its subsidiaries was increased to $40,000 per year in cash, plus 4,000 restricted shares of Common Stock of the Company issued each year to each member of the Board pursuant to the Company s 2006 Equity Incentive Plan. The restricted shares are to be issued on the first business day after January 1 of each year and shall vest on July 1 of each year (except that for 2007, the number of shares was prorated to 2,680 shares and such shares will vest on November 1, 2007). In addition, under the new compensation structure, the Chair of the Audit Committee is to be paid $15,000 per year, and the chairs of the Corporate Governance/Nominating Committee and the Compensation Committee are to be paid $10,000 each per year. Meeting fees were eliminated in their entirety.

EXECUTIVE OFFICERS

All officers serve at the discretion of our Board of Directors. The Board elects our officers on an annual basis and our officers serve until their successors are duly elected and qualified.

In addition to Mr. Cole, our other executive officers their positions with us and certain other information with respect to these officers, as of the Record Date, are set forth below:

Name	Age	Position
David Conn	39	Executive Vice President
Warren Clamen	42	Chief Financial Officer
Andrew Tarshis	41	Senior Vice President and General Counsel
Deborah Sorell Stehr	45	Senior Vice President, Business Affairs and Licensing

David Conn has served as our Executive Vice President since rejoining us in May 2004. Prior thereto, from June 2000 until May 2004, Mr. Conn was employed at Columbia House, one of the world s largest licensees of content for music and film, where he oversaw its internet business and was responsible for online advertising, sales promotion and customer retention on the internet. During his tenure at Columbia House, it grew to become one of the ten largest e-commerce sites on the internet. Prior to that, Mr. Conn served as Vice President of Marketing for us from 1995 to 2000. Mr. Conn has also been active in the Direct Marketing Association, serving on its ethics policy committee and, prior to joining us in 1995, he held marketing positions with The Discovery Channel and CCM, a New York based marketing and promotion agency. Mr. Conn received his Bachelor of Arts degree from Boston University in 1990.

Warren Clamen has served as our Chief Financial Officer since joining us in March 2005. From June 2001 until March 2005, Mr. Clamen served as Vice President of Finance for Columbia House, and from December 1998 to June 2001, he was Vice President of Finance of Marvel Entertainment, Inc. Prior to that time, Mr. Clamen served as the Director, International Management for Biochem Pharma Inc., a company located in Montreal, Canada that was acquired by Shire Pharmaceuticals Group plc, and as a Senior Manager at Richter, Usher and Vineberg, an accounting firm also located in Montreal, Canada. Mr. Clamen is a certified public accountant and a chartered accountant. He received a Bachelor of Commerce degree in 1986 and a Graduate Diploma in public accounting in 1988, each from McGill University in Montreal.

Andrew Tarshis has served as our Senior Vice President and General Counsel since September 2006. Mr. Tarshis joined the Company in July 2005 as Senior Vice President-Business Affairs and General Counsel of its Joe Boxer division. Prior to joining us, from May 2001 to July 2005, Mr. Tarshis served as Senior Vice President and General Counsel of Windsong Allegiance Group, LLC, an apparel manufacturing, brand management and licensing company that owned the Joe Boxer, Hathaway, New Frontier and Como Sport brands. From December 1998 to May 2001, he served as a general attorney for Toys R Us, Inc. Prior to joining Toys R Us, Mr. Tarshis worked for 7 years in private practice as a general practice and intellectual property attorney. Mr. Tarshis received a Bachelor of Arts degree from the University of Michigan in 1988 and a Juris Doctor degree from the University of Connecticut School of Law in 1992.

Deborah Sorell Stehr has served as our Senior Vice President Business Affairs and Licensing since September 2006. Since joining us in December 1998, she served as Vice President and General Counsel from December 1998 until November 1999, and then served as Senior Vice President and General Counsel until September 2006. Ms. Sorell Stehr has also been the Secretary since 1999 and on the Board of Directors of numerous of our subsidiaries. From September 1996 to December 1998, Ms. Sorell Stehr was Associate General Counsel with Nine West Group Inc., a women s footwear company, where Ms. Sorell Stehr was primarily responsible for overseeing legal affairs relating to domestic and international contracts, intellectual property, licensing, general corporate matters, litigation and claims. Prior to joining Nine West Group, Ms. Sorell Stehr practiced law for nine years at private law firms in New York City and Chicago in the areas of corporate law and commercial litigation. Ms. Sorell Stehr received her A.B. in politics from Princeton University in 1984 and her Juris Doctor degree from the Northwestern University School of Law in 1987.

Executive Compensation

Compensation Discussion and Analysis

This Compensation Discussion and Analysis section is intended to provide information about our compensation objectives, policies and practices for our principal executive officer, our principal financial officer and our three other most highly compensated executive officers and our former executive vice president (we refer to these officers as our Named Executive Officers) that will place in context the information contained in the tables that follow this discussion.

Philosophy and Objectives

We seek to deliver fair and competitive compensation for our employees and executives, including our Named Executive Officers, along with increased returns to our stockholders, by structuring compensation around one fundamental goal: incentivizing our executives to build stockholder value over the long term. Our ability to attract, motivate and retain employees and executives with the requisite skills and experience to develop, expand and execute business opportunities for us is essential to our growth and success. Accordingly, although we believe that we offer attractive career opportunities and challenges for our employees, we are mindful that the best talent will always have a choice as to where they wish to pursue their careers, and fair and competitive compensation is an important element of job satisfaction.

While our compensation program includes short-term elements, such as annual base salary, and in some cases, an annual incentive cash bonus, a significant aspect of our senior level employees compensation includes longer term elements such as equity-based awards through grants of restricted stock and stock options. We believe that our compensation program contributes to our employees and Named Executive Officers incentive to execute on our goals and perform their job functions with excellence and integrity.

We have entered into written employment agreements with our Named Executive Officers, Neil Cole, David Conn, Warren Clamen, Andrew Tarshis and Deborah Sorell Stehr. In addition, we entered into a written employment agreement with William Sweedler, former executive vice president and a former director, which agreement was terminated in June 2006, after which Mr. Sweedler was employed by us as a non-executive part-time employee for a transition period ending in September 2006. See Narrative to Summary Compensation Table and Plan-Based Awards Table Employment Agreements for a description of these employment agreements and related information.

Forms of Compensation Paid to Named Executive Officers During 2006

During the last fiscal year, we provided our Named Executive Officers with the following forms of compensation:

Base salary. Base salary represents amounts paid during the fiscal year to Named Executive Officers as direct guaranteed compensation under their employment agreements for their services to us.

Equity-based awards. Awards of shares of restricted stock and stock options are made under our 2006 Equity Incentive Plan, which was approved by our stockholders in August 2006, or under other our other option plans depending upon the amount of equity to be granted under the respective plans. Shares of restricted stock were issued subject to a vesting schedule and cannot be sold until and to the extent the shares have vested. In 2006, we awarded shares of restricted stock to three of the Named Executive Officers in connection with the renewal of their employment agreements vesting over the respective terms of those agreements.

Cash bonuses. Two of our Named Executive Officers in 2006 have a contractual right to receive a cash bonus, one based upon our performance, and the other a guaranteed amount. Mr. Cole has waived receipt of the bonus for 2006 to which he would have been entitled under his employment agreement.

Perquisites and other personal benefits. During 2006, our Named Executive Officers received, to varying degrees, a limited amount of perquisites and other personal benefits that we paid on their behalf. These included, among other things:

- payments of life insurance premiums;
- car allowances; and
- a corporate car and driver.

Objectives of Our Compensation Program

The compensation paid to our Named Executive Officers is primarily structured into two broad categories:

- base salary; and
- incentive compensation, primarily in the form of equity-based awards under our various equity incentive and stock option plans; to a much lesser degree, certain of our Named Executive Officers also have received cash bonuses.

Our overall compensation program with respect to our Named Executive Officers is designed to achieve the following objectives:

- to attract, retain and motivate highly qualified executives through both short-term and long-term incentives that reward Company and individual performance;
- to emphasize equity-based compensation to more closely align the interests of executives with those of our stockholders;
- to support and encourage our financial growth and development;

- to motivate our Named Executive Officers to continually provide excellent performance throughout the year;
- to ensure continuity of services of Named Executive Officers so that they will contribute to, and be a part of, our long-term success; and
- to manage fixed compensation costs through the use of performance and equity-based compensation.

Determination of Compensation for Named Executive Officers

Compensation of chief executive officer. During 2006, the compensation of Mr. Cole, the chairman, president and chief executive officer, was based on Mr. Cole s employment agreement and the general principles of our executive compensation program. In determining the salary and other forms of compensation for Mr. Cole, the Corporate Governance/Nominating Committee (the predecessor of the Compensation Committee that was re-formed as a separate committee in December 2006) took into consideration Mr. Cole s substantial experience and performance in the industry in general and with us in particular. Also considered were the increased responsibilities of Mr. Cole as a result of our diversification and growth. The Corporate Governance/Nominating Committee believes that Mr. Cole s overall compensation as our principal executive officer reflects our performance during 2006 and his significant contributions to that performance.

Overall compensation program. Compensation of our executive officers, including the Named Executive Officers, has been determined by the Board of Directors pursuant to recommendations made by the chief executive officer and the Corporate Governance/Nominating Committee until December 13, 2006, and thereafter the Compensation Committee, and in accordance with the terms of the respective employment agreements of certain executive officers in effect prior to the re-formation of the committee. The Compensation Committee is responsible for, among other things, reviewing and recommending approval of the compensation of our executive officers; administering our equity incentive and stock option plans; reviewing and making recommendations to the Board of Directors with respect to incentive compensation and equity incentive and stock option plans, and evaluating our chief executive officer s performance in light of corporate objectives; and setting our chief executive officer s compensation based on the achievement of corporate objectives.

With respect to the Named Executive Officers, their compensation is based upon what we believe is a competitive base salary in view of our recent change of business strategy and accelerated growth goals. In conjunction with our Compensation Committee, we have assessed our total compensation program, and its components, and believe that it operates well to serve both our goals and the current, short-term and long-term compensation needs of the executive officers. It is our intention to develop in the future a more structured bonus program for all our employees, including our Named Executive Officers based, in part, upon the achievement of performance goals.

Compensation amounts for Named Executive Officers are determined according to the level of seniority and position of the Named Executive Officer. Relatively greater emphasis is typically placed on the equity-based components of compensation so as to put a greater portion of total pay based on Company and individual performance. We believe the combination of a competitive base compensation, coupled with an opportunity to significantly enhance overall individual compensation if individual and Company performance warrant, yields an attractive compensation program that facilitates our recruitment and retention of talented executive personnel.

The total compensation amount for our Named Executive Officers is also established relative to officers at levels above and below them, which we believe rewards them for increased levels of knowledge, experience and responsibility. To create an atmosphere of fairness in our compensation setting, we endeavor to maintain as much parity in compensation as possible among Named Executive Officers and other officers, although we do permit some deviation in individual total compensation amounts to reward particular executives for individual personal achievement and growth.

Base salary. The base salary of each of our Named Executive Officers is fixed pursuant to the terms of their respective employment agreements with us and, when a contract is up for, or otherwise considered for, renewal, upon a review of the executive s abilities, experience and performance, as well as a review of salaries for executives in the marketplace for comparable positions at corporations which either compete with us in our business or of comparable size and scope of operations. The recommendations to the Board of Directors by the Compensation Committee (or, prior to its re-formation, the Corporate Governance/Nominating Committee) with respect to base salary are based primarily on informal judgments reasonably believed to be in our best interests. In determining the base salaries of certain of our executives whose employment agreements were up for, or otherwise considered for, renewal, the Corporate Governance/Nominating Committee considered our performance and growth plans. Base salaries are used to reward superior individual performance of each Named Executive Officer on a day-to-day basis during the year, and to encourage them to perform at their highest levels. We also use our base salary as an incentive to attract top quality executives and other management employees from other companies. Moreover, base salary (and increases to base salary) are intended to recognize the overall experience, position with us, and expected contributions of each Named Executive Officer to us.

In 2006, the following were contractual increases in the base salaries of our Named Executive Officers as set forth on the table below:

Named Executive Officer	2005 Base Salary	2006 Base Salary	Change in Base Salary	Percentage of 2005 Base Salary
Neil Cole	$ 750,000(1)	$ 550,000	$ (200,000)	(27)%
David Conn	225,000	275,000	50,000	22%
Warren Clamen	225,000	275,000	50,000	22%
Andrew Tarshis	225,000	275,000	50,000	22%
Deborah Sorell Stehr	215,000	220,000	5,000	2%

(1) Includes additional salary of $250,000 paid to Mr. Cole during 2005 pursuant to his employment agreement.

Equity-based awards. We currently make equity awards to our Named Executive Officers pursuant to our 2006 Equity Incentive Plan, which provides for awards in the form of stock options, stock appreciation rights, restricted stock, unrestricted stock, stock units including restricted stock units, and performance awards to eligible persons. The mix of cash and equity-based awards, as well as the types of equity-based awards, granted to our Named Executive Officers varies from year to year. Consideration has been given to various factors, such as the relative merits of cash and equity as a device for retaining and motivating the Named Executive Officers, the practices of other companies, individual performance, an individual s pay relative to others, contractual commitments pursuant to employment or other agreements, and the value of already-outstanding grants of equity in determining the size and type of equity-based awards to each Named Executive Officer.

All equity-based compensation we issued to our Named Executive Officers in 2006 took the form of restricted stock and stock option grants. In prior years, we typically placed particular emphasis on the grant of stock options. In 2006, we began to change the form of equity compensation to restricted stock primarily because of the increased stock-based compensation expense associated with stock options and similar instruments under SFAS No. 123(R), *Accounting for share-based payment*. This accounting standard, which we adopted as of January 1, 2006, requires us to record as compensation expense the grant date fair value of a stock option over the life of the option.

As described above, we provide a substantial portion of Named Executive Officer compensation in the form of equity awards because the Compensation Committee (and its predecessor, the Corporate Governance/Nominating Committee) has determined that such awards serve to encourage our executives to create value for our Company over the long-term, which aligns the interests of Named Executive Officers with those of our stockholders.

Generally, we make equity-based grants to our Named Executive Officers under the following circumstances:

- initial grants when a Named Executive Officer is hired;
- annual performance based grants; and
- retention grants, which are typically made in connection with employment agreement renewals.

An initial grant when an executive officer is hired or otherwise becomes a Named Executive Officer serves to help us to recruit new executives and to reward existing officers upon promotion to higher levels of management. Because these initial grants are structured as an incentive for employment, the amount of these grants may vary from executive to executive depending on the particular circumstances of the Named Executive Officer and are usually recommended by the Chief Executive Officer and approved by the appropriate committee. While initial grants of equity awards have been made in prior years, no initial grants were awarded to any of our Named Executive Officers in 2006. Annual, time-vested grants of equity awards, as well as retention grants made in connection with renewals of employment agreements are designed so as to compensate our Named Executive Officers for their contributions to our long-term performance.

Generally, restricted stock and stock option awards granted to Named Executive Officers as either initial or annual performance grants or in connection with employment agreement renewals vest in equal installments over the term of the agreement, or a period determined by the Corporate Governance/Nominating Committee or Compensation Committee, typically beginning on the first anniversary of the date of grant. Restricted stock grants for 2006 were as follows: Warren Clamen

10,971 shares vesting over a two year period; Andrew Tarshis 18,461 shares vesting over a three year period; Deborah Sorell Stehr 9,230 shares vesting over a two year period.

Cash bonuses. To the extent not covered by employment agreements with our executive officers, the Compensation Committee determines bonuses for our executive officers based on our overall performance, profitability, and other qualitative and quantitative measurements, including individual performance goals relating to our budget and financial objectives. In determining the amount of bonuses awarded, the Compensation Committee considers our revenues and profitability for the applicable period and each executive s contribution to our success. Our chairman, president and chief executive officer has waived receipt of the bonus for 2006 he would have been entitled to under his employment agreement, one Named Executive Officer received a $50,000 cash bonus of which $25,000 was guaranteed and another Named Executive Officer received a $25,000 discretionary bonus.

Post-termination compensation. We have entered into employment agreements with each of the Named Executive Officers. Each of these agreements provides for certain payments and other benefits if the executive s employment terminates under certain circumstances, including, in the event of a change in control . See Executive Compensation Narrative to Summary Compensation Table and Plan-Based Awards Table Employment Agreements and Executive Compensation Potential Payments Upon Termination or Change in Control for a description of the severance and change in control benefits.

Perquisites. The perquisites provided to our executive officers are described below. All such perquisites are provided in accordance with the executives employment agreements. Below is a list of material perquisites, personal benefits and other items of compensation we provided to our Named Executive Officers in 2006, the total amount of each such item paid to all named executive officers and an explanation as to why we chose to pay the item.

Perquisite, Other Benefit or Other Item of Compensation [(1)]	**Aggregate Amount of This Perquisite Paid to All Named Executive Officers in 2006**	**Additional Explanation for Offering Certain Perquisites**
Car allowances	$ 66,612	Serves to defray the cost of owning and operating an automobile often used for business purposes; prevents us from having to own and maintain a fleet of automobiles and is a taxable benefit for the Named Executive Officer.
Corporate Car and Driver	$ 44,325	
Life Insurance Premiums	$ 21,420	

(1) Perquisites are generally granted as part of our executive recruitment and retention efforts.

Other matters. The Corporate Governance/Nominating Committee and the Compensation Committee and Board of Directors did not engage outside compensation consultants for advice in 2006 but did consider available comparable company data in making compensation related decisions in 2006. The Board of Directors has not established a policy for the adjustment of any compensation award or payment if the relevant performance measures on which they are based are restated or adjusted. The Board has not established any security ownership guidelines for executive officers.

Compensation Committee Interlocks and Insider Participation

During the year ended December 31, 2006, none of our Named Executive Officers served on the board of directors or the Compensation Committee of any other entity that has officers that serve on our Board of Directors or on its Compensation Committee or its Corporate Governance/Nominating Committee, which is the committee of our Board whose responsibilities previously included those relating to compensation. In addition, none of the members of our Compensation Committee and Corporate Governance/Nominating Committee were formerly, or during the year ended December 31, 2006, one of our officers or employed by us.

Compensation Committee Report

The Compensation Committee of the Board of Directors has reviewed and discussed with management the Compensation Discussion and Analysis for the year ended December 31, 2006. Based on such reviews and discussions, the committee recommended to the Board that the Compensation Discussion and Analysis be included in the Company s Annual Report on Form 10-K and in this proxy statement.

By the committee.

Mark Friedman, Chairperson
Steven Mendelow
Barry Emanuel
F. Peter Cuneo

SUMMARY COMPENSATION TABLE

The following table includes information for 2006 with respect to our Named Executive Officers.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)(a)	Bonus ($)(b)	Stock Awards ($)(c)	Option Awards ($)(d)	Non-Equity Incentive Plan Compensation ($)(e)	Change in Pension Value and Nonqualified Deferred Compensation on Earnings ($)(f)	All Other Compensation ($)(g)	Total ($)(h)
Neil Cole Chief Executive Officer	Fiscal 2006	$ 550,000						$ 65,745(2)	$ 615,745
David Conn Executive Vice President	Fiscal 2006	$ 265,486	$ 50,000					$ 18,000	$ 333,486
Warren Clamen Chief Financial Officer	Fiscal 2006	$ 243,250	$ 25,000	$ 16,667				$ 18,000	$ 302,917
Andrew Tarshis Senior Vice President	Fiscal 2006	$ 239,819		$ 24,999				$ 18,000	$ 282,818
Deborah Sorell Stehr Senior Vice President-Business Affairs and Licensing	Fiscal 2006	$ 220,000		$ 16,665				$ 18,000	$ 249,277
William Sweedler(3) Former Executive Vice President	Fiscal 2006	$ 580,833			$ 1,445,341(4)				$ 2,026,174

(a) Salary includes, as applicable, base salary, pro-rated for changes made to base salary during the year, as defined in the employment agreements.

