

ICONIX BRAND GROUP, INC.
Form 10-K/A
April 29, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A
(Amendment No. 1)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

OR

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____

0-10593
(Commission File Number)

ICONIX BRAND GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

11-2481903
(I.R.S. Employer Identification No.)

1450 Broadway, New York, New York 10018
(Address of principal executive offices) (zip code)

Registrant's telephone number, including area code: (212) 730-0030
Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|---------------------------------|---|
| Common Stock, \$.001 Par Value | The NASDAQ Stock Market LLC |
| Preferred Share Purchase Rights | (NASDAQ Global Market) |

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes x No ..

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant as of the close of business on June 30, 2010 was approximately \$1,031.0 million. As of April 14, 2011, 72,889,583 shares of the registrant's Common Stock, par value \$.001 per share, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: None

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A (the “Amendment”) amends the Annual Report on Form 10-K of Iconix Brand Group, Inc. for the fiscal year ended December 31, 2010, originally filed with the Securities and Exchange Commission (“SEC”) on February 25, 2011 (the “Original Filing”). We are filing this Amendment to amend Part III of the Original Filing to include the information required by and not included in Part III of the Original Filing because we no longer intend to file our definitive proxy statement within 120 days of the end of our fiscal year ended December 31, 2010 and the cover page of the Amendment reflects this fact. In connection with the filing of this Amendment and pursuant to the rules of the SEC, we are including with this Amendment certain new certifications by our principal executive officer and principal financial officer. Accordingly, Item 15 of Part IV has also been amended to reflect the filing of these new certifications.

Except as described above, no other changes have been made to the Original Filing. The Original Filing continues to speak as of the date of the Original Filing, and we have not updated the disclosures contained therein to reflect any events which occurred at a date subsequent to the filing of the Original Filing other than as expressly indicated in this Amendment. In this Amendment, unless the context indicates otherwise, the terms “Company”, “Iconix”, “we”, “us”, “our”, similar pronouns refer to Iconix Brand Group, Inc. and its consolidated subsidiaries. Other defined terms used in this Amendment but not defined herein shall have the meaning specified for such terms in the Original Filing.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

The following information includes information each director and executive officer has given us about his or her age, his or her principal occupation and business experience for at least the past five years, and the names of other publicly-held companies of which he or she currently serves as a director or has served as a director during the past five years. Certain individual qualifications and skills of our directors that contribute to our Board's effectiveness as a whole and what makes the individuals suitable to serve on our Board are described in the following paragraphs.

Our executive officers and directors and their respective ages and positions are as follows:

| Name | Age | Position(s) |
|---------------------------------|-----|--|
| Neil Cole | 54 | Chairman of the Board, President and Chief Executive Officer |
| Warren Clamen | 46 | Executive Vice President and Chief Financial Officer |
| Andrew Tarshis | 45 | Executive Vice President and General Counsel |
| Yehuda Shmidman | 29 | Chief Operating Officer |
| David Blumberg | 52 | Executive Vice President - Head of Strategic Development |
| Barry Emanuel ^{1,3} | 69 | Director |
| Drew Cohen ^{1, 2} | 42 | Director |
| F. Peter Cuneo ^{2, 3} | 67 | Director |
| Mark Friedman ^{1, 3} | 47 | Director |
| James A. Marcum ^{1, 2} | 51 | Director |
| Laurence N. Charney | 64 | Director |

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- (1) Member of governance/nominating committee.
(2) Member of audit committee.
(3) Member of compensation committee.

Neil Cole has served as Chairman of our Board and as our Chief Executive Officer and President since our public offering in February 1993. 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 SEC's allegations, consented to the entry by the SEC of an administrative order in which Mr. Cole 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. 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 from Hofstra law school in 1982. The Board believes that Mr. Cole's global

executive leadership skills, his significant experience as an executive in our industry, including as our Chief Executive Officer for more than the past 17 years, and his role in transforming our company from a manufacturing company to a leading brand management company make him uniquely qualified to sit on our Board and act as its chairman.

Warren Clamen has served as our Executive Vice President and Chief Financial Officer since November 11, 2008. Prior to that, Mr. Clamen served as our Chief Financial Officer since joining our company in March 2005. From June 2000 until March 2005, Mr. Clamen served as Vice President of Finance for Columbia House, one of the world's largest licensees of content for music and film, and from December 1998 to June 2000, he was Vice President of Finance of Marvel Entertainment, Inc., a publicly traded entertainment company active in motion pictures, television, publishing, licensing and toys. Prior to that time, Mr. Clamen served as the director, international management for Biochem Pharma Inc., a biopharmaceutical company located in Montreal, Canada, 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 Executive Vice President and General Counsel since November 11, 2008. Prior to that, Mr. Tarshis served as our Senior Vice President and General Counsel since September 2006. From July 2005, when he joined our company in connection with our acquisition of the Joe Boxer brand, until September 2006, he served as our Senior Vice President, Business Affairs and Associate Counsel. Prior to joining our company, from May 2001 to July 2005, Mr. Tarshis served as Senior Vice President and General Counsel to Windsong Allegiance Group, LLC and, from December 1998 to May 2001, he served as a general attorney for Toys R Us, Inc. Mr. Tarshis received a Bachelor of Arts degree from the University of Michigan, Ann Arbor in 1988 and his Juris Doctor degree from the University of Connecticut School of Law in 1992.

Yehuda Shmidman has served as our Chief Operating Officer since July 2010. Prior to that he served as our Executive Vice President, Operations since August 2009 and has held various titles in our business development department since joining us in October 2005. Prior to joining our company, Mr. Shmidman held corporate development positions at licensing agencies based in New York, where he was involved