(b) Bonuses are discretionary, fixed incentive, and/or percentage incentive, as provided for in the applicable employment agreements. For the year ended December 31, 2006, Mr. Conn and Mr. Clamen each received bonuses, which were determined by the employment agreements and Corporate Governance/Nominating Committee of the Board of Directors.

(c) The amounts shown in this column represent the dollar amounts recognized as an expense by us for financial statement reporting purposes in the year ended December 31, 2006 with respect to shares of restricted stock as determined pursuant to Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment* (SFAS 123(R)). See Note 13 to the Consolidated Financial Statements included in our Form 10-K for the year ended December 31, 2006 for a discussion of the relevant assumptions used in calculating grant date fair value pursuant to SFAS 123(R).

(d) Option awards include, as applicable, Company options and equity-based compensation instruments that have option-like features. For the year ended December 31, 2006, Mr. Sweedler received options as part of the terms of his employment.

(e) Non-equity incentive plan compensation represents the dollar value of all amounts earned during the fiscal year pursuant to non-equity incentive plans. There was no such compensation for the year ended December 31, 2006.

(f) Change in pension value and non-qualified deferred compensation earnings represents the aggregate increase in actuarial value to the Named Executive Officer of all defined benefit and actuarial plans accrued during the year and earnings on non-qualified deferred compensation. There are no defined benefit plans, actuarial plans, or non-qualified deferred compensation for the year ended December 31, 2006.

(g) All other compensation includes, as applicable, car allowances, corporate car and driver and life insurance premiums (see the list of perquisites above).

(h) Total compensation represents all compensation from us earned by the Named Executive Officer for the year.

(1) Mr. Cole has waived receipt of the bonus for 2006 he would have been entitled to under his employment agreement.

(2) Represents Company paid premiums on a life insurance policy for the benefit of the beneficiaries of Mr. Cole, as well as corporate car and driver.

(3) Represents Mr. Sweedler s salary of $247,500 for 2006 earned through the end of his employment on September 16, 2006, and $333,333 in consulting fees paid in connection with the acquisition of Ocean Pacific on November 6, 2006.

(4) Represents the fair value of the warrants vested in connection with the acquisition of Ocean Pacific pursuant to his consulting agreement.

GRANTS OF PLAN-BASED AWARDS

The following table sets forth information for 2006 with respect to grants of awards to the Named Executive Officers under our equity incentive and stock option plans.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards Threshold ($)	Target ($)	Maximum ($)	Estimated Future Payouts Under Equity Incentive Plan Awards Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#)(2)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Closing Price of Common Stock Units on Date of Grant ($)	Grant Date Fair Value of Stock and Option Awards
Neil Cole												
David Conn												
Warren Clamen	10/26/06							10,971			$ 18.23	$ 200,000
Andrew Tarshis	09/22/06							18,461			$ 16.25	$ 300,000
Deborah Sorell Stehr	09/22/06							9,230			$ 16.25	$ 150,000
William Sweedler	09/18/06								400,000(1)	$ 8.81		$ 3,500,000

(1) This amount represents the total warrants granted to Mr. Sweedler as part of his consulting agreement in connection with the acquisition of Ocean Pacific.

(2) Awards reflect restricted stock granted in connection with the renewal of employment agreements with Mr. Clamen, Mr. Tarshis, and Ms. Stehr. These grants are one-time retention grants.

NARRATIVE TO SUMMARY COMPENSATION TABLE

AND PLAN-BASED AWARDS TABLE

Employment Agreements

On March 29, 2005, we entered into an employment agreement with Neil Cole, which provides for him to serve as our President and Chief Executive Officer for a term expiring on December 31, 2007, at an annualized base salary of $500,000 in 2005, $550,000 in 2006 and $600,000 in 2007. In addition, Mr. Cole s employment agreement provided for us to pay him additional salary of $250,000 in four equal installments during 2005, all of which has been paid. Under the employment agreement, for each year in which we meet at least 100% of targeted earnings before interest, taxes, depreciation and amortization of fixed assets and intangible assets, or EBITDA, as determined by our Board of Directors, Mr. Cole is also entitled to a bonus as follows: $100,000 for 2005, $150,000 for 2006 and $200,000 for 2007. Mr. Cole received this bonus for 2005. In addition, Mr. Cole will receive a bonus equal to 5% of the amount, if any, by which our actual EBITDA for a fiscal year exceeds the greater of (a) the targeted EBITDA for that year, and (b) the highest amount of actual EBITDA previously achieved for a fiscal year during the term of his employment agreement, provided that prior negative EBITDA amounts will reduce the actual EBITDA in the year for which the determination is made in determining whether and by how much the amounts set forth in (a) and (b) were exceeded. Mr. Cole is also entitled to customary benefits, including participation in management incentive and benefit plans, reimbursement for automobile expenses, reasonable travel and entertainment expenses and a life insurance policy benefiting his designated beneficiaries in the amount of $5,000,000. The employment agreement provides that Mr. Cole will receive an amount equal to three times his annual compensation, less $100, plus accelerated vesting or payment of deferred compensation, options, stock appreciation rights and any other benefits payable to Mr. Cole, in the event that within twelve months of a change in control Mr. Cole is terminated by us without cause or if he terminates his agreement for good reason, as all such terms are defined in the employment agreement. Pursuant to the agreement, Mr. Cole was also granted immediately exercisable ten-year stock options to purchase 800,000 shares of our Common Stock at $4.62 per share. We have also agreed with Mr. Cole that, if we are sold and immediately thereafter Mr. Cole is no longer employed by us or our successor in the capacity in which he was employed prior to the sale, he will be entitled to a payment equal to 5% of the sale price in the event that sale price is at least $5.00 per share or the equivalent thereof with respect to an asset sale, and Mr. Cole has agreed not to compete with us for a period of twelve months after any sale resulting in such payment to him.

On April 17, 2004, we entered into an employment agreement, subsequently amended on December 29, 2005, with David Conn, which, as amended, provides for him to serve as our Executive Vice President of until May 18, 2008, subject to earlier termination as provided in the agreement. The amended agreement provides for Mr. Conn to receive an annualized base salary of: (i) $250,000 during the period December 29, 2005 until May 17, 2006; (ii) $275,000 during the period May 18, 2006 through May 17, 2007 and (iii) $300,000 during the period May 18, 2007 through May 17, 2008, as well as a guaranteed bonus of $25,000 per year, and a car allowance. He was also granted immediately exercisable ten-year stock options to purchase 100,000 shares of our Common Stock at $10.19 per share. In addition, his employment agreement with us provides that, if, within twelve months of a change in control, Mr. Conn s employment is terminated by us without cause, as such terms are defined in his employment agreement, we are obligated to make a lump-sum severance payment to him equal to $100 less than three times his annualized includable compensation for the base period (as defined in Section 280G of the Internal Revenue Code of 1986), subject to certain limitations for any excess parachute payment. His agreement with us also contains certain non-compete and non solicitation provisions.

Effective March 9, 2005, we entered into an employment agreement, subsequently amended on October 27, 2006, with Warren Clamen, which, as amended, provides for him to serve as our Chief

Financial Officer until October 27, 2008, subject to earlier termination as specified in the agreement. The employment agreement provides for Mr. Clamen to receive a base salary of $275,000 per year for the year ending October 27, 2007 and no less than $300,000 for the year ending October 27, 2008, plus certain fringe benefits. In addition, he is eligible to participate in any executive bonus program that we have in effect during the term of his employment agreement. Pursuant to his employment agreement, in March 2005, we granted Mr. Clamen ten-year stock options to purchase 200,000 shares of our Common Stock at $5.06 per share, subject to earlier termination under certain conditions if Mr. Clamen ceases to be employed by us, half of which options vested immediately and the other half vested as of June 1, 2005. Pursuant to the amendment in October 2006, we also issued to Mr. Clamen 10,971 shares of our restricted Common Stock, which vest in two equal annual installments commencing on October 27, 2007. The amended agreement provides that Mr. Clamen will receive an amount equal to three times his annual compensation; less $100, plus accelerated vesting or payment of deferred compensation, options, stock appreciation rights and any other benefits payable to Mr. Clamen, in the event that, within twelve months of a change of control, Mr. Clamen s employment is terminated by us without cause as such terms are defined in the amended agreement. His employment agreement also provides for Mr. Clamen to receive certain severance payments if we terminate the agreement other than for cause as defined in the agreement.

On September 22, 2006, we entered into a new employment agreement with Andrew Tarshis, which provides for him to serve as our Senior Vice President and General Counsel until September 22, 2009 and provides for him to receive an annual base salary of no less than $275,000 during the first year of the term and $300,000 during the second and third years of the term. Pursuant to his employment agreement, we also issued to Mr. Tarshis 18,461 shares of our restricted Common Stock, which vest in three equal annual installments commencing on the first year anniversary of the agreement. Under the agreement, Mr. Tarshis is also eligible for a bonus consistent with other executive officers, as well as customary benefits, including participation in management incentive and benefit plans, a monthly car allowance of $1,500 and reasonable business related travel and entertainment expenses. In addition, his employment agreement with us provides that, if, within twelve months of a change in control, Mr. Tarshis s employment is terminated by us without cause or Mr. Tarshis terminates his employment with us for good reason, as all such terms are defined in his employment agreement, we are obligated to make a lump-sum severance payment to him equal to $100 less than three times his annualized includable compensation for the base period (as defined in Section 280G of the Internal Revenue Code of 1986), subject to certain limitations for any excess parachute payment plus accelerated vesting of the 18,461 shares of restricted stock issued to him. His agreement with us also contains certain non-compete and non-solicitation provisions.

On October 28, 2005, we entered into an employment agreement, subsequently amended on September 22, 2006, with Deborah Sorell Stehr, which, as amended, provides for her to serve as our Senior Vice President Business Affairs and Licensing until December 31, 2008 and provides for her to receive a base salary for performance based upon a four-day work week, as follows: (a) during the period from January 1, 2006 through December 31, 2006, at the annual rate of not less than $220,000, (b) during the period from January 1, 2007 through December 31, 2007, at an annual rate of not less than $230,000, and (c) during the period from January 1, 2008 through December 31, 2008 at the annual rate of not less than $250,000. Pursuant to her employment agreement, in October 2005, we granted Ms. Stehr immediately exercisable ten-year stock options to purchase 60,000 shares of our Common Stock at $8.03 per share, and, pursuant to its amendment, in September 2006 we also issued to Ms. Stehr 9,230 shares of our restricted Common Stock, which vest in two equal annual installments commencing on December 31, 2007. Under the amended agreement, Ms. Stehr remains eligible for a bonus consistent with other executive officers, as well as customary benefits, including participation in management incentive and benefit plans, a monthly car allowance of $1,500 and reasonable travel and entertainment expenses. The agreement provides that Ms. Stehr will receive an amount equal to three times her annual compensation, less $100, plus accelerated vesting or payment of deferred compensation, options, stock appreciation rights and any other benefits payable to Ms. Stehr, in the event that, within twelve months of a change of control, Ms. Stehr s employment is terminated by us without cause or Ms. Stehr terminates her employment agreement with us for good reason, as all such terms are defined in the agreement.

We entered into an employment agreement, effective July 22, 2005, with William Sweedler pursuant to which he served as our Executive Vice President. His employment agreement also provided for him to serve as President of our Joe Boxer division until July 22, 2009, subject to earlier termination as specified in the agreement. The employment agreement provided for Mr. Sweedler to receive an annual base salary of $400,000 and additional salary of $50,000 for the first year of his employment term, an annual base salary of $450,000 during the second year of his employment term, $500,000 for the third year and $550,000 for the fourth year of his employment term. In addition, the agreement provided for Mr. Sweedler to receive percentage of revenue based royalty bonuses if the annual revenues generated by our Joe Boxer division exceeded certain specified amounts for the periods indicated in his employment agreement. The employment agreement provided that Mr. Sweedler would receive an amount equal to $100 less than three times his annual compensation in the event that within twelve months of a change of control, as defined in the employment agreement, Mr. Sweedler was terminated by without cause or if Mr. Sweedler terminated his agreement for good reason (with one exception), as such terms were defined in the employment agreement. Pursuant to the employment agreement, Mr. Sweedler was also granted a ten-year option to purchase 1,425,000 shares of our Common Stock at $8.81 per share, of which 225,000 shares vested immediately and 1.2 million shares were to vest only if the Joe Boxer division met certain revenue goals. On June 8, 2006, we and Mr. Sweedler entered into an agreement (the Sweedler Termination Agreement), which provided for the termination of the employment agreement between us and Mr. Sweedler, the resignation of Mr. Sweedler as our Executive Vice President, President of our Joe Boxer Division and a member of our Board of Directors, and the termination of the approximately 1,200,000 unvested options previously issued to Mr. Sweedler in connection with the employment agreement. Under the Sweedler Termination Agreement, Mr. Sweedler was employed on a part-time basis to assist us during a transition period of ending in September 2006, after which we entered into a consulting agreement with Mr. Sweedler whereby he will perform services for us with respect to finding, negotiating or otherwise advising us regarding potential acquisition opportunities. Under the consulting agreement, we granted to Mr. Sweedler ten-year warrants, with certain registration rights, to purchase 400,000 shares of our Common Stock at an exercise price of $8.81 per share, vesting at the rate of one-third, one-third, one-third upon the closing of each of the first three Qualified Company Acquisitions (as defined in the consulting agreement) and pay him a fee of approximately $333,333 upon the closing of each of such Qualified Company Acquisitions.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table sets forth information with respect to outstanding equity-based awards at December 31, 2006 for our Named Executive Officers.

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable (a)	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Neil Cole	10,000			$ 3.50	12/11/08				
	650,000			$ 3.50	10/14/08				
	84,583			$ 3.50	03/09/08				
	84,583			$ 3.50	03/09/08				
	84,583			$ 3.50	03/09/08				
	25,000			$ 0.97	02/01/10				
	321,625			$ 1.13	07/18/10				
	260,500			$ 1.25	08/18/10				
	76,500			$ 2.30	10/26/11				
	273,500			$ 2.30	10/26/11				
	600,000			$ 2.75	04/23/12				
	15,000			$ 4.41	05/22/12				
	800,000			$ 4.62	03/29/15				
	200,000			$ 10.00	12/28/15				
David Conn	25,000			$ 2.54	05/27/14				
	75,000			$ 2.54	05/27/14				
	50,000			$ 4.82	05/24/15				
	50,000			$ 6.40	06/14/15				
	25,000			$ 10.00	12/28/15				
	100,000			$ 10.19	12/28/15				
Warren Clamen	140,000			$ 5.06	03/09/15	10,971	$ 212,728		
	50,000			$ 10.00	12/28/15				
Andrew Tarshis	100,000			$ 8.81	07/22/15	18,461	$ 357,959		
Deborah Sorell Stehr	10,000			$ 3.50	12/07/08	9,230	$ 178,970		
	10,000			$ 3.50	12/07/08				
	10,000			$ 3.50	12/07/08				
	5,000			$ 2.66	08/20/14				
	15,000			$ 2.66	08/20/14				
	15,000			$ 2.66	08/20/14				
	50,000			$ 4.82	05/24/15				
	60,000			$ 8.03	10/28/15				
	50,000			$ 10.00	12/28/15				
	133,333			$ 8.81	09/18/16				

William
Sweedler

(a) Grant dates and vesting dates for all outstanding equity awards at December 31, 2006 are as follows:

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Grant Date	Vesting Date
Neil Cole	10,000	12/11/98	12/11/98
	650,000	12/11/98	12/11/98
	84,583	12/11/98	12/11/98
	84,583	12/11/98	12/11/98
	84,583	12/11/98	12/11/98
	25,000	02/01/00	02/01/00
	321,625	07/18/00	07/18/00
	260,500	08/18/00	08/18/00
	76,500	10/26/01	10/26/01
	273,500	10/26/01	10/26/01
	600,000	04/23/02	04/23/02
	15,000	05/22/02	05/22/02
	800,000	03/29/05	03/29/05
	200,000	12/28/05	12/28/05
David Conn	25,000	05/28/04	05/28/04
	75,000	05/28/04	12/19/05
	50,000	05/24/05	05/24/05
	50,000	06/14/05	12/19/05
	25,000	12/28/05	12/28/05
	100,000	12/29/05	12/29/05
Warren Clamen	140,000	03/09/05	06/01/05
	50,000	12/28/05	12/28/05
Andrew Tarshis	100,000	07/22/05	07/22/05
Deborah Sorell Stehr	10,000	12/11/98	12/08/99
	10,000	12/11/98	12/08/00
	10,000	12/11/98	12/31/01
	5,000	08/20/04	08/20/04
	15,000	08/20/04	08/20/05
	15,000	08/20/04	12/19/05
	50,000	05/24/05	05/24/05
	60,000	10/28/05	10/28/05
	50,000	12/28/05	12/28/05
William Sweedler	133,333	09/18/06	11/06/06

OPTION EXERCISES AND STOCK VESTED

The following table sets forth certain information regarding exercise of options and vesting of restricted stock held by the Named Executive Officers during the year ended December 31, 2006.

	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
Name	(#)	($) (a)	(#)	($)
Neil Cole	400,000	$ 5,668,750		
David Conn	100,000	$ 1,513,188		
Warren Clamen	60,000	$ 756,713		
Andrew Tarshis	10,000	$ 88,619		
	30,000	$ 230,156		
Deborah Sorell Stehr	10,000	$ 159,719		
	60,000	$ 949,313		
	5,000	$ 75,059		
William Sweedler	8,058	$ 41,821		
	81,673	$ 500,655		
	135,269	$ 865,727		

(a) Included in this column is the aggregate dollar amount realized by the Named Executive Officer upon exercise of the options.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

As noted under Narrative to Summary Compensation Table and Plan-Based Awards Table Employment Agreements , we have entered into employment agreements with each of our Named Executive Officers. These agreements provide for certain payments and other benefits if a Named Executive Officer s employment with us is terminated under circumstances specified in his or her respective agreement, including a change in control of the Company. A Named Executive Officer s rights upon the termination of his or her employment will depend upon the circumstances of the termination.

The receipt of the payments and benefits to the Named Executive Officers under their employment agreements are generally conditioned upon their complying with customary non-solicitation, non-competition, confidentiality, non-interference and non-disparagement provisions. By the terms of such agreements, the executives acknowledge that a breach of some or all of the covenants described herein will entitle us to injunctive relief restraining the commission or continuance of any such breach, in addition to any other available remedies.

The following table provides the term of such covenants following the termination of employment as it relates to each Named Executive Officer:

Covenant	Neil Cole	David Conn	Warren Clamen	Deborah Sorell Stehr	Andrew Tarshis
Confidentiality	Infinite duration for trade secrets and two years otherwise	Infinite duration for trade secrets and two years otherwise	Infinite duration	None	Infinite duration
Non-solicitation	Two Years	Two Years	None	None	One Year
Non-competition	Two Years	Two Years	None	None	One Year
Non-interference	Two Years	Two Years	None	None	One Year
Non-disparagement	Infinite duration	None	None	None	None

Termination Payments (without a change in control)

The table below includes a description and the amount of estimated payments and benefits that would be provided by us (or our successor) to each of the Named Executive Officers under each employment agreement, assuming that a termination circumstance occurred as of December 31, 2006 and a change in control had not occurred:

		Estimated Amount of Termination Payment to:				
		Neil	David	Warren	Deborah	Andrew
Type of Payment	Termination Event	Cole (1)	Conn	Clamen	Sorell Stehr	Tarshis
Payment of accrued but unused vacation time(2)	Termination for Cause, death or disability	None	None	None	None	None
Lump Sum Severance Payment	Termination without Cause or by executive for Good Reason	$550,000[(3)]	$379,653	$501,111[(4)]	None	$749,375
Pro rata portion of Bonuses	Varies	None	None	None	None	None
Continued coverage under medical, dental, hospitalization and life insurance plans	Death, termination without Cause, or termination by executive for Good Reason	None	None	None	3 months[(5)]	None

(1) Upon Mr. Cole s termination without cause by us or for good reason by Mr. Cole, we are obligated to pay Mr. Cole s indemnity payments and legal fees incurred by him as a result of his termination. Our possible range of payments is not determinable at this time.

(2) Vacation time accrued but not taken for each executive was assumed to have been fully used up at year-end 2006.

(3) Payable in monthly installments, not in a lump sum.

(4) Only payable upon termination by Company without cause.

(5) Three months of continued health and medical benefits upon termination for Cause or upon death or disability.

Change in Control Payments

The employment agreements with Mr. Cole, Ms. Stehr and Mr. Tarshis also provide that, if, within twelve months of a change in control, their employment is terminated by us without cause or they terminate their employment with us for good reason, as all such terms are defined in each employment agreement, we are obligated to make a lump-sum severance payment to each such Named Executive Officer equal to $100 less than three times the Named Executive Officer s annualized includable compensation for the base period (as defined in Section 280G of the Internal Revenue Code of 1986).

The employment agreements (as amended) with Mr. Clamen and Mr. Conn also provide that, if, within twelve months of a change in control, their employment is terminated by us without cause as all such terms are defined in each employment agreement, we are obligated to make a lump-sum severance payment to each such Named Executive Officer equal to $100 less than three times the Named Executive Officer s annualized includable compensation for the base period (as defined in Section 280G of the Internal Revenue Code of 1986).

Under the circumstances described above, all of the Named Executive Officers are entitled to an accelerated vesting and payment of stock options and restricted stock awards granted to that Named Executive Officer. However, the sum of any lump sum payments, the value of any accelerated vesting of stock options and restricted stock awards, and the value of any other benefits payable to the Named Executive Officer may not equal or exceed an amount that would constitute an excess parachute payment (as defined in Section 280G of the Internal Revenue Code of 1986).

The following table quantifies the estimated maximum amount of payments and benefits under our employment agreements and agreements relating to awards granted under our equity incentive and stock option plans to which the Named Executive Officers would be entitled upon termination of employment if we terminated their employment without cause within twelve (12) months following a change in control of the Company that (by assumption) occurred on December 31, 2006.

Name	Cash Severance Payment ($)	Continuation of Medical/Welfare Benefits (Present Value) ($)	Value of Accelerated Vesting of Equity Awards ($) [1]	Total Termination Benefits ($)
Neil Cole	1,647,670	0		1,647,670
David Conn	640,551	0		640,551
Warren Clamen	678,427	0	47,065	725,492
Andrew Tarshis	615,971	0	103,834	719,805
Deborah Sorell Stehr	956,037	0	46,533	1,002,570

(1) This amount represents the unrealized value of the unvested portion of the respective Named Executive Officer s restricted stock based upon the closing price of our Common Stock on December 29, 2006.

VOTING SECURITY OWNERSHIP OF

CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table presents information regarding beneficial ownership of our Common Stock as of the Record Date by each of our directors and Named Executive Officers, all of our executive officers and directors, as a group, and each person known by us to beneficially hold five percent or more of our Common Stock, based on information obtained from such persons.

Unless indicated below, to our knowledge, the persons and entities named in the table have sole voting and sole investment power with respect to all securities beneficially owned, subject to community property laws where applicable. The shares beneficially owned by a person are determined in accordance with the definition of beneficial ownership set forth in the regulations of the SEC and, accordingly, shares of our Common Stock underlying options, warrants and convertible securities that are exercisable or convertible within 60 days of the Record Date are deemed to be beneficially owned by the person holding such securities and to be outstanding for purposes of determining such holder s percentage ownership. The same securities may be beneficially owned by more than one person.

Percentage ownership is based on 56,767,000 shares of our Common Stock outstanding as of the Record Date. The address for each beneficial owner, unless otherwise noted, is c/o Iconix Brand Group, Inc. at 1450 Broadway, New York, New York 10018.

Name and Address of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned	Percentage of Company s Outstanding Common Stock Beneficially Owned
Neil Cole	3,521,075(1)	5.8%
David Conn	325,000(2)	*
Warren Clamen	190,000(3)	*
Andrew Tarshis	50,000(4)	*
Deborah Sorell Stehr	125,000(5)	*
William Sweedler	545,333(6)	*
Barry Emanuel	321,673(2)	*
Steven Mendelow	285,988(7)	*
Drew Cohen	101,702(8)	*
F. Peter Cuneo	40,000*	
Mark Friedman	15,684*	
Fred Alger Management, Inc. Fred M. Alger III Fred Alger & Company, Incorporated Alger Associates, Incorporated 111 Fifth Avenue New York, New York 10003	3,204,000(9)	5.6%
Luxor Capital Group, LP Luxor Management, LLC Christian Leone 767 Fifth Avenue, 19th Floor New York, NY 10153	3,061,709(10)	5.4%
All directors and executive officers as a group (10 persons)	4,976,122(11)	8.1%

* Less than 1%

(1) Includes 3,485,875 shares of Common Stock issuable upon exercise of options and 20,000 shares of Common Stock owned by Mr. Cole s children. Does not include shares held in Mr. Cole s account under our 401(k) savings plan over which he has no current voting or investment power.
(2) Represents shares of Common Stock issuable upon exercise of options. Does not include 4,967 restricted shares of Common Stock which vest in two equal installments on October 30, 2007 and April 30, 2008, respectively.
(3) Represents shares of Common Stock issuable upon exercise of options. Does not include 10,971 restricted shares of Common Stock which vest in two equal annual installments commencing on October 27, 2007 and 4,967 restricted shares of Common Stock which vest in two equal installments on October 30, 2007 and April 30, 2008, respectively.
(4) Includes 50,000 shares of Common Stock issuable upon exercise of options. Does not include 18,461 restricted shares of Common Stock which vest in three equal annual installments commencing on September 22, 2007 and 4,967 restricted shares of Common Stock which vest in two equal installments on October 30, 2007 and April 30, 2008, respectively.
(5) Represents shares of Common Stock issuable upon exercise of options. Does not include (i) 9,230 restricted shares of Common Stock which vest in two equal annual installments commencing on December 31, 2007, (ii) 3,725 restricted shares of Common Stock which vest in two equal installments on October 30, 2007 and April 30, 2008, respectively, or (iii) shares held in Ms. Sorell Stehr s account under our 401(k) savings plan over which she has no current voting or investment power.
(6) Includes 133,333 shares of Common Stock issuable upon exercise of warrants.
(7) Includes 200,250 shares of Common Stock issuable upon exercise of options and 60,750 shares of Common Stock owned by C&P Associates, with which Mr. Mendelow and his wife are affiliated and over whose securities they exercise shared voting and investment control.
(8) Includes 95,000 shares of Common Stock issuable upon exercise of options.
(9) Based on a Schedule 13-D filed by Fred Alger Management, Inc., Fred M. Alger III, Fred Alger & Company Incorporated and Alger Associates, Incorporated on January 10, 2007.
(10) Based on a Schedule 13G filed by Luxor Capital Partners, LP (the Onshore Fund), LCG Select, LLC (the Select Onshore Fund), LCG Spectrum, LLC (LCG Spectrum), Luxor Capital Partners Offshore, Ltd. (the Offshore Fund), Luxor Select Offshore, Ltd. (the Select Offshore Fund), Luxor Capital Group, LP (Luxor Capital Group), LCG Holdings, LLC (LCG Holdings), Luxor Management, LLC (Luxor Management) and Christian Leone on June 25, 2007. According to the Schedule 13G, (i) Luxor Capital Group is a registered investment adviser and acts as the investment manager of the Onshore Fund, the Select Onshore Fund, LCG Spectrum, the Offshore Fund and the Select Offshore Fund, among other accounts; (ii) Luxor Management is the general partner of Luxor Capital Group; (iii) Mr. Leone is the managing member of Luxor Management; (iv) LCG Holdings is the general partner of the Onshore Fund and the managing member of the Select Onshore Fund and LCG Spectrum; (v) Mr. Leone is the managing member of LCG Holdings; (vi) Luxor Capital Group, Luxor Management and Mr. Leone may each be deemed to have voting and dispositive power with respect to the shares of Common Stock held by the Onshore Fund, the Select Onshore Fund, LCG Spectrum, the Offshore Fund and the Select Offshore Fund; and (vii) LCG Holdings may be deemed to have voting and dispositive power with respect to the shares of Common Stock held by the Onshore Fund, the Select Onshore Fund and LCG Spectrum.
(11) Includes 4,792,798 shares of Common Stock issuable upon exercise of options. Does not include our non-employee directors restricted shares of Common Stock which shall have not vested within 60 days from the Record Date.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Pursuant to its charter, our Audit Committee must review and approve, where appropriate, all related party transactions.

On May 1, 2003, we granted Kenneth Cole Productions, Inc. the exclusive worldwide license to design, manufacture, sell, distribute and market footwear under the Bongo brand. The chief executive officer and chairman of Kenneth Cole Productions is Kenneth Cole, who is the brother of Neil Cole, our Chief Executive Officer and President. During the fiscal year ended December 31, 2006 and the fiscal year ended December 31, 2005, we received $1.4 million and $1.3 million in royalties from Kenneth Cole Productions, respectively.

The Candie s Foundation, a charitable foundation founded by Neil Cole for the purpose of raising national awareness about the consequences of teenage pregnancy, owed us $297,000 at December 31, 2006. The Candie s Foundation paid-off the entire borrowing from us in February 2007 although additional advances will be made by us to The Candie s Foundation as and when necessary.

AUDIT COMMITTEE REPORT

In January 2007, the Audit Committee met with management and representatives of BDO Seidman, LLP to review and discuss the audit and the procedures and timing of the audit. In February and March 2007**,** the Audit Committee met with management and representatives of BDO Seidman, LLP to review and discuss the audited financial statements. The Audit Committee also conducted discussions with our independent auditors, BDO Seidman, LLP, regarding the matters required by the Statement on Auditing Standards No. 61. As required by Independence Standards Board Standard No. 1, Independence Discussion with Audit Committees, the Audit Committee has discussed with and received the required written disclosures and confirming letter from BDO Seidman, LLP regarding its independence and has discussed with BDO Seidman, LLP its independence. Based upon the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2006.

The Audit Committee
Steven Mendelow
Drew Cohen
F. Peter Cuneo

PROPOSAL I

APPROVAL TO ADOPT THE AMENDMENT TO ICONIX S CERTIFICATE OF

INCORPORATION TO INCREASE OUR AUTHORIZED COMMON STOCK

The Board of Directors has adopted, subject to stockholder approval, an amendment to our Certificate of Incorporation to increase the number of shares of Common Stock that Iconix has authority to issue from 75,000,000 to 150,000,000 shares and, consequently, increase the total number of shares of all classes of capital stock that Iconix has authority to issue from 80,000,000 to 155,000,000 shares.

Reasons for the Increase in Authorized Shares of Common Stock

Of the 75,000,000 shares of Common Stock currently authorized, as of the Record Date, 56,767,000 shares have been issued and are outstanding, approximately 13,200,000 shares are issuable upon exercise of outstanding options, warrants and other convertible securities, and approximately 1,905,000 shares are available for issuance upon exercise of options or awards available for grant under our existing stock option and incentive stock plans. We, therefore, only have approximately 3,128,000 unreserved shares of Common Stock available for future issuance.

If our stockholders approve the proposed amendment to our Certificate of Incorporation, the additional authorized shares would be available for issuance for any proper corporate purpose. The Board of Directors considers the increase in authorized shares of Common Stock necessary in order to provide flexibility for potential acquisitions, capital raising and future capital requirements and for use in current and future equity compensation plans. Iconix intends to seek to continue to expand its operations which will require additional capital. Such expansion may be accomplished through acquisitions for which Iconix may choose to issue equity securities as all or a portion of the purchase price of the acquisition. In addition, Iconix may seek to raise additional capital in the future through the issuance of equity securities, such as Common Stock or securities convertible into Common Stock. Although Iconix continuously evaluates potential acquisition candidates, Iconix does not, at this time, have any immediate plans, commitments or understandings with respect to any acquisitions. Other than shares that may be issued under our existing stock option and incentive stock plans or pursuant to outstanding convertible securities, Iconix has no immediate plans, commitments or understandings with respect to the issuance of additional shares of Common Stock for any purpose. Approval by the stockholders of the increase in authorized shares of Common Stock at the annual meeting will avoid the need to call and hold additional special meetings for this purpose, thereby enabling Iconix to act quickly when potential acquisition or financing transactions arise.

Once authorized, the additional shares of Iconix Common Stock may be issued with approval of the Board of Directors but without further approval of the stockholders unless stockholder approval is required by applicable law, rule or regulation. Accordingly, this solicitation may be the only opportunity for Iconix stockholders to approve these financings, acquisitions, benefit plans and other corporate transactions.

This proposal could, under certain circumstances, have an anti-takeover effect. For example, if Iconix were the subject of a hostile takeover attempt, it could try to impede the takeover by issuing shares of Common Stock, thereby diluting the voting power of the other outstanding shares and increasing the potential cost of the takeover. The Iconix Board of Directors is not aware of any attempt or plan to acquire control of Iconix.

Recommendation

The Board of Directors recommends that you vote FOR approval of Proposal I and the Amendment to our Certificate of Incorporation.

PROPOSAL II

RATIFICATION OF THE

APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

BDO Seidman, LLP has audited and reported upon our financial statements for the fiscal year ended December 31, 2006. The Audit Committee of the Board of Directors has re-appointed BDO Seidman, LLP as our independent registered public accountants for the fiscal year ending December 31, 2007. Although stockholder approval of the appointment of BDO Seidman, LLP is not required by law, the Audit Committee and the Board of Directors believe that it is advisable to give stockholders an opportunity to ratify this appointment. Furthermore, although the appointment of BDO Seidman, LLP is being submitted for stockholder ratification, the Audit Committee reserves the right, even after ratification by stockholders, to change the appointment of BDO Seidman, LLP our independent registered public accountants, at any time during the 2007 fiscal year, if it deems such change to be in our best interest. A representative of BDO Seidman, LLP is expected to be present at the Annual Meeting with the opportunity to make a statement if he or she desires to do so and is expected to be available to respond to appropriate questions.

In addition to retaining BDO Seidman, LLP to audit our financial statements, we engage BDO Seidman, LLP from time to time to perform other services.

Audit Fees. The aggregate fees billed by BDO Seidman, LLP for professional services rendered for the audit of our annual financial statements, internal controls over financial reporting, reviews of the financial statements included in our Forms 10-Q, and consents related to SEC registration statements for fiscal 2006 and fiscal 2005 and comfort letter and other capital raising activities for fiscal 2006, totaled approximately $990,000, and $394,000 for fiscal 2006 and fiscal 2005, respectively.

Audit-Related Fees. There were approximately $105,000 and $168,700 aggregate fees billed by BDO Seidman, LLP for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements for fiscal 2006 and fiscal 2005, respectively, and that are not disclosed in the paragraph caption Audit Fees above. The majority of the audit-related fees were related to the audit of the financial statements of our subsidiary, IP Holdings, LLC and The Candie s Foundation.

Tax Fees. The aggregate fees billed by BDO Seidman, LLP for professional services rendered for tax compliance, for fiscal 2006 and fiscal 2005, were approximately $35,000, and $62,000, respectively. The aggregate fees billed by BDO Seidman, LLP for professional services rendered for tax advice and tax planning, for fiscal 2006 and fiscal 2005, were $0 and $3,000, respectively.

All Other Fees. There were no fees billed by BDO Seidman, LLP for products and services, other than the services described in the paragraphs captions Audit Fees , Audit-Related Fees , and Tax Fees above for fiscal 2006 and fiscal 2005.

The Audit Committee has established its pre-approval policies and procedures, pursuant to which the Audit Committee approved the foregoing audit services provided by BDO Seidman, LLP in fiscal 2006. Consistent with the Audit Committee s responsibility for engaging our independent auditors, all audit and permitted non-audit services require pre-approval by the Audit Committee. The full Audit Committee approves proposed services and fee estimates for these services. The Audit Committee chairperson or their designee has been designated by the Audit Committee to approve any services arising during the year that were not pre-approved by the Audit Committee. Services approved by the Audit Committee chairperson are communicated to the full Audit Committee at its next regular meeting and the Audit Committee reviews services and fees for the fiscal year at each such meeting. Pursuant to these procedures, the Audit Committee approved all the foregoing audit services and permissible non-audit services provided by BDO Seidman, LLP

Recommendation

The Board of Directors recommends that you vote for approval of Proposal II and the ratification of the appointment of BDO Seidman, LLP as our independent registered public accountants for the fiscal year ending December 31, 2007.

STOCKHOLDER PROPOSALS FOR 2008 ANNUAL MEETING

Stockholders who wish to present proposals appropriate for consideration at our annual meeting of stockholders to be held in the year 2008 must submit the proposal in proper form consistent with our By-Laws to us at our address set forth on the first page of this proxy statement and in accordance with applicable regulations under Rule 14a-8 of the Exchange Act not later than March 13, 2008 in order for the proposition to be considered for inclusion in our proxy statement and form of proxy relating to such annual meeting. Any such proposals, should contain the name and record address of the stockholder, the class and number of shares of our Common Stock beneficially owned as of the record date established for the meeting, a description of, and reasons for, the proposal and all information that would be require to be included in the proxy statement file with the SEC if such stockholder was a participant in the solicitation subject to Section 14 of the Exchange Act. The proposal and as well as any questions related thereto, should be directed to the Company s Secretary.

If a stockholder submits a proposal after the March 13, 2008 deadline required under Rule 14a-8 of the Exchange Act but still wishes to present the proposal at our Annual Meeting of Stockholders (but not in our proxy statement) for the fiscal year ending December 31, 2007, the proposal, which must be presented in a manner consistent with our By-Laws and applicable law, must be submitted to the Secretary of the Company in proper form at the address set forth above so that it is received by the Company s Secretary not less than 50 nor more than 75 days prior to the meeting unless less than 65 days notice or prior public disclosure of the date of the meeting is given or made to stockholders, in which case, no less than the close of business on the tenth day following the date on which the notice of the date of the meeting was mailed or other public disclosure was made.

We did not receive notice of any proposed matter to be submitted by stockholders for a vote at this Annual Meeting and, therefore, in accordance with Exchange Act Rule 14a-4 (c) any proxies held by persons designated as proxies by our Board of Directors and received in respect of this Annual Meeting will be voted in the discretion of our management on such other matter which may properly come before the Annual Meeting.

OTHER INFORMATION

Proxies for the Annual Meeting will be solicited by mail and through brokerage institutions and all expenses involved, including printing and postage, will be paid by us.

A copy of our 2006 Annual Report to Stockholders (which includes a copy of our Annual Report on Form 10-K for the year ended December 31, 2006 as filed with the SEC) is being mailed with this Proxy Statement to each stockholder of record as of the close of business on July 5, 2007. A stockholder may also request an additional copy of our Annual Report on Form 10-K for the year ended December 31, 2006, without charge except for exhibits to the report, by writing to Iconix Brand Group, Inc., 1450 Broadway, New York, New York 10018, Attention: Deborah Sorell Stehr. Exhibits will be provided upon written request and payment of a reasonable fee.

The Board of Directors is aware of no other matters, except for those incident to the conduct of the Annual Meeting, that are to be presented to stockholders for formal action at the Annual Meeting. If, however, any other matters properly come before the Annual Meeting or any adjournments thereof, it is the intention of the persons named in the proxy to vote the proxy in accordance with their judgment.

By order of the Board of Directors,

Neil Cole,
Chairman of the Board,
President and Chief Executive Officer

July 11, 2007

ICONIX BRAND GROUP, INC.

1450 BROADWAY

NEW YORK, NEW YORK 10018

PROXY FOR ANNUAL MEETING OF STOCKHOLDERS TO BE HELD AUGUST 16, 2007

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints NEIL COLE and WARREN CLAMEN, and each of them, Proxies, with full power of substitution in each of them, in the name, place and stead of the undersigned, to vote at the Annual Meeting of Stockholders of Iconix Brand Group, Inc. (the Company) on Thursday, August 16, 2007, at the offices of the Company, 1450 Broadway, New York, NY 10018 or at any adjournment or adjournments thereof, according to the number of votes that the undersigned would be entitled to vote if personally present, upon the following matters:

(Continued and to be dated and signed on reverse side)

PROXY

THIS PROXY WILL BE VOTED IN ACCORDANCE WITH THE INSTRUCTIONS GIVEN BELOW. IF NO INSTRUCTIONS ARE GIVEN, THIS PROXY WILL BE VOTED FOR THOSE NOMINEES AND THE PROPOSALS LISTED BELOW.

Please mark your votes like this X

1. Election of Directors:

FOR all nominees listed below (except as indicated to the contrary) ¨

WITHHOLD AUTHORITY to vote for all nominees listed below ¨

Neil Cole, Barry Emanuel, Steven Mendelow, Drew Cohen, F. Peter Cuneo and Mark Friedman

(INSTRUCTION: To withhold authority to vote for any individual nominee, write that nominee s name in the space below)

	FOR	AGAINST	ABSTAIN
2. To approve an amendment to the Company s Certificate of Incorporation to increase its authorized common stock	¨	¨	¨

	FOR	AGAINST	ABSTAIN
3. Ratification of the appointment of BDO Seidman, LLP as the Company s independent registered public accountants for the fiscal year ending December 31, 2007.	¨	¨	¨

4. In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting.

COMPANY ID:

PROXY NUMBER:

ACCOUNT NUMBER:

Signature | Signature if held jointly | Dated ________ 2007

Please sign exactly as name appears hereon When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person.

align="bottom" style="background: #cceeff">
Investments
7 13
Other assets
93 74
Total assets
$3,207 $3,103

Liabilities and equity

Current liabilities

Short-term borrowings and current portion of long-term debt
$206 $130
Deferred income taxes
28
Accounts payable
528 382
Accrued liabilities
125 134
Total current liabilities
859 674

Non-current liabilities
152 123
Long-term debt
660 519
Deferred income taxes
105 133
Minority interest in subsidiaries
22 21
Redeemable common stock (500,000 shares issued and outstanding at December 31, 2008 and 2007) stated at redemption value
14 19
Share-based payments subject to redemption
11 9
Stockholders equity

Preferred stock authorized 25,000,000 shares-$0.01 par value, none issued

Common stock authorized 200,000,000 shares-$0.01 par value, 74,819,774 issued at December 31, 2008 and 2007	1	1
Additional paid-in capital	1,086	1,082
Less: Treasury stock (common stock; 776,606 and 1,568,996 shares at December 31, 2008 and 2007, respectively) at cost	(29)	(57)
Accumulated other comprehensive loss	(594)	(115)
Retained earnings	920	694
Total stockholders equity	**1,384**	**1,605**
Total liabilities and equity	**$3,207**	**$3,103**

See notes to the consolidated financial statements.

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CORN PRODUCTS INTERNATIONAL, INC.
Consolidated Statements of Comprehensive Income (Loss)

Years ended December 31,
(in millions)

	2008	2007	2006
Net income	**$ 267**	**$ 198**	**$ 124**
Comprehensive income (loss):			
Gains (losses) on cash flow hedges, net of income tax effect of $77, $20 and $8, respectively	(127)	32	12
Reclassification adjustment for (gains) losses on cash flow hedges included in net income, net of income tax effect of $63, $10 and $2, respectively	(105)	(15)	5
Actuarial gain (loss) on pension and other postretirement obligations, net of income tax	(15)	6	
Losses related to pension and other postretirement obligations reclassified to earnings, net of income tax	2	2	
Unrealized gain (loss) on investment, net of income tax	(3)	1	
Currency translation adjustment	(231)	82	43
Adjustment to minimum pension liability, net of income tax			2
Comprehensive income (loss)	**$ (212)**	**$ 306**	**$ 186**

See notes to the consolidated financial statements.

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CORN PRODUCTS INTERNATIONAL, INC.
Consolidated Statements of Stockholders Equity and Redeemable Equity

	Stockholders Equity							
(in millions)	Common Stock	Additional Paid-In Capital	Treasury Stock	Deferred Compensation	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Redeemable Common Stock	Share-based Payments Subject to Redemption
Balance, December 31, 2005	**$1**	**$ 1,068**	**$(36)**	**$ (1)**	**$ (251)**	**$429**	**$ 29**	**$**
Net income						**124**		
Dividends declared						**(25)**		
Gains on cash flow hedges, net of income tax effect of $8					**12**			
Amount of losses on cash flow hedges reclassified to earnings, net of income tax effect of $2					**5**			
Repurchases of common stock			**(23)**					
Issuance of common stock on exercise of stock options		**(8)**	**29**					
Stock option expense		**5**						
Other share-based compensation		**(4)**	**3**					**4**
Excess tax benefit on share-based compensation		**6**						
Reclassification of deferred compensation		**(1)**		**1**				
Change in fair value of redeemable common stock		**(15)**					**15**	
					43			

Currency translation adjustment								
Adjustment to minimum pension liability prior to adoption of SFAS No. 158, net of tax of $1					2			
Recognition of unfunded portion of pension and other postretirement liabilities, net of income tax effect of $18, upon adoption of SFAS No. 158					(34)			
Balance, December 31, 2006	**$1**	**$ 1,051**	**$(27)**	**$**	**$ (223)**	**$528**	**$ 44**	**$ 4**
Net income						**198**		
Dividends declared						**(30)**		
Gains on cash flow hedges, net of income tax effect of $20					**32**			
Amount of gains on cash flow hedges reclassified to earnings, net of income tax effect of $10					**(15)**			
Unrealized gain on investment, net of income tax					**1**			
Repurchases of common stock			**(55)**					
Issuance of common stock on exercise of stock options		**(7)**	**23**					
Stock option expense		**7**						
Other share-based compensation		**6**	**2**					**5**

Excess tax benefit on share-based compensation								
Change in fair value and number of shares of redeemable common stock		**25**					**(25)**	
Currency translation adjustment					**82**			
Actuarial gain on postretirement obligations, net of income tax effect of $3					**6**			
Losses related to postretirement obligations reclassified to earnings, net of income tax effect of $1					**2**			
Cumulative effect of adopting FIN 48						**(2)**		
Balance, December 31, 2007	**$1**	**$ 1,082**	**$(57)**	**$**	**$ (115)**	**$694**	**$ 19**	**$ 9**
Net income						**267**		
Dividends declared						**(40)**		
Losses on cash flow hedges, net of income tax effect of $77					**(127)**			
Amount of gains on cash flow hedges reclassified to earnings, net of income tax effect of $63					**(105)**			
Unrealized loss on investment, net of income tax					**(3)**			
Repurchases of common stock			**(1)**					
Issuance of common stock on		**(9)**	**20**					

exercise of stock options								
Stock option expense		**5**						
Other share-based compensation		**(2)**	**9**					**2**
Excess tax benefit on share-based compensation		**5**						
Change in fair value of redeemable common stock		**5**					**(5)**	
Currency translation adjustment					**(231)**			
Actuarial loss on postretirement obligations, net of income tax					**(15)**			
Losses related to postretirement obligations reclassified to earnings, net of income tax					**2**			
Effects of changing the pension plan measurement date pursuant to SFAS No. 158 service cost, interest cost, and expected return on plan assets for Oct. 1 Dec. 31, 2007, net of income tax						**(1)**		
Balance, December 31, 2008	**$1**	**$ 1,086**	**$(29)**	**$**	**$ (594)**	**$920**	**$ 14**	**$ 11**

See notes to the consolidated financial statements.

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CORN PRODUCTS INTERNATIONAL, INC.
Consolidated Statements of Cash Flows

Years ended December 31, (in millions)	**2008**	**2007**	**2006**
Cash provided by (used for) operating activities:			
Net income	$ 267	$ 198	$ 124
Non-cash charges (credits) to net income:			
Depreciation and amortization	128	125	114
Deferred income taxes	12	7	(6)
Stock option expense	5	7	5
Unrealized gain on investment		(6)	
Minority interest in earnings	8	5	4
Foreign currency transaction losses (gains)	(9)	4	(1)
Earnings from non-controlled affiliates			(1)
Changes in working capital:			
Accounts receivable and prepaid expenses	(43)	(40)	(28)
Inventories	(91)	(86)	(57)
Accounts payable and accrued liabilities	(29)	12	52
Decrease (increase) in margin accounts	(295)	55	4
Deposit with tax authority	(13)	(17)	
Other	(19)	(6)	20
Cash (used for) provided by operating activities	(79)	258	230
Cash provided by (used for) investing activities:			
Capital expenditures	(228)	(177)	(171)
Proceeds from disposal of plants and properties	9	3	3
Payments for acquisitions/investments, net of cash acquired		(59)	(42)
Other		1	
Cash used for investing activities	(219)	(232)	(210)
Cash provided by (used for) financing activities:			
Payments on debt	(56)	(283)	(46)
Proceeds from borrowings	313	366	62
Dividends paid (including to minority interest shareholders)	(42)	(33)	(26)
Repurchases of common stock	(1)	(55)	(23)
Issuance of common stock	11	16	21
Excess tax benefit on share-based compensation	5	6	6
Other		(2)	
Cash provided by (used for) financing activities	230	15	(6)

Effects of foreign exchange rate changes on cash		3	1
Increase (decrease) in cash and cash equivalents	(68)	44	15
Cash and cash equivalents, beginning of period	175	131	116
Cash and cash equivalents, end of period	$ 107	$ 175	$ 131

See notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 Description of the Business

Corn Products International, Inc. (the Company) was founded in 1906 and became an independent and public company as of December 31, 1997. The Company operates domestically and internationally in one business segment, corn refining, and produces a wide variety of products.

NOTE 2 Summary of Significant Accounting Policies

Basis of presentation The consolidated financial statements consist of the accounts of the Company, including all significant subsidiaries. Intercompany accounts and transactions are eliminated in consolidation.

The preparation of the accompanying consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amounts of revenues and expenses. Such estimates include the value of purchase consideration, valuation of accounts receivable, inventories, goodwill, intangible assets and other long-lived assets, legal contingencies, guarantee obligations, and assumptions used in the calculation of income taxes, and pension and other postretirement benefits, among others. These estimates and assumptions are based on management s best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Management will adjust such estimates and assumptions when facts and circumstance dictate. Foreign currency devaluations, corn price volatility, access to difficult credit markets, and declines in the global economic environment have combined to increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

Assets and liabilities of foreign subsidiaries, other than those whose functional currency is the US dollar, are translated at current exchange rates with the related translation adjustments reported in stockholders equity as a component of accumulated other comprehensive income (loss). Income statement accounts are translated at the average exchange rate during the period. Where the US dollar is considered the functional currency, monetary assets and liabilities are translated at current exchange rates with the related adjustment included in net income. Non-monetary assets and liabilities are translated at historical exchange rates. The Company incurs foreign currency transaction gains/losses relating to assets and liabilities that are denominated in a currency other than the functional currency. For 2008, 2007 and 2006, the Company incurred foreign currency transaction gains (losses) of $9 million, ($4 million) and $1 million, respectively. The Company s accumulated other comprehensive loss included in stockholders equity on the Consolidated Balance Sheets includes cumulative translation loss adjustments of $363 million and $132 million at December 31, 2008 and 2007, respectively.

Cash and cash equivalents Cash equivalents consist of all instruments purchased with an original maturity of three months or less, and which have virtually no risk of loss in value.

Inventories Inventories are stated at the lower of cost or net realizable value. Costs are determined using the first-in, first-out (FIFO) method.

Investments Investments in the common stock of affiliated companies over which the Company does not exercise significant influence are accounted for under the cost method and are carried at cost or less. The Company s wholly-owned Canadian subsidiary has an investment that is accounted for under the cost method. The carrying value of this investment was $5 million at December 31, 2008 and $6 million at December 31, 2007. Investments that enable the Company to exercise significant influence, but do not represent a controlling interest, are accounted for under the equity method; such investments are carried at cost or less, adjusted to reflect the Company s proportionate share of income or loss, less dividends received. The Company did not have any investments accounted for under the equity method at December 31, 2008 or 2007. The Company also has an equity interest in the CME Group Inc. (CME), which it classifies as available for sale securities. This investment, which totaled $2 million at December 31, 2008 and $7 million at December 31, 2007, is carried at fair value with unrealized gains and losses recorded to other comprehensive income. The Company would recognize a loss on its investments when there is a loss in value of an investment that is other than a temporary decline.

Property, plant and equipment and depreciation Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is generally computed on the straight-line method over the estimated useful lives of depreciable assets, which range from 10 to 50 years for buildings and from 3 to 25 years for all other assets. Where permitted by law, accelerated depreciation methods are used for tax purposes. The Company reviews the recoverability of the net book value of property, plant and equipment for impairment whenever events and circumstances indicate that the net book value of an asset may not be recoverable from estimated future cash flows expected to result from its use and eventual disposition. If this review indicates that the carrying values will not be recovered, the carrying values would be reduced to fair value and an impairment loss would be recognized.

Goodwill and other intangible assets Goodwill ($351 million and $423 million at December 31, 2008 and 2007, respectively) represents the excess of cost over fair value of net assets acquired. The Company also has other intangible assets ($8 million at December 31, 2008 and $3 million at December 31, 2007, respectively). The carrying amount of goodwill and other intangible assets by geographic segment as of December 31, 2008 and 2007 was as follows:

	At December 31,	
(in millions)	**2008**	**2007**
North America	$ 138	$ 140
South America	87	102
Asia/Africa	134	184
Total	$ 359	$ 426

The Company assesses goodwill for impairment annually (or more frequent if impairment indicators arise). The Company has chosen to perform this annual impairment assessment in December of each year. The Company has completed the required impairment assessments and determined there to be no goodwill impairment. However, as a result of the current operating performance and expectations regarding future operating performance of the Company s Korean operations (Korea), the fair value of these assets was only modestly in excess of their carrying value. The net book value of goodwill relating to Korea was approximately $120 million at December 31, 2008.

The Company used a discounted cash flow model (DCF model) to determine the current fair value of its Korean operation. Management believes that this approach is appropriate because it provides a fair value estimate based upon Korea s expected long-term operating and cash flow performance. This approach also mitigates most of the impact of cyclical downturns that occur in the industry. This approach was based on a ten-year projection of operating results and cash flows that is discounted using a weighted-average cost of capital. The projection is based upon the Company s best estimates of projected economic and market conditions over the related period including growth rates, estimates of future expected changes in operating margins and cash expenditures. Other significant estimates and assumptions include terminal value growth rates, and future capital expenditures. The Company specifically made the following operating assumptions for Korea: a reduction of corn costs and freight rates to historical levels; recovery of HFCS sales volume to the carbonated beverage industry; recovery of starch volume to the paper industry and glucose volumes to distributors; and the introduction of new products into the Korean market.

Revenue recognition The Company recognizes operating revenues at the time title to the goods and all risks of ownership transfer to customers. This transfer is considered complete when a sales agreement is in place, delivery has occurred, pricing is fixed or determinable and collection is reasonably assured. In the case of consigned inventories, the title passes and the transfer of ownership risk occurs when the goods are used by the customer. Taxes assessed by governmental authorities and collected from customers are accounted for on a net basis and thereby excluded from revenues.

Hedging instruments The Company uses derivative financial instruments principally to offset exposure to market risks arising from changes in commodity prices and interest rates. Derivative financial instruments currently used by the Company consist of commodity futures and option contracts, interest rate swap agreements and treasury lock agreements. The Company enters into futures and option contracts, which are designated as hedges of specific volumes of commodities (corn and natural gas) that will be purchased and processed in a future month. These derivative financial instruments are recognized in the Consolidated Balance Sheets at fair value. The Company has also, from time to time, entered into interest rate swap agreements that effectively converted the interest rate on certain fixed rate debt to a variable interest rate and, on certain variable rate debt, to a fixed interest rate. The Company s treasury lock agreements lock the benchmark rate for an anticipated fixed rate borrowing. See also Note 4 and Note 5 of the notes to the consolidated financial statements for additional information.

On the date a derivative contract is entered into, the Company designates the derivative as either a hedge of variable cash flows to be paid related to interest on variable rate debt, as a hedge of market variation in the benchmark rate for a future fixed rate debt issue or as a hedge of certain forecasted purchases of corn or natural gas used in the manufacturing process (a cash-flow hedge), or as a hedge of the fair value of certain debt obligations (a fair-value hedge). This process includes linking all derivatives that are designated as fair-value or cash-flow hedges to specific assets and liabilities on the Consolidated Balance Sheet, or to specific firm commitments or forecasted transactions. For all hedging relationships, the Company formally documents the hedging relationships and its risk-management objective and strategy for undertaking the hedge transactions, the hedging instrument, the item, the nature of the risk being hedged, how the hedging instrument s effectiveness in offsetting the hedged risk will be assessed, and a description of the method of measuring ineffectiveness. The Company also formally assesses, both at the hedge s inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows or fair values of hedged items. When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, the Company discontinues hedge accounting prospectively.

Changes in the fair value of a floating-to-fixed interest rate swap, treasury lock or a futures contract for corn or natural gas that is highly effective and that is designated and qualifies as a cash-flow hedge are recorded in other comprehensive income (loss), net of applicable income taxes, and recognized in the Consolidated Statement of Income when the variable rate interest is paid, the future fixed interest rate is established or the finished goods produced using the hedged item are sold. The maximum term over which the Company hedges exposures to the variability of cash flows for commodity price risk is 60 months. Changes in the fair value of a fixed-to-floating interest rate swap agreement that is highly effective and that is designated and qualifies as a fair-value hedge, along with the loss or gain on the hedged debt obligation that is attributable to the hedged risk, are recorded in earnings. The ineffective portion of the change in fair value of a derivative instrument that qualifies as either a cash-flow hedge or a fair-value hedge is reported in earnings.

The Company discontinues hedge accounting prospectively when it is determined that the derivative is no longer effective in offsetting changes in the cash flows or fair value of the hedged item, the derivative expires or is sold, terminated or exercised, the derivative is de-designated as a hedging instrument because it is unlikely that a forecasted transaction will occur, or management determines that designation of the derivative as a hedging instrument is no longer appropriate. When hedge accounting is discontinued because it is probable that a forecasted transaction will not occur, the Company continues to carry the derivative on the Consolidated Balance Sheet at its fair value, and gains and losses that were accumulated in other comprehensive income (loss) are recognized immediately in earnings. When hedge accounting is discontinued because it is determined that the derivative no longer qualifies as an effective fair-value hedge, the Company continues to carry the derivative on the Consolidated Balance Sheet at its fair value and no longer adjusts the hedged asset or liability for changes in fair value. The adjustment of the carrying amount of the hedged asset or liability is accounted for in the same manner as other components of the carrying amount of that asset or liability. In all other situations in which hedge accounting is discontinued, the Company continues to carry the derivative at its fair value on the Consolidated Balance Sheet and recognizes any changes in its fair value in earnings.

Stock-based compensation The Company has a stock incentive plan that provides for stock-based employee compensation, including the granting of stock options and shares of restricted stock, to certain key employees. The plan is more fully described in Note 12. Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123R, Share-based Payment (SFAS 123R), which requires, among other things, that compensation expense be recognized for employee stock options. Prior to the adoption of SFAS 123R, the Company accounted for stock compensation using the recognition and measurement principles of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations. Under that method, compensation expense was recorded only if the current market price of the underlying stock on the date of grant exceeded the option exercise price. Since stock options are granted at exercise prices that equal the market value of the underlying common stock on the date of grant under the Company s stock incentive plan, no compensation expense related to stock options was recorded in the Consolidated Statements of Income prior to January 1, 2006.

Earnings per common share Basic earnings per common share is computed by dividing net income by the weighted average number of shares outstanding (including redeemable common stock), which totaled 74.5 for 2008, 74.7 million for 2007 and 74.1 million for 2006. Diluted earnings per share (EPS) is computed by dividing net income by the weighted average number of shares outstanding, including the dilutive effect of outstanding stock options and other shares associated with long-term incentive compensation plans. The weighted average number of shares outstanding for diluted EPS calculations was 75.9 million, 76.5 million and 75.8 million for 2008, 2007 and 2006, respectively. In 2008 and 2007, options to purchase approximately 1.3 million and .6 million shares of common stock, respectively, were excluded from the calculation of the weighted average number of shares outstanding for diluted EPS because their effects were anti-dilutive. There were no anti-dilutive stock option shares for 2006.

Risks and uncertainties The Company operates domestically and internationally in one business segment. In each country, the business and assets are subject to varying degrees of risk and uncertainty. The Company insures its business and assets in each country against insurable risks in a manner that it deems appropriate. Because of this geographic dispersion, the Company believes that a loss from non-insurable events in any one country would not have a material adverse effect on the Company s operations as a whole. Additionally, the Company believes there is no significant concentration of risk with any single customer or supplier whose failure or non-performance would materially affect the Company s results.

Recently adopted accounting standards In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The Company has adopted the provisions of SFAS 157 with respect to financial assets and liabilities effective January 1, 2008, as required. In February 2008, the FASB issued Staff Position No. FAS 157-2, Effective Date of FASB Statement No. 157, which provides a one year deferral of the effective date of SFAS 157 for non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. In accordance with this interpretation, the Company has only adopted the provisions of SFAS 157 with respect to its financial assets and liabilities that are measured at fair value within its 2008 financial statements. The provisions of SFAS No. 157 have not been applied to non-financial assets and non-financial liabilities. The major categories of assets and liabilities that are measured at fair value, for which the Company has not applied the provisions of SFAS No. 157, are as follows: reporting units measured at fair value in the first step of a goodwill impairment test under SFAS No. 142, and long-lived assets measured at fair value for an impairment test under SFAS No. 144. The adoption of SFAS 157 did not have a material impact on the Company s results of operations, financial condition or cash flow. As a result of the adoption of SFAS 157, the Company now provides additional disclosures in its notes to the financial statements. SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS 157 also establishes a fair value hierarchy to improve consistency and comparability in fair value measurements and disclosures. The fair value hierarchy prioritizes the inputs used to measure fair value into three broad categories referred to as Level 1, Level 2 and Level 3 inputs. Level 1 inputs consist of quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly for substantially the full term of the financial instrument. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability or can be derived principally from or corroborated by observable market data. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

Presented below are the fair values of the Company s financial instruments and derivatives at December 31, 2008:

(in millions)	Total	Level 1	Level 2	Level 3
Available for sale securities	$ 2	$ 2		
Derivative assets				
Derivative liabilities	$244	$186	$ 58	
Long-term debt	$638		$638	

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS 159). SFAS 159 allows entities the option to measure certain financial assets and liabilities at fair value at specified election dates. Such election, which may be applied on an instrument by instrument basis, is typically irrevocable once elected. Subsequent unrealized gains and losses on items for which the fair value option has been elected are to be reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007.

The Company adopted SFAS 159 and elected not to measure any additional financial instruments and other items at fair value.

In June 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 is an interpretation of FASB Statement No. 109, Accounting for Income Taxes, and seeks to reduce the diversity in practice associated with certain aspects of measurement and recognition in accounting for income taxes. In addition, FIN 48 provides guidance on de-recognition, classification, interest and penalties, and accounting in interim periods and requires expanded disclosure with respect to uncertainty in income taxes. The Company adopted FIN 48 effective January 1, 2007. The cumulative effect of the adoption of FIN 48 was reflected as a reduction in the beginning balance of retained earnings of $2 million. See also Note 7 for additional information.

In September 2006, the FASB issued SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106 and 132(R) (SFAS 158). Among other things, SFAS 158 requires companies to: (i) recognize in the balance sheet, a net liability or asset and an offsetting adjustment to accumulated other comprehensive income, to record the funded status of defined benefit pension and other post-retirement benefit plans; (ii) measure plan assets and obligations that determine its funded status as of the end of the company s fiscal year; and (iii) recognize in comprehensive income the changes in the funded status of a defined benefit pension and postretirement plan in the year in which the changes occur. The requirement to recognize the funded status of a benefit plan and the disclosure requirements are effective as of the end of the fiscal year ending after December 15, 2006. The requirement to measure the plan assets and benefit obligations as of the year-end balance sheet date is effective for fiscal years ending after December 15, 2008. The Company adopted SFAS 158 effective December 31, 2006 by recording a charge to accumulated other comprehensive loss of $34 million, net of income taxes of $18 million, to recognize the unfunded portion of its defined benefit pension and other postretirement plan liabilities. Effective December 31, 2008, the Company began measuring its plan assets and benefit obligations using a December 31, 2008 balance sheet date. Previously, the Company had used a September 30th measurement date. The change to using a year-end balance sheet measurement date did not have a material impact on the Company s consolidated financial statements. See also Note 8 of the notes to the consolidated financial statements for additional information.

NOTE 3 Acquisitions

On February 12, 2007, the Company acquired the food business assets of SPI Polyols, a subsidiary of ABF North America Holdings, Inc., and the common shares of an SPI unit that owned the 50 percent of Getec Guanabara Quimica Industrial S.A. (GETEC) not previously held by Corn Products International. GETEC is a major Brazilian producer of polyols, including liquid sorbitol and mannitol, and anhydrous dextrose, for the personal care, food, candy and confectionary, and pharmaceutical markets. The Company paid approximately $66 million in cash to complete this acquisition, which was accounted for under the purchase method of accounting. Goodwill of approximately $43 million was recorded. Effective with the acquisition, GETEC, which was previously accounted for as a non-controlled affiliate under the equity method, became a wholly-owned consolidated subsidiary of the Company.

On August 31, 2006, the Company s wholly-owned subsidiary, Corn Products Brasil Ingredientes Industriais Ltda. (Corn Products Brazil), paid $22 million in cash to increase its ownership interest in GETEC from 20 percent to 50 percent. The Company accounted for this investment as a non-controlled affiliate under the equity method of accounting until February 2007 when, as discussed above, it increased its ownership in GETEC to 100 percent.

On December 19, 2006, the Company s wholly-owned Argentinean subsidiary, Productos de Maiz, S.A., paid $16 million in cash to acquire substantially all of the common stock of DEMSA Industrial Peru-Derivados del Maiz, S.A. (DEMSA), the only corn refiner in Peru. Goodwill of approximately $4 million was recorded. Established in 1964, DEMSA sells regular and modified corn starch, glucose, grits, corn oil, corn flour, hominy feed, caramel color and other products to the food and beverage, papermaking, corrugated, pharmaceutical, textiles and animal feed markets.

All of the Company s acquisitions were accounted for under the purchase method. Had the acquisitions described above occurred at the beginning of the respective years, the effect on the Company s consolidated financial statements would not have been significant.

NOTE 4 Financial Instruments, Derivatives and Hedging Activities

Fair value of financial instruments:

The carrying values of cash equivalents, accounts receivable, accounts payable and short-term borrowings approximate fair values. Futures contracts, which are designated as hedges of specific volumes of commodities are recognized at fair value. Foreign currency forward contracts, swaps and options hedge transactional foreign exchange risk related to assets and liabilities denominated in currencies other than the functional currency and are recognized at fair value. The Company s treasury lock agreements, which lock the benchmark rate for an anticipated fixed rate borrowing, are recognized at fair value. The fair value of the Company s long-term debt is estimated based on quotations of major securities dealers who are market makers in the securities. Presented below are the carrying amounts and the fair values of the Company s long-term debt at December 31, 2008 and 2007.

	2008		2007	
(in millions)	Carrying amount	Fair value	Carrying amount	Fair value
6.0% senior notes, due April 15, 2017	$ 200	$ 188	$ 200	$ 205
6.625% senior notes, due April 15, 2037	99	90	99	101
8.45% senior notes, due August 15, 2009	181	180	200	212
U.S. revolving credit facility, due April 26, 2012	146	146		
Canadian revolving credit facility, due April 26, 2012	29	29		
Brazil loans, due 2010	5	5	20	20
Mexican term loan, repaid 2008			17	17
Sub-total	$ 660	$ 638	$ 536	$ 555
Less: current maturities of long-term debt			17	17
Total long-term debt	$ 660	$ 638	$ 519	$ 538

Derivatives:

The Company uses financial instruments primarily to manage the exposure to price risk related to the purchases of corn and natural gas used in the manufacturing process, to manage transactional foreign exchange risk and to manage its exposure to changes in interest rates on existing or anticipated borrowings. The Company generally does not enter into derivative instruments for any purpose other than hedging the cash flows associated with future interest payments on variable rate debt and specific volumes of commodities that will be purchased and processed in a future month, and hedging the exposure related to changes in the fair value of certain outstanding fixed rate debt instruments and hedging transactional foreign exchange risk. The Company generally uses derivative instruments such as forward contracts, currency swaps and options to manage transactional foreign exchange risk and generally hedges twelve to eighteen months forward. As of December 31, 2008, we had $34 million of net notional foreign currency forward contracts that hedged net liability transactional exposures. As of December 31, 2007, we had $14 million of net notional foreign currency forward contracts that hedged net liability transactional exposures.

The derivative financial instruments that the Company uses in its management of commodity-price risk include corn futures contracts and options traded through regulated commodity exchanges and over-the-counter gas swaps. The derivative financial instruments that the Company uses in its management of interest rate risk consist of interest rate swap and treasury lock agreements. By using derivative financial instruments to hedge exposures to changes in commodity prices and interest rates, the Company exposes itself to credit risk and market risk. Credit risk is the risk that the counterparty will fail to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Company, which creates credit risk for the Company. When the fair value of a derivative contract is negative, the Company owes the counterparty and, therefore, it does not possess credit risk. The Company minimizes the credit risk in derivative instruments by entering into transactions only with investment grade counterparties. Market risk is the adverse effect on the value of a financial instrument that results from a change in commodity prices or interest rates. The market risk associated with commodity-price and interest rate contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

The Company maintains a commodity-price risk management strategy that uses derivative instruments to minimize significant, unanticipated earnings fluctuations caused by commodity-price volatility. For example, the manufacturing of the Company s products requires a significant volume of corn and natural gas. Price fluctuations in corn and natural gas cause market values of corn inventory to differ from its cost and the actual purchase price of corn and natural gas to differ from anticipated prices.

The Company periodically enters into futures and option contracts for a portion of its anticipated corn and natural gas usage, generally over the next twelve months, in order to hedge the price risk associated with fluctuations in market prices. The contracts limit the unfavorable effect that price increases will have on corn and natural gas purchases. All of the Company s futures and option contracts have been designated as cash flow hedges.

Unrealized gains and losses associated with marking the corn and natural gas futures and option contracts to market are recorded as a component of other comprehensive income (loss) and included in the stockholders equity section of the Consolidated Balance Sheets as part of accumulated other comprehensive loss. These amounts are subsequently reclassified into earnings in the month in which the related corn or natural gas is used or in the month a hedge is determined to be ineffective.

The Company assesses the effectiveness of a hedge using a corn or natural gas futures or option contract based on changes in the contract s intrinsic value. The changes in the market value of such contracts have historically been, and are expected to continue to be, highly effective at offsetting changes in the price of the hedged items. The amounts representing the ineffectiveness of these cash flow hedges are not significant.

The Company assesses its exposure to variability in interest rates by continually identifying and monitoring changes in interest rates that may adversely impact future cash flows and the fair value of existing debt instruments, and by evaluating hedging opportunities. The Company maintains risk management control systems to monitor interest rate risk attributable to both the Company s outstanding and forecasted debt obligations as well as the Company s offsetting hedge positions. The risk management control systems involve the use of analytical techniques, including sensitivity analysis, to estimate the expected impact of changes in interest rates on the fair value of the Company s outstanding and forecasted debt instruments.

The Company uses a combination of fixed and variable rate debt to finance its operations. The debt obligations with fixed cash flows expose the Company to variability in the fair value of outstanding debt instruments due to changes in interest rates. The Company has, from time to time, entered into interest rate swap agreements that effectively converted the interest rate on certain fixed-rate debt to a variable rate. These swaps called for the Company to receive interest at a fixed rate and to pay interest at a variable rate, thereby creating the equivalent of variable-rate debt. The Company designated these interest rate swap agreements as hedges of the changes in fair value of the underlying debt obligation attributable to changes in interest rates and accounted for them as fair value hedges. Changes in the fair value of interest rate swaps designated as hedging instruments that effectively offset the variability in the fair value of outstanding debt obligations are reported in earnings. These amounts offset the gain or loss (that is, the change in fair value) of the hedged debt instrument that is attributable to changes in interest rates (that is, the hedged risk) which is also recognized in earnings. The Company did not have any interest rate swap agreements outstanding at December 31, 2008 or 2007. In 2007 and 2006, the Company entered into Treasury Lock agreements (the T-Locks) that fixed the benchmark component of the interest rate to be established for certain fixed rate debt (see also Note 5). The T-Locks are designated as hedges of the variability in cash flows associated with future interest payments caused by market fluctuations in the benchmark interest rate until the fixed interest rate is established, and are accounted for as cash flow hedges. Accordingly, changes in the fair value of the T-Locks are recorded to other comprehensive income (loss) until the consummation of the underlying debt offering, at which time any realized gain (loss) is amortized to earnings over the life of the debt. The net gain or loss recognized in earnings during 2008, 2007 and 2006, representing the amount of the Company s hedges ineffectiveness and the component of the Company s derivative instruments gain or loss excluded from the assessment of hedge effectiveness, was not significant.

At December 31, 2008, the Company s accumulated other comprehensive loss account included $179 million of losses, net of tax of $107 million, pertaining to commodities related derivative instruments that hedge the anticipated cash flows from future transactions, most of which are expected to be recognized in earnings within the next twelve months. Transactions and events expected to occur over the next twelve months that will necessitate reclassifying these derivative losses to earnings include the sale of finished goods inventory that includes previously hedged purchases of raw corn and the usage of hedged natural gas. Additionally, the Company s accumulated other comprehensive loss account at December 31, 2008

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included $8 million of losses, net of tax of $5 million, related to T-Locks. Cash flow hedges discontinued during 2008 were not material.

NOTE 5 Financing Arrangements

The Company had total debt outstanding of $866 million and $649 million at December 31, 2008 and 2007, respectively. Short-term borrowings at December 31, 2008 and 2007 consist primarily of amounts outstanding under various unsecured local country operating lines of credit.

Short-term borrowings consist of the following at December 31:

(in millions)	**2008**	**2007**
Borrowings in various currencies (at rates ranging from 2% to 19% for 2008 and 4% to 13% for 2007)	$206	$113
Current maturities of long-term debt		17
Total short-term borrowings	$206	$130

The Company has a $500 million senior, unsecured revolving credit facility consisting of a $470 million US revolving credit facility and a $30 million Canadian revolving credit facility (together, the Revolving Credit Agreement) that matures April 26, 2012. The Canadian revolving credit facility is guaranteed by Corn Products International, Inc. At December 31, 2008, there were $146 million of borrowings outstanding under the US revolving credit facility and $29 million of borrowings outstanding under the Canadian revolving credit facility. At December 31, 2007, there were no outstanding borrowings under the US revolving credit facility or the Canadian revolving credit facility.

On April 10, 2007, the Company sold $200 million of 6.0 percent Senior Notes due April 15, 2017 and $100 million of 6.625 percent Senior Notes due April 15, 2037. Interest on the notes is required to be paid semi-annually on April 15th and October 15th. The notes are unsecured obligations of the Company and rank equally with the Company s other unsecured, senior indebtedness. The Company may redeem the notes, in whole at any time or in part from time to time, at its option at a redemption price equal to the greater of: (i) 100 percent of the principal amount of the notes to be redeemed; and (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon (not including any portion of such payments of interest accrued as of the date of redemption), discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined in the applicable Indenture), plus, in the case of the 2017 notes, 25 basis points and plus, in the case of the 2037 notes, 30 basis points, plus, in each case, accrued interest thereon to the date of redemption. The net proceeds from the sale of the notes were used by the Company to repay its $255 million 8.25 percent Senior Notes at the maturity date of July 15, 2007 (including accrued interest thereon), and for general corporate purposes.

In February 2007, Corn Products Brasil Ingredientes Industriais Ltda., the Company s wholly-owned Brazilian subsidiary, entered into two floating rate government export loans totaling $23 million to finance the acquisition of the remaining ownership interest in GETEC. The notes are local currency denominated obligations that mature in January 2010.

Long-term debt consists of the following at December 31:

(in millions)	**2008**	**2007**
6.0% senior notes, due April 15, 2017	$ 200	$ 200
6.625% senior notes, due April 15, 2037, net of discount of $1	99	99
8.45% senior notes, due August 15, 2009	181	200
US revolving credit facility, matures April 26, 2012 (at LIBOR indexed floating rate)	146	
Canadian revolver, matures April 26, 2012 (at LIBOR indexed floating rate)	29	
Brazil loans, due 2010 (at rates of 14% in 2008 and 11% in 2007)	5	20
Mexican term loan, repaid 2008 (at LIBOR indexed floating rate)		17

Total	$	660	$	536
Less: current maturities				17
Long-term debt	$	660	$	519

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The Company s long-term debt matures as follows: $181 million in 2009, $5 million in 2010, $175 million in 2012, $200 million in 2017 and $100 million in 2037. The Company s long-term debt at December 31, 2008 includes $181 million of 8.45 percent senior notes that mature August 15, 2009. These borrowings are included in long-term debt as the Company has the ability and intent to refinance the notes on a long-term basis prior to the maturity date. Corn Products International, Inc. guarantees certain obligations of several of its consolidated subsidiaries, which aggregated $51 million and $37 million at December 31, 2008 and 2007, respectively.

As noted above, the Company plans to refinance its $181 million of 8.45 percent senior notes due August 2009, by issuing long-term, fixed rate debt in 2009. In conjunction with this plan and in order to manage its exposure to variability in the benchmark interest rate on which the fixed interest rate of the planned debt will be based, the Company entered into a Treasury Lock agreement (the T-Lock) with respect to $50 million of such future indebtedness. The T-Lock is designated as a hedge of the variability in cash flows associated with future interest payments caused by market fluctuations in the benchmark interest rate between the time the T-Lock was entered and the time the debt is priced. It is accounted for as a cash flow hedge. Accordingly, changes in the fair value of the T-Lock are recorded to other comprehensive income (loss) until the consummation of the planned debt offering, at which time any realized gain (loss) will be amortized over the life of the debt.

In 2006, the Company had entered into Treasury Lock agreements (the T-Locks) that fixed the benchmark component of the interest rate to be established for the $200 million 6.0 percent Senior Notes due April 15, 2017. The T-Locks were accounted for as cash flow hedges. The T-Locks expired on March 21, 2007 and the Company paid approximately $5 million, representing the losses on the T-Locks, to settle the agreements. The $5 million loss is included in accumulated other comprehensive loss and is being amortized to financing costs over the term of the $200 million 6.0 percent Senior Notes due April 15, 2017.

On February 1, 2006, the Company terminated its remaining fixed to floating interest rate swap agreements associated with its 8.45 percent senior notes. The swap termination resulted in a gain of approximately $3 million, which approximated the fair value of the swap contract. The fair value adjustment to the hedged debt at the termination date ($3 million) is being amortized as a reduction to financing costs over the remaining term of the underlying debt (through August 2009).

NOTE 6 Leases

The Company leases rail cars, certain machinery and equipment, and office space under various operating leases. Rental expense under operating leases was $30 million, $27 million and $24 million in 2008, 2007 and 2006, respectively. Minimum lease payments due on leases existing at December 31, 2008 are shown below:

(in millions)

Year	**Minimum Lease Payments**
2009	$ 28
2010	22
2011	15
2012	13
2013	10
Balance thereafter	34

NOTE 7 Income Taxes

The components of income before income taxes and the provision for income taxes are shown below:

(in millions)	**2008**	**2007**	**2006**
Income (loss) before income taxes:			
United States	$ 70	$ 28	$ (10)
Outside the United States	335	277	207
Total	$ 405	$ 305	$ 197
Provision for income taxes:			
Current tax expense			
US federal	$ 15	$ 2	$ 5
State and local	2	1	
Foreign	101	92	70
Total current	$ 118	$ 95	$ 75
Deferred tax expense (benefit)			
US federal	$ 11	$ (1)	$ (4)
State and local	2		
Foreign	(1)	8	(2)
Total deferred	$ 12	$ 7	$ (6)
Total provision	$ 130	$ 102	$ 69

Deferred income taxes are provided for the tax effects of temporary differences between the financial reporting basis and tax basis of assets and liabilities. Significant temporary differences at December 31, 2008 and 2007 are summarized as follows:

(in millions)	**2008**	**2007**
Deferred tax assets attributable to:		
Employee benefit accruals	$ 24	$ 28
Pensions	22	17
Hedging/derivative contracts	96	
Net operating loss carryforwards	11	10
Foreign tax credit carryforwards	29	25
Other	17	17
Gross deferred tax assets	$199	$ 97
Valuation allowance	(26)	(26)
Net deferred tax assets	$173	$ 71
Deferred tax liabilities attributable to:		
Property, plant and equipment	$159	$171
Hedging/derivative contracts		27
Goodwill	16	20
Total deferred tax liabilities	$175	$218
Net deferred tax liabilities	$ 2	$147

Net operating loss carryforwards at December 31, 2008 include state net operating losses of $2 million and foreign net operating losses of $9 million. The state net operating losses expire in various years through 2028. Foreign net operating losses of $6 million will expire in 2009 through 2013 if unused, while $3 million may be carried forward indefinitely. The foreign tax credit carryforwards of $29 million at December 31, 2008 will expire in 2012 through 2018 if not utilized.

SFAS No. 109, Accounting for Income Taxes, requires that a valuation allowance be established when it is more likely than not that all or a portion of a deferred tax asset will not be realized. In making this assessment, management considers the level of historical taxable income, scheduled reversal of deferred tax liabilities, tax planning strategies, and projected future taxable income. The Company maintains a valuation allowance of $26 million against certain foreign tax credits and foreign net operating losses that management has determined will more likely than not expire prior to realization. The valuation allowance at December 31, 2008, with respect to foreign tax credit carryforwards, increased to $19 million from $18 million at December 31, 2007. The valuation allowance with respect to foreign net operating losses decreased to $7 million at December 31, 2008 from $8 million at December 31, 2007.

A reconciliation of the federal statutory tax rate to the Company s effective tax rate follows:

	2008	**2007**	**2006**
Provision for tax at US statutory rate	35.00%	35.00%	35.00%
Tax rate difference on foreign income	(3.09)	(1.56)	(0.04)
State and local taxes net	0.63	0.25	0.22
Change in valuation allowance foreign tax credits	0.23	0.47	1.73

Change in foreign statutory tax rates	(0.83)	(1.03)	(1.07)
Non-conventional fuel tax credits		(0.22)	(0.68)
Other items net	0.06	0.59	0.09
Provision at effective tax rate	32.00%	33.50%	35.25%

Provisions are made for estimated US and foreign income taxes, less credits that may be available, on distributions from foreign subsidiaries to the extent dividends are anticipated. No provision has been made for income taxes on approximately $919 million of undistributed earnings of foreign subsidiaries at December 31, 2008, as such amounts are considered permanently reinvested.

The Company adopted FIN 48 effective January 1, 2007. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	(in millions)
Balance at January 1, 2008	$ 17
Additions for tax positions related to prior years	
Reductions for tax positions related to prior years	(1)
Additions based on tax positions related to the current year	4
Reductions related to settlements	(1)
Reductions related to a lapse in the statute of limitations	
Balance at December 31, 2008	$ 19

Of this total, $14 million represents the amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate in future periods.

The Company accounts for interest and penalties related to income tax matters in income tax expense. The Company had accrued interest and penalties of $3 million as of December 31, 2008 and $4 million as of December 31, 2007.

The Company is subject to US federal income tax as well as income tax in multiple state and non-US jurisdictions. The Internal Revenue Service (IRS) has concluded its audit of all years through 2004. The Company remains subject to potential examination in Canada for the years 2000 to 2008, Brazil for the years 2002 to 2008 and Mexico for the years 2004 to 2008. The statute of limitations is generally open for the years 2002 to 2008 for various other non-US jurisdictions.

During 2008 and 2007, the Company made deposits of approximately $13 million and $17 million, respectively, to the Canadian tax authorities relating to an ongoing audit examination. The Company has settled $2 million of the claims and is in the process of appealing the remaining items from the audit. It is expected that the appeal process will not be concluded within the next twelve months. The Company believes that it has adequately provided for the most likely outcome of the appeal process.

It is reasonably possible that the total amount of unrecognized tax benefits will increase or decrease within twelve months of December 31, 2008. The Company currently estimates that such increases or decreases will not be significant.

NOTE 8 Benefit Plans

The Company and its subsidiaries sponsor noncontributory defined benefit pension plans covering substantially all employees in the United States and Canada, and certain employees in other foreign countries. Plans for most salaried employees provide pay-related benefits based on years of service. Plans for hourly employees generally provide benefits based on flat dollar amounts and years of service. The Company s general funding policy is to make contributions to the plans in amounts that are within the limits of deductibility under current tax regulations. Certain foreign countries allow income tax deductions without regard to contribution levels, and the Company s policy in those countries is to make the contribution required by the terms of the applicable plan. Domestic plan assets consist primarily of common stock, corporate debt securities and short-term investment funds.

Domestic salaried employees are covered by a defined benefit cash balance pension plan, which provides benefits based on service and Company credits to the participating employees accounts of between 3 percent and 10 percent of base salary, bonus and overtime.

The Company also provides healthcare and/or life insurance benefits for retired employees in the United States, Canada and Brazil. US salaried employees are provided with access to postretirement medical insurance through Retirement Health Care Spending Accounts. US salaried employees accrue an account during employment, which can be used after employment to purchase postretirement medical insurance from the Company and Medigap or through

Medicare HMO policies after age 65. The accounts are credited with a flat dollar amount and indexed for inflation annually during employment. The accounts also accrue interest credits using a rate equal to a specified amount above the yield on five-year Treasury notes. Employees can use the amounts accumulated in these accounts, including credited interest, to purchase postretirement medical insurance. Employees become eligible for benefits when they meet minimum age and service requirements. The Company recognizes the cost of these postretirement benefits by accruing a flat dollar amount on an annual basis for each domestic salaried employee. The Company has the right to modify or terminate these benefits. Healthcare benefits for retirees outside the United States and Canada are generally covered through local government plans.

The Company adopted the recognition provisions of SFAS 158 effective December 31, 2006 by recording a charge to accumulated other comprehensive loss of $34 million, net of income taxes of $18 million, to recognize the unfunded portion of its defined benefit pension and other postretirement plan liabilities. This charge includes a credit of $3 million, net of tax of $2 million, associated with the reversal of a minimum pension liability.

SFAS 158 requires the Company to change the measurement date from September 30 to December 31, effective December 31, 2008 for the US plans. The non-US plans were not affected by the change in the measurement date as they have historically been measured as of December 31, 2008. As a result, the Company adjusted retained earnings by approximately $1 million, representing the net periodic benefit cost for the period between September 30, 2007 and January 1, 2008. The company elected to use the 15 month approach as allowed under FAS 158.

Pension Obligation and Funded Status The changes in pension benefit obligations and plan assets during 2008 and 2007, as well as the funded status and the amounts recognized in the Company s Consolidated Balance Sheets related to the Company s pension plans at December 31, 2008 and 2007, were as follows:

(in millions)	**US Plans**		**Non-US Plans**	
	2008	**2007**	**2008**	**2007**
Benefit obligation				
At January 1	$ 76	$ 70	$149	$136
Service cost	3	3	3	4
Interest cost	6	4	8	8
Benefits paid	(6)	(2)	(7)	(6)
Actuarial loss (gain)	(1)	1	(27)	(10)
Plan amendment	1			
Curtailment / Settlement			(4)	(1)
Foreign currency translation			(24)	18
Benefit obligation at December 31	$ 79	$ 76	$ 98	$149
Fair value of plan assets				
At January 1	$ 64	$ 58	$139	$113
Actual return on plan assets	(16)	5	(17)	7
Employer contributions	16	3	8	9
Benefits paid	(6)	(2)	(7)	(7)
Settlements			(4)	
Foreign currency translation			(23)	17
Fair value of plan assets at December 31	$ 58	$ 64	$ 96	$139
Funded status	$(21)	$(12)	$ (2)	$ (10)

Amounts recognized in the Consolidated Balance Sheets consist of:

(in millions)	US Plans		Non-US Plans	
	2008	2007	2008	2007
Non current asset	$	$	$(8)	$ (5)
Current liabilities	2	1	1	1
Non current liabilities	19	11	9	14
Net amount recognized	$21	$12	$ 2	$10

Amounts recognized in Accumulated Other Comprehensive Loss consist of:

(in millions)	**US Plans**		**Non-US Plans**	
	2008	**2007**	**2008**	**2007**
Net actuarial loss	$30	$10	$18	$25
Prior service cost	2	2		
Transition obligation			4	6
Net amount recognized	$32	$12	$22	$31

The accumulated benefit obligation for all defined benefit pension plans was $151 million and $191 million at December 31, 2008 and December 31, 2007, respectively.
Information about plan obligations and assets for plans with an accumulated benefit obligation in excess of plan assets is as follows:

(in millions)	**US Plans**		**Non-US Plans**	
	2008	**2007**	**2008**	**2007**
Projected benefit obligation	$79	$76	$11	$14
Accumulated benefit obligation	73	71	10	11
Fair value of plan assets	58	64		

Included in the Company s pension obligation are nonqualified supplemental retirement plans for certain key employees. All benefits provided under these plans are unfunded, and payments to plan participants are made by the Company.
Components of net periodic benefit cost and other amounts recognized in other comprehensive income consist of the following for the years ended December 31, 2008, 2007 and 2006:

(in millions)	**US Plans**			**Non-US Plans**		
	2008	**2007**	**2006**	**2008**	**2007**	**2006**
Service cost	$ 3	$ 3	$ 3	$ 3	$ 4	$ 3
Interest cost	5	4	4	8	8	7
Expected return on plan assets	(5)	(4)	(4)	(9)	(8)	(7)
Amortization of actuarial loss			1	1	1	1
Amortization of transition obligation				1	1	
Amortization of prior service cost	1					
Settlement/Curtailment			1	1		
Net pension cost	$ 4	$ 3	$ 5	$ 5	$ 6	$ 4

For the US plans, the Company estimates that net pension expense for 2009 will include approximately $1.6 million relating to the amortization of its accumulated actuarial loss and $0.2 million relating to the amortization of prior service cost included in accumulated other comprehensive loss at December 31, 2008.
For the non-US plans, the Company estimates that net pension expense for 2009 will include approximately $0.1 million relating to the amortization of its accumulated actuarial loss and $0.5 million relating to the amortization

of prior service cost and transition obligation included in accumulated other comprehensive loss at December 31, 2008.

Other changes in plan assets and benefit obligations recognized in other comprehensive income for 2008 are as follows:

(in millions)	US Plans	Non-US
Net actuarial loss/(gain)	$20	$(1)
Amortization of actuarial (loss)/gain		(2)
Prior service cost	1	
Amortization of prior service (cost)/credit	(1)	
Amortization of transition obligation		(1)
Total recorded in other comprehensive income	20	(4)
Net periodic benefit cost	4	5
Total recorded in other comprehensive income and net periodic benefit cost	24	1

The following weighted average assumptions were used to determine the Company s obligations under the pension plans:

	US Plans		**Non-US Plans**	
	2008	**2007**	**2008**	**2007**
Discount rate	6.05%	6.20%	8.20%	6.10%
Rate of compensation increase	2.75%	2.75%	4.56%	4.00%

The following weighted average assumptions were used to determine the Company s net periodic benefit cost for the pension plans:

	US Plans			**Non-US Plans**		
	2008	**2007**	**2006**	**2008**	**2007**	**2006**
Discount rate	6.20%	5.90%	5.40%	6.74%	5.80%	5.25%
Expected long-term return on plan assets	7.25%	7.25%	7.25%	7.25%	7.20%	7.00%
Rate of compensation increase	2.75%	2.75%	2.75%	4.39%	4.00%	3.50%

The Company has assumed an expected long-term rate of return on assets of 7.25 percent for US plans and 7.00 percent for Canadian plans. In developing the expected long-term rate of return assumption on plan assets, which consist mainly of US equity and debt securities, management evaluated historical rates of return achieved on plan assets and the asset allocation of the plans, input from the Company s independent actuaries and investment consultants, and historical trends in long-term inflation rates. Projected return estimates made by such consultants are based upon broad equity and bond indices.

The discount rate reflects a rate of return on high quality fixed income investments that match the duration of the expected benefit payments. The Company has typically used returns on long-term, high quality corporate AA bonds as a benchmark in establishing this assumption. The discount rate is reviewed annually.

Plan Assets The Company s investment policy for its pension plans is to balance risk and return through diversified portfolios of high-quality equity instruments, fixed income securities, and short-term investments. Maturities for fixed income securities are managed such that sufficient liquidity exists to meet near-term benefit payment obligations. For

US pension plans, the weighted average target range allocation of assets was 41-71 percent with equity managers, 19-69 percent with fixed income managers and 1-3 percent in cash. The asset allocation is reviewed regularly and portfolio investments are rebalanced to the targeted allocation when considered appropriate. The Company s pension plan weighted average asset allocation as of December 31, 2008 for US plans and non-US plans and as of September 30, 2007 for US plans and October 31, 2007 for non-US plans is as follows:

Asset Category	**US Plans**		**Non-US Plans**	
	2008	**2007**	**2008**	**2007**
Equity securities	42%	57%	45%	54%
Debt securities	55%	36%	46%	38%
Other	3%	7%	9%	8%
Total	100%	100%	100%	100%

In 2008, the Company made cash contributions of $16 million and $8 million to its US and non-US pension plans, respectively. The Company currently anticipates that in 2009 it will make cash contributions of $3 million and $4 million to its US and non-US pension plans, respectively. Cash contributions in subsequent years will depend on a number of factors including the performance of plan assets. The following benefit payments, which reflect anticipated future service, as appropriate, are expected to be made:

(in millions)	**US Plans**	**Non-US Plans**
2009	$ 7	$ 8
2010	4	6
2011	4	6
2012	7	6
2013	5	7
Years 2014 2018	30	40

The Company and certain of its subsidiaries also maintain defined contribution plans. The Company makes matching contributions to these plans based on a percentage of employee contributions. Amounts charged to expense for defined contribution plans totaled $6 million, $5 million and $4 million in 2008, 2007 and 2006, respectively.

Postretirement Benefit Plans The Company s postretirement benefit plans currently are not funded. The information presented below includes the plans in the United States, Brazil, and Canada. The changes in the benefit obligations of the plans during 2008 and 2007, and the amounts recognized in the Company s Consolidated Balance Sheets at December 31, 2008 and 2007, were as follows:

(in millions)	**2008**	**2007**
Accumulated postretirement benefit obligation		
At January 1	$56	$48
Service cost	2	1
Interest cost	4	3
Actuarial loss/(gain)	2	5
Benefits paid	(3)	(2)
Foreign currency translation	(2)	1
Benefit obligation at December 31	$59	$56
Fair value of plan assets		
Funded status	$59	$56

Amounts recognized in the Consolidated Balance Sheets consist of:

(in millions)	**2008**	**2007**
Current liabilities	$ 3	$ 2
Non current liabilities	56	54
Net amount recognized	$59	$56

Amounts recognized in Accumulated Other Comprehensive Loss consist of:

(in millions)	**2008**	**2007**
Net actuarial loss	$11	$10
Prior service cost	2	
Net amount recognized	$13	$10

Components of net periodic benefit cost and other amounts recognized in other comprehensive income consisted of the following for the years ended December 31, 2008, 2007 and 2006:

(in millions)	**2008**	**2007**	**2006**
Service cost	$2	$1	$2
Interest cost	3	3	2
Amortization of actuarial loss	1		
Amortization of prior service cost			
Net periodic benefit cost	$6	$4	$4

The Company estimates that postretirement benefit expense for 2009 will include approximately $0.7 million relating to the amortization of its accumulated actuarial loss and $0.1 million relating to the amortization of its prior service credit included in accumulated other comprehensive loss at December 31, 2008.
Changes in amounts recorded in other comprehensive income for 2008 are as follows:

(in millions)	
Net actuarial loss/(gain)	$2
Total recorded in other comprehensive income	2
Net periodic benefit cost	6
Total recorded in other comprehensive income and net periodic benefit cost	8

The following weighted average assumptions were used to determine the Company s obligations under the postretirement plans:

	2008	**2007**
Discount rate	6.45%	6.10%

The following weighted average assumptions were used to determine the Company s net postretirement benefit cost:

	2008	**2007**	**2006**
Discount rate	6.58%	5.80%	5.40%

The discount rate reflects a rate of return on high quality fixed income investments that match the duration of expected benefit payments. The Company has typically used returns on long-term, high-quality corporate AA bonds as a benchmark in establishing this assumption. The discount rate is reviewed annually.

In measuring the postretirement benefit obligation, for the United States, the Company assumed an increase in the per capita cost of healthcare benefits of 9.0 percent in 2009, declining ratably to 5.0 percent by the year 2013 and remaining at that level thereafter. For Canada, the Company assumed an increase in the per capita cost of healthcare benefits of 9.0 percent in 2009, declining ratably to 5.0 percent by the year 2013 and remaining at that level thereafter. In addition, for Canada, the Company assumed an increase in the per capita cost of dental benefits of 4.0 percent per year. Note that the Canada London Union Plan is not affected by health care trend rates. For Brazil, the Company assumed an increase in the per capita cost of healthcare benefits of 7.6 percent per year. An increase in the assumed healthcare cost trend rate by 1 percentage point would increase the accumulated postretirement benefit obligation at December 31, 2008 by $9 million, while a decrease in the rate of 1 percentage point would decrease the obligation by $7 million, with a corresponding effect on the service and interest cost components of the net periodic postretirement benefit cost for the year then ended of $1.1 million for an increase of 1 percentage point and $0.9 million for a decrease of 1 percentage point.

Estimated future benefit payments The following benefit payments, which reflect anticipated future service, as appropriate, are expected to be made under the Company s postretirement benefit plans:

(in millions)	
2009	$ 2
2010	2
2011	3
2012	3
2013	3
Years 2014 2018	18

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 provides a federal subsidy to employers sponsoring retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. The Company receives a Medicare Part D subsidy for the certain retirees. The impact of the Medicare Part D subsidy is immaterial for benefit payment cash flows.

NOTE 9 Termination of Proposed Merger Agreement

On June 23, 2008, the Company and Bunge Limited (Bunge) announced that the two companies had entered into a definitive agreement under which Bunge would acquire Corn Products in an all-stock transaction. The aggregate transaction value based on the price of Bunge s stock at that date was approximately $4.8 billion including assumption of debt.

On November 10, 2008, the Company s Board of Directors withdrew its recommendation in favor of the merger agreement and recommended against adoption of the agreement. On the same day Bunge s Board of Directors voted to terminate the merger agreement, citing the decision of the Corn Products Board of Directors. Under the terms of the agreement, the Company reimbursed Bunge for $10 million of their expenses in connection with the proposed acquisition. In addition, the Company incurred approximately $6 million of expenses relating to the proposed transaction.

NOTE 10 Supplementary Information

Balance Sheets Supplementary information is set forth below**:**

(in millions)	**2008**	**2007**
Accounts receivable net:		
Accounts receivable trade	$359	$354
Accounts receivable other	278	110
Allowance for doubtful accounts	(10)	(4)
Total accounts receivable net	$627	$460
Inventories:		
Finished and in process	$192	$165
Raw materials	207	202
Manufacturing supplies	55	60
Total inventories	$454	$427
Accrued liabilities:		
Compensation expenses	$ 58	$ 60
Dividends payable	11	8
Accrued interest	12	12
Accrued income taxes	7	6
Taxes payable other than income taxes	11	17
Other	26	31
Total accrued liabilities	$125	$134
Non-current liabilities:		
Employees pension, indemnity, retirement, and other	$104	$ 99
Unrealized losses on cash flow hedges	24	1
Other	24	23
Total non-current liabilities	$152	$123

Statements of Income Supplementary information is set forth below**:**

(in millions)	**2008**	**2007**	**2006**
Other income (expense)-net:			
Costs of terminated Bunge merger	$(16)	$	$
Gain from sale of land	5		
Gain on investment		6	
Earnings from non-controlled affiliates			1
Other	15	4	9
Other income (expense)-net	$ 4	$ 10	$10

Financing costs-net:			
Interest expense, net of amounts capitalized *	$ 43	$ 50	$34
Interest income	(5)	(12)	(6)
Foreign currency transaction (gains) losses	(9)	4	(1)
Financing costs-net	$ 29	$ 42	$27

* Interest capitalized amounted to $8 million, $4 million and $10 million in 2008, 2007 and 2006, respectively.

Statements of Cash Flow Supplementary information is set forth below**:**

(in millions)	**2008**	**2007**	**2006**
Interest paid	$ 46	$ 47	$38
Income taxes paid	108	93	73
Noncash investing and financing activities:			
Change in fair value and number of shares of redeemable common stock	(5)	(25)	15
Assumption of debt in connection with acquisition			5

Natural Gas Purchase Agreement:
On January 20, 2006, Corn Products Brazil (CPO Brazil), the Company s wholly-owned Brazilian subsidiary entered into a Natural Gas Purchase and Sale Agreement (the Agreement) with Companhia de Gas de Sao Paulo Comgas (Comgas). Pursuant to the terms of the Agreement, Comgas supplies natural gas to the cogeneration facility at CPO Brazil s Mogi Guacu plant. This agreement will expire on March 31, 2023, unless extended or terminated under certain conditions specified in the Agreement. During the term of the Agreement, CPO Brazil is obligated to purchase from Comgas, and Comgas is obligated to provide to CPO Brazil, certain minimum quantities of natural gas that are specified in the Agreement. The price for such quantities of natural gas is determined pursuant to a formula set forth in the Agreement. The price may vary based upon gas commodity cost and transportation costs, which are adjusted annually; the distribution margin which is set by the Brazilian Commission of Public Energy Services; and the fluctuation of exchange rates between the US dollar and the Brazilian real. We estimate that the total minimum expenditures by CPO Brazil through the remaining term of the Agreement will be approximately $268 million based on current exchange rates as of December 31, 2008 and estimates regarding the application of the formula set forth in the Agreement, spread evenly over the remaining term of the Agreement. CPO Brazil will make payments of approximately $19 million in each of the next five years in accordance with the Agreement. The amount of gas purchased under this Agreement for the years ended December 31, 2008, 2007 and 2006 was approximately $22 million, $20 million and $19 million, respectively.

NOTE 11 Redeemable Common Stock

The Company has an agreement with certain common stockholders (collectively the holder), relating to 500,000 shares of the Company s common stock, that provides the holder with the right to require the Company to repurchase those common shares for cash at a price equal to the average of the closing per share market price of the Company s common stock for the 20 trading days immediately preceding the date that the holder exercises the put option. The put option is exercisable at any time until January 2010 when it expires. The holder can also elect to sell the common shares on the open market, subject to certain restrictions. The common shares subject to the put option are classified as redeemable common stock in the Company s Consolidated Balance Sheets.

The Company has the right, but not the obligation, to extend the put option for an additional three years. The holder of the put option may not require the Company to repurchase less than 500,000 shares on any single exercise of the option. In the event the holder exercises the put option requiring the Company to repurchase the shares, the Company would be required to pay for the shares within 90 calendar days from the exercise date. Any amount due would accrue interest at the Company s revolving credit facility rate from the date of exercise until the payment date.

The carrying value of the redeemable common stock was $14 million at December 31, 2008 and $19 million at December 31, 2007, based on the average of the closing per share market prices of the Company s common stock for the 20 trading days immediately preceding the respective balance sheet dates ($28.62 per share and $38.30 per share at December 31, 2008 and 2007, respectively). Adjustments to mark the redeemable common stock to market value are recorded directly to additional paid-in capital in the stockholders equity section of the Company s Consolidated Balance Sheets. During 2007, the holder sold 727,000 shares of redeemable common stock in open market transactions. There were 500,000 shares of redeemable common stock outstanding at December 31, 2008 and 2007.

NOTE 12 Stockholders Equity

Preferred stock:

The Company has authorized 25 million shares of $0.01 par value preferred stock, none of which were issued or outstanding as of December 31, 2008 and December 31, 2007.

Treasury Stock:

During 2008, the Company issued, from treasury, 45,500 restricted common shares and 583,835 common shares upon the exercise of stock options under the stock incentive plan and 206,582 common shares under other incentive plans. During 2007, the Company issued, from treasury, 77,950 restricted common shares and 875,774 common shares upon the exercise of stock options under the stock incentive plan and 7,027 common shares under other incentive plans. During 2006, the Company issued, from treasury, 67,700 restricted common shares and 1,300,095 common shares upon the exercise of stock options under the stock incentive plan and 34,522 common shares under other incentive plans.

The Company reacquired 18,527, 32,040 and 28,000 shares of its common stock during 2008, 2007 and 2006, respectively, by both repurchasing shares from employees under the stock incentive plan and through the cancellation of forfeited restricted stock. The Company repurchased shares from employees at average purchase prices of $33.96, $44.88 and $31.80, or fair value at the date of purchase, during 2008, 2007 and 2006, respectively. All of the acquired shares are held as common stock in treasury, less shares issued to employees under the stock incentive plan.

On November 7, 2007, the Company s Board of Directors approved a common stock repurchase program that permits the Company to purchase up to 5 million shares of its outstanding common stock over a period that runs through November 30, 2010. In 2008, the Company repurchased 25,000 common shares in open market transactions at a cost of approximately $0.9 million. In 2007, the Company repurchased 1,480,500 common shares in open market transactions at a cost of approximately $55 million. Substantially all of the 2007 repurchases were made under the Company s previously authorized 4 million share repurchase program, except for 32,100 shares that were repurchased under the existing 5 million share program. At December 31, 2008 the Company had 4,942,900 shares available to be repurchased under its existing program. The Company has repurchased all of the shares allowed under its previously authorized 4 million share repurchase program. In 2006, the Company repurchased 862,800 common shares in open market transactions at a cost of $23 million. The parameters of the Company s stock repurchase program are not established solely with reference to the dilutive impact of shares issued under the Company s stock incentive plan. However, the Company expects that, over time, share repurchases will offset the dilutive impact of shares issued under the stock incentive plan.

Set forth below is a reconciliation of common stock share activity for the years ended December 31, 2006, 2007 and 2008:

(Shares of common stock, in thousands)	**Issued**	**Held in Treasury**	**Redeemable Shares**	**Outstanding**
Balance at December 31, 2005	75,320	1,529	1,227	72,564
Issuance of restricted stock as compensation		(68)		68
Issuance under incentive and other plans		(35)		35
Stock options exercised		(1,300)		1,300
Purchase/acquisition of treasury stock		891		(891)
Balance at December 31, 2006	75,320	1,017	1,227	73,076
Elimination of redemption requirement (see Note 11)			(727)	727
Issuance of restricted stock as compensation		(78)		78
Issuance under incentive and other plans		(7)		7
Stock options exercised		(876)		876
Purchase/acquisition of treasury stock		1,513		(1,513)
Balance at December 31, 2007	75,320	1,569	500	73,251
Issuance of restricted stock as compensation		(45)		45
Issuance under incentive and other plans		(206)		206
Stock options exercised		(584)		584
Purchase/acquisition of treasury stock		43		(43)
Balance at December 31, 2008	75,320	777	500	74,043

Share-based payments:

The Company has a stock incentive plan (SIP) administered by the compensation committee of its Board of Directors that provides for the granting of stock options, restricted stock and other stock-based awards to certain key employees. A maximum of 8 million shares were originally authorized for awards under the SIP. As of December 31, 2008, 4.4 million shares were available for future grants under the SIP. Shares covered by awards that expire, terminate or lapse will again be available for the grant of awards under the SIP. Total share-based compensation expense for 2008 was $13 million, net of income tax effect of $4 million.

The Company granted nonqualified options to purchase 812,800, 777,600 and 1,084,200 shares of the Company s common stock during 2008, 2007 and 2006, respectively. The options are exercisable upon vesting, which occurs for grants issued in 2008 and 2007 evenly over a three-year period at the anniversary dates of the date of grant, and have a term of 10 years. Stock options granted prior to 2007 are exercisable upon vesting, which occurs in 50 percent increments at the one and two year anniversary dates of the date of grant, and also have a term of 10 years. Compensation expense is recognized on a straight-line basis for awards. As of December 31, 2008, certain of these nonqualified options have been forfeited due to the termination of employees.

The fair value of stock option awards was estimated at the grant dates using the Black-Scholes option pricing model with the following assumptions:

	2008	**2007**	**2006**

Expected life (in years)	5.3	5.3	5.3
Risk-free interest rate	2.9%	4.8%	4.2%
Expected volatility	27.0%	26.8%	27.8%
Expected dividend yield	1.2%	1.0%	1.1%

The expected life of options represents the weighted average period of time that options granted are expected to be outstanding giving consideration to vesting schedules and the Company s historical exercise patterns. The risk-free interest rate is based on the US Treasury yield curve in effect at the time of the grant for periods corresponding with the expected life of the options. Expected volatility is based on historical volatilities of the Company s common stock. Dividend yields are based on historical dividend payments. The weighted average fair value of options granted during 2008, 2007 and 2006 was estimated to be $9.06, $10.33 and $7.72, respectively.

A summary of stock option and restricted stock transactions for the last three years follows:

(shares in thousands)	Stock Option Shares	Stock Option Price Range	Weighted Average Exercise Price for Stock Options	Shares of Restricted Stock
Outstanding at December 31, 2005	4,642	$10.12 to $24.70	$ 17.14	175
Granted	1,084	25.83 to 29.80	25.95	68
Exercised / vested	(1,300)	10.12 to 24.70	16.47	(60)
Cancelled	(76)	11.37 to 25.83	21.74	(14)
Outstanding at December 31, 2006	4,350	11.37 to 29.80	19.45	169
Granted	778	33.32 to 40.71	33.93	78
Exercised / vested	(876)	11.37 to 25.83	17.90	(69)
Cancelled	(59)	25.83 to 33.80	30.29	(12)
Outstanding at December 31, 2007	4,193	11.37 to 40.71	22.30	166
Granted	813	33.82 to 38.79	34.32	46
Exercised / vested	(584)	11.37 to 34.93	19.66	(19)
Cancelled	(52)	25.83 to 34.36	33.69	(14)
Outstanding at December 31, 2008	4,370	11.37 to 40.71	24.76	179

The intrinsic values of stock options exercised during 2008, 2007 and 2006 were approximately $14 million, $20 million and $20 million, respectively. For the years ended December 31, 2008, 2007 and 2006, cash received from the exercise of stock options was $11 million, $16 million and $21 million, respectively. The excess income tax benefit realized from share-based compensation was $5 million, $6 million and $6 million in 2008, 2007 and 2006, respectively. As of December 31, 2008, the unrecognized compensation cost related to non-vested stock options totaled $7 million, which will be amortized over the weighted-average period of approximately 2 years.

The following table summarizes information about stock options outstanding at December 31, 2008:

(shares in thousands

Range of Exercise Prices	Options Outstanding	Weighted Average Exercise Price	Average Remaining Contractual Life (Years)	Options Exercisable	Weighted Average Exercise Price
$11.37 to 12.21	87	$ 11.37	1.8	87	$ 11.37
$12.22 to 16.28	933	14.24	2.9	933	14.24
$16.29 to 20.35	482	16.90	4.8	482	16.90
$20.36 to 24.43	4	21.23	6.3	4	21.23
$24.44 to 28.50	1,371	25.37	6.5	1,371	25.37
$28.51 to 32.57	20	29.80	7.3	20	29.80
$32.58 to 36.64	1,455	34.07	8.6	218	33.79
$36.65 to 40.71	18	40.43	8.5	5	40.71
	4,370	$ 24.76	6.2	3,120	$ 20.98

The number of options exercisable at December 31, 2008 was 3.1 million.

Stock options outstanding at December 31, 2008 had an aggregate intrinsic value of approximately $26 million and an average remaining contractual life of 6.2 years. Stock options exercisable at December 31, 2008 had an aggregate intrinsic value of approximately $26 million and an average remaining contractual life of 5.1 years. Stock options outstanding at December 31, 2007 had an aggregate intrinsic value of approximately $61 million and an average remaining contractual life of 6.3 years. Stock options exercisable at December 31, 2007 had an aggregate intrinsic value of approximately $53 million and an average remaining contractual life of 5.4 years.

In addition to stock options, the Company awards shares of restricted common stock to certain key employees. The restricted shares issued under the plan are subject to cliff vesting, generally for five years provided the employee remains in the service of the Company. Expense is recognized on a straight-line basis over the vesting period taking into account an estimated forfeiture rate. The fair value of the restricted stock is determined based upon the number of shares granted

and the quoted market price of the Company s common stock at the date of the grant. Compensation expense pertaining to these awards was $1 million in each of 2008, 2007, and 2006.
The following table summarizes restricted share activity for the year ended December 31, 2008:

(shares in thousands)	Number of Restricted Shares	Weighted Average Fair Value
Non-vested at December 31, 2007	166	$29.85
Granted	46	34.36
Vested	(19)	29.42
Cancelled	(14)	33.88
Non-vested at December 31, 2008	179	31.02

The weighted-average fair value of restricted stock granted during the year ended December 31, 2008, 2007 and 2006 was $34.36, $34.43 and $27.89, respectively. Restricted stock with a total fair value of $1 million vested in each of 2008, 2007 and 2006.
As of December 31, 2008, additional paid-in capital included $3 million of unrecognized compensation cost related to restricted stock that will be amortized on a weighted-average basis over 2.1 years. The recognized compensation cost related to restricted stock totaling $2 million at December 31, 2008 is included in share-based payments subject to redemption in the Consolidated Balance Sheet.
Other share-based awards under the SIP:
Under the compensation agreement with the Board of Directors at least 50 percent of a director s compensation is awarded based on each director s election to receive such compensation in the form of restricted stock units, which track investment returns to changes in value of the Company s common stock with dividends being reinvested. Stock units under this plan vest immediately. The compensation expense relating to this plan included in the Consolidated Statements of Income for 2008, 2007 and 2006 was not material. At December 31, 2008, there were approximately 190,000 share units outstanding under this plan at a carrying value of approximately $6 million.
The Company has a long term incentive plan for officers under which awards thereunder are classified as equity in accordance with SFAS 123R. The ultimate payment of the performance shares will be based 50 percent on the Company s stock performance as compared to the stock performance of a peer group and 50 percent on a return on capital employed versus the target percentage. Compensation expense for the stock performance portion of the plan is based on the fair value of the plan that is determined on the day the plan is established. The fair value is calculated using a Monte Carlo simulation model. Compensation expense for the return on capital employed portion of the plan is based on the probability of attaining the target percentage goal and is reviewed at the end of each reporting period. The total compensation expense for these awards is being amortized over a three-year service period. Compensation expense relating to these awards included in the Consolidated Statements of Income for 2008, 2007 and 2006 was $5 million, $5 million and $2 million, respectively. These amounts are included in share-based payments subject to redemption in the Consolidated Balance Sheet at December 31, 2008. As of December 31, 2008, the unrecognized compensation cost relating to these plans was $3 million, which will be amortized over the remaining requisite service period of 2 years. This amount will vary each reporting period based on changes in the probability of attaining the goal.

Accumulated Other Comprehensive Loss:
A summary of accumulated other comprehensive income (loss) for the years ended December 31, 2006, 2007 and 2008 is presented below:

(in millions)	Currency Translation Adjustment	Deferred Gain/(Loss) on Hedging Activities	Pension Liability Adjustment	Unrealized Gain (Loss) on Investment	Accumulated Other Comprehensive Income/(Loss)
Balance, December 31, 2005	(257)	11	(5)		(251)
Gains on cash flow hedges, net of income tax effect of $8		12			12
Amount of losses on cash flow hedges reclassified to earnings, net of income tax effect of $2		5			5
Currency translation adjustment	43				43
Adjustment to minimum pension liability prior to adoption of SFAS No. 158, net of income tax effect of $1			2		2
Adoption of SFAS No. 158, net of income tax effect of $18			(34)		(34)
Balance, December 31, 2006	(214)	28	(37)		(223)
Gains on cash flow hedges, net of income tax effect of $20		32			32
Amount of gains on cash flow hedges reclassified to earnings, net of income tax effect of $10		(15)			(15)
Actuarial gain on pension and other postretirement obligations, net of income tax effect of $3			6		6
Losses related to pension and other postretirement obligations reclassified to earnings, net of income tax effect of $1			2		2
Unrealized gain on investment, net of income tax effect				1	1
Currency translation adjustment	82				82
Balance, December 31, 2007	$ (132)	$ 45	$ (29)	$ 1	$ (115)
Losses on cash flow hedges, net of income tax effect of $77		(127)			(127)
Amount of gains on cash flow hedges reclassified to earnings, net of income		(105)			(105)

tax effect of $63					
Actuarial loss on pension and other postretirement obligations, net of income tax			(15)		(15)
Losses related to pension and other postretirement obligations reclassified to earnings, net of income tax			2		2
Unrealized loss on investment, net of income tax				(3)	(3)
Currency translation adjustment	(231)				(231)
Balance, December 31, 2008	$ (363)	$ (187)	$ (42)	$ (2)	$ (594)

NOTE 13 Mexican Tax on Beverages Sweetened with HFCS

On January 1, 2002, a discriminatory tax on beverages sweetened with high fructose corn syrup (HFCS) approved by the Mexican Congress late in 2001, became effective. In response to the enactment of the tax, which at the time effectively ended the use of HFCS for beverages in Mexico, the Company ceased production of HFCS 55 at its San Juan del Rio plant, one of its three plants in Mexico. Over time, the Company resumed production and sales of HFCS and by 2006 had returned to levels attained prior to the imposition of the tax as a result of certain customers having obtained court rulings exempting them from paying the tax. The Mexican Congress repealed this tax effective January 1, 2007.

In response to the imposition of the tax, the Company submitted an arbitration claim against the government of Mexico under the provisions of the North American Free Trade Agreement (NAFTA) seeking recovery for damages. In July 2006, a hearing of the NAFTA Tribunal in the case was held to determine whether Mexico has state responsibility for a violation of obligations owed by Mexico to foreign investors under NAFTA Chapter 11. In a decision dated January 15, 2008, the Tribunal issued an order holding that Mexico had violated NAFTA Article 1102, National Treatment. In July 2008, a hearing regarding the amount of damages was held before the same Tribunal. The Company sought damages and pre- and post-judgment interest totaling to $288 million through December 31, 2008. The Tribunal asked for post-hearing submissions on specific topics relative to the damages claims which were filed on October 31, 2008. The amount and timing of a final award by the Tribunal is not known at this time.

NOTE 14 Segment Information

The Company operates in one business segment, corn refining, and is managed on a geographic regional basis. Its North America operations include corn-refining businesses in the United States, Canada and Mexico. The Company s South America operations include corn-refining businesses in Brazil, Colombia, Ecuador, Peru and the Southern Cone of South America, which includes Argentina, Chile and Uruguay. The Company s Asia/Africa operations include corn-refining businesses in Korea, Pakistan, Malaysia, Kenya and China, and a tapioca root processing operation in Thailand.

(in millions)	**2008**	**2007**	**2006**
Net sales to unaffiliated customers (a):			
North America	$2,370	$2,052	$1,588
South America	1,120	925	670
Asia/Africa	454	414	363
Total	$3,944	$3,391	$2,621
Operating income (b):			
North America	$ 313	$ 234	$ 130
South America	151	115	84
Asia/Africa	38	45	53
Corporate	(52)	(47)	(43)
Costs of terminated merger	(16)		
Total	$ 434	$ 347	$ 224
Total assets:			
North America	$1,987	$1,716	$1,522
South America	808	902	667
Asia/Africa	412	485	456
Total	$3,207	$3,103	$2,645
Depreciation and amortization:			
North America	$ 81	$ 83	$ 78
South America	35	30	25
Asia/Africa	12	12	11
Total	$ 128	$ 125	$ 114
Capital expenditures:			
North America	$ 117	$ 90	$ 110
South America	92	77	49
Asia/Africa	19	10	12
Total	$ 228	$ 177	$ 171

Notes:

a.

Sales between geographic regions for each of the periods presented are insignificant and therefore are not presented.

b. Includes earnings from non-controlled affiliates accounted for under the equity method as follows: South America none in 2008 and 2007 and $1 million in 2006.

The following table presents net sales to unaffiliated customers by country of origin for the last three years:

(in millions)	Net Sales 2008	2007	2006
United States	$1,221	$1,021	$ 770
Mexico	750	668	532
Brazil	594	498	350
Canada	399	363	286
Korea	187	195	185
Argentina	200	160	129
Others	593	486	369
Total	$3,944	$3,391	$2,621

The following table presents long-lived assets by country at December 31:

(in millions)	Long-lived Assets 2008	2007	2006
United States	$ 527	$ 506	$ 466
Mexico	397	370	365
Brazil	261	320	219
Korea	201	276	280
Canada	165	188	154
Argentina	149	137	125
Others	206	216	198
Total	$1,906	$2,013	$1,807

Quarterly Financial Data (Unaudited)
Summarized quarterly financial data is as follows:

(in millions, except per share amounts)	1st QTR	2nd QTR	3rd QTR	4th QTR
2008				
Net sales before shipping and handling costs	$ 991	$1,094	$1,155	$ 957
Less: shipping and handling costs	60	65	71	57
Net sales	$ 931	$1,029	$1,084	$ 900
Gross profit	173	187	204	141
Net income	64	68	88	46*
Basic earnings per common share	$0.87	$ 0.92	$ 1.18	$0.62*
Diluted earnings per common share	$0.85	$ 0.90	$ 1.15	$0.61*

(in millions, except per share amounts)	1st QTR	2nd QTR	3rd QTR	4th QTR
2007				
Net sales before shipping and handling costs	$ 817	$ 917	$ 939	$ 956
Less: shipping and handling costs	55	60	62	61
Net sales	$ 762	$ 857	$ 877	$ 895
Gross profit	146	156	142	143
Net income	50	51	51	46
Basic earnings per common share	$0.67	$0.68	$0.68	$0.62
Diluted earnings per common share	$0.66	$0.66	$0.66	$0.61

* Includes a charge of $10 million ($7 million after-tax, or $0.09 per diluted common share) in connection with the reimbursement of expenses to Bunge following the termination of the merger with Bunge. Additionally, the Company reduced its annual effective

income tax rate to 32.0 percent (from 34.5 percent used for the nine months ended September 30, 2008) to reflect a change in our geographical income mix, a statutory rate reduction in Korea, and other discrete items. The Company s fourth-quarter and full year 2008 effective income tax rates were 17.2 percent and 32.0 percent, respectively, as compared to 34.1 percent and 33.5 percent in the 2007 periods.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, including our Chief Executive Officer and our Chief Financial Officer, performed an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2008. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures (a) are effective in providing reasonable assurance that all material information required to be filed in this report has been recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms and (b) are designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934, as amended is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. There have been no changes in our internal control over financial reporting during the quarter ended December 31, 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. This system of internal controls is designed to provide reasonable assurance that assets are safeguarded and transactions are properly recorded and executed in accordance with management s authorization.

Internal control over financial reporting includes those policies and procedures that:

1. Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets.

2. Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in conformity with accounting principles generally accepted in the United States, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors.

3. Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework of *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2008. The effectiveness of our internal control over financial reporting has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their attestation report included herein.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information contained under the headings Proposal 1. Election of Directors, The Board and Committees and Section 16(a) Beneficial Ownership Reporting Compliance in the Company s definitive proxy statement for the Company s 2009 Annual Meeting of Stockholders (the Proxy Statement) is incorporated herein by reference. The information regarding executive officers called for by Item 401 of Regulation S-K is included in Part 1 of this report under the heading Executive Officers of the Registrant. The Company has adopted a code of ethics that applies to its principal executive officer, principal financial officer, and controller. The code of ethics is posted on the Company s Internet website, which is found at www.cornproducts.com. The Company intends to include on its website any amendments to, or waivers from, a provision of its code of ethics that applies to the Company s principal executive officer, principal financial officer or controller that relates to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K.

ITEM 11. EXECUTIVE COMPENSATION

The information contained under the headings Executive Compensation and Compensation Committee Report in the Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information contained under the headings Equity Compensation Plan Information as of December 31, 2008 and Security Ownership of Certain Beneficial Owners and Management in the Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information contained under the headings Review and Approval of Transactions with Related Persons, Certain Relationships and Related Transactions and Independence of Board Members in the Proxy Statement is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information contained under the heading 2008 and 2007 Audit Firm Fee Summary in the Proxy Statement is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Item 15(a)(1) Consolidated Financial Statements

Financial Statements (see the Index to the Consolidated Financial Statements on page 40 of this report.

Item 15(a)(2) Financial Statement Schedules

All financial statement schedules have been omitted because the information either is not required or is otherwise included in the consolidated financial statements and notes thereto.

Item 15(a)(3) Exhibits

The following list of exhibits includes both exhibits submitted with this Form 10-K as filed with the SEC and those incorporated by reference from other filings.

Exhibit No.	Description
3.1*	Amended and Restated Certificate of Incorporation of the Company, filed as Exhibit 3.1 to the Company s Registration Statement on Form 10, File No. 1-13397
3.2*	Certificate of Designation for the Company s Series A Junior Participating Preferred Stock, filed as Exhibit 1 to the Company s Registration Statement on Form 8-A12B, File No. 1-13397
3.3*	Amended By-Laws of the Company, filed on March 21, 2007 as Exhibit 3.1 to the Company s Current Report on Form 8-K dated March 21, 2007, File No. 1-13397
4.1*	Stockholder Agreement, dated as of December 2, 1998 among the Company, Arancia Industrial, S.A. de C.V. and Promociones Industriales Aralia, S.A. de C.V., filed on October 21, 1998 as Exhibit 2 to the Company s Current Report on Form 8-K dated October 21, 1998, File No. 1-13397
4.3*	Revolving Credit Agreement dated April 26, 2006 among the Company and the agents and banks named therein filed as Exhibit 10 to the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2006
4.4*	Extension Letter dated as of May 14, 2007 with respect to Revolving Credit Agreement dated April 26, 2006 among the Company and the agents and banks named therein filed on May 18, 2007 as Exhibit 4.4 to the Company s Current Report on Form 8-K dated May 14, 2007, File No. 1-3397 report on Form 8-K, File No. 1-3397
4.5*	First Amendment dated as of October 30, 2007 to Revolving Credit Agreement dated April 26, 2006 among the Company and the agents and banks named therein filed on February 29, 2008 as Exhibit 4.5 to the Company s Annual Report on Form 10-K for the year ended December 31, 2008, File No. 1-3397
4.6*	Second Amendment dated as of October 30, 2007 to Revolving Credit Agreement dated April 26, 2006 among the Company and the agents and banks named therein filed on February 29, 2008 as Exhibit 4.6 to the Company s Annual Report on Form 10-K for the year ended December 31, 2008, File No. 1-3397
4.7*	Indenture Agreement dated as of August 18, 1999 between the Company and The Bank of New York, as Trustee, filed on August 27, 1999 as Exhibit 4.1 to the Company s Current Report on Form 8-K, File No. 1-13397
4.8*	Third Supplemental Indenture dated as of April 10, 2007 between Corn Products International, Inc. and The Bank of New York Trust Company, N.A., as trustee filed on April 10, 2007 as Exhibit 4.3 to the Company s Current Report on Form 8-K, dated April 10, 2007, File No. 1-13397
4.9*	Fourth Supplemental Indenture dated as of April 10, 2007 between Corn Products International, Inc. and The Bank of New York Trust Company, N.A., as trustee filed on April 10, 2007 as Exhibit 4.4 to the Company s Current Report on Form 8-K dated April 10, 2007, File No. 1-13397

Exhibit No.	Description
10.1 ***	Stock Incentive Plan as effective January 28, 2009
10.2** ***	Deferred Stock Unit Plan of the Company
10.3* ***	Form of Severance Agreement entered into by each of the Named Executive Officers other than Jorge L. Fiamenghi, filed on May 6, 2008 as Exhibit 10.5 to the Company s Quarterly Report on Form 10-Q, for the quarter ended March 31, 2008, File No. 1-13397
10.5** ***	Form of Indemnification Agreement entered into by each of the members of the Company s Board of Directors and the Named Executive Officers
10.6* ***	Deferred Compensation Plan for Outside Directors of the Company (Amended and Restated as of September 19, 2001), filed as Exhibit 4(d) to the Company s Registration Statement on Form S-8, File No. 333-75844, as amended by Amendment No. 1 dated December 1, 2004, filed as Exhibit 10.6 to the Company s Annual Report on Form 10-K for the year ended December 31, 2004, File No. 1-13397
10.7* ***	Supplemental Executive Retirement Plan as effective November 13, 2007 filed on February 29, 2008 as Exhibit 10.7 to the Company s Annual Report on Form 10-K for the year ended December 31, 2008, File No. 1-3397
10.8** ***	Executive Life Insurance Plan
10.9 ***	Deferred Compensation Plan, as amended by Amendment No. 1 filed as Exhibit 10.21 to the Company s Annual Report on Form 10-K/A for the year ended December 31, 2001, File No. 1-13397
10.10* ***	Annual Incentive Plan as effective September 18, 2007, filed on November 7, 2007 as Exhibit 10.10 to the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2007, File No. 1-13397
10.11 ***	Form of Notice of Restricted Stock Award Agreement for use in connection with awards under the Stock Incentive Plan
10.12**	Tax Sharing Agreement dated December 1, 1997 between the Company and Bestfoods
10.13* ***	Employee Benefits Agreement dated December 1, 1997 between the Company and Bestfoods, filed as Exhibit 4.E to the Company s Registration Statement on Form S-8, File No. 333-43525
10.14* ***	Executive Life Insurance Plan, Compensation Committee Summary, filed as Exhibit 10.14 to the Company s Annual Report on Form 10-K for the year ended December 31, 2004, File No. 1-13397
10.15* ***	Form of Executive Life Insurance Plan Participation Agreement and Collateral Assignment entered into by the Named Executive Officers with the exception of Jorge Fiamenghi, filed as Exhibit 10.15 to the Company s Annual Report on Form 10-K for the year ended December 31, 2004, File No. 1-13397

10.16* ***	Form of Performance Share Award Agreement, filed on February 2, 2009 as Exhibit 10.1 to the Company s Current Report on Form 8-K dated January 27, 2009, File No. 1-13397

Exhibit No.	Description
10.17* ***	Form of Notice of Grant of Stock Option and Option Award Agreement for use in connection with awards under the Stock Incentive Plan, filed as Exhibit 10.2 to the Company s Current Report on Form 8-K dated January 31, 2006, File No. 1-13397
10.18*	Natural Gas Purchase and Sale Agreement between Corn Products Brasil-Ingredientes Industrias Ltda. and Companhia de Ga de Sao Paulo-Comgas, filed as Exhibit 10.17 to the Company s Annual Report on Form 10-K for the year ended December 31, 2005, File No. 1-13397
10.19* ***	Form of Separation Agreement dated as of December 11, 2007 between the Company and Jeffrey B. Hebble filed on May 6, 2008 as Exhibit 10.19 to the Company s Quarterly Report on Form 10-Q, for the quarter ended March 31, 2008, File No. 1-13397
10.20* ***	Form of Severance Agreement entered into by the Company and Jorge L. Fiamenghi, filed on May 6, 2008 as Exhibit 10.20 to the Company s Quarterly Report on Form 10-Q, for the quarter ended March 31, 2008, File No. 1-13397
11.1	Earnings Per Share Computation
12.1	Computation of Ratio of Earnings to Fixed Charges
21.1	Subsidiaries of the Registrant
23.1	Consent of Independent Registered Public Accounting Firm
24.1	Power of Attorney
31.1	CEO Section 302 Certification Pursuant to the Sarbanes-Oxley Act of 2002
31.2	CFO Section 302 Certification Pursuant to the Sarbanes-Oxley Act of 2002
32.1	CEO Certification Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code as created by the Sarbanes-Oxley Act of 2002
32.2	CFO Certification Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code as created by the Sarbanes-Oxley Act of 2002

* Incorporated herein by reference as indicated in the exhibit description.

** Incorporated herein by reference to the exhibits filed with the Company s Annual Report on Form 10-K for the year ended December 31, 1997.

*** Management contract or compensatory plan or arrangement required to be filed as an exhibit to this form pursuant to item 15(b) of this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on the 27th day of February, 2009.

CORN PRODUCTS INTERNATIONAL, INC.

By: /s/ Samuel C. Scott III
Samuel C. Scott III
Chairman, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant, in the capacities indicated and on the 27th day of February, 2009.

Signature	Title
/s/ Samuel C. Scott III Samuel C. Scott III	Chairman, President, Chief Executive Officer and Director
/s/ Cheryl K. Beebe Cheryl K. Beebe	Chief Financial Officer
/s/ Robin A. Kornmeyer Robin A. Kornmeyer	Controller
*Richard J. Almeida Richard J. Almeida	Director
*Luis Aranguren-Trellez Luis Aranguren-Trellez	Director
*Paul Hanrahan Paul Hanrahan	Director
*Karen L. Hendricks Karen L. Hendricks	Director
*Bernard H. Kastory Bernard H. Kastory	Director

*Gregory B. Kenny	Director
Gregory B. Kenny	
*Barbara A. Klein	Director
Barbara A. Klein	

Signature	Title
*William S. Norman	Director
William S. Norman	
*James M. Ringler	Director
James M. Ringler	

By: */s/ Mary Ann Hynes
Mary Ann Hynes
Attorney-in-fact

(Being the principal executive officer, the principal financial officer, the controller and a majority of the directors of Corn Products International, Inc.)

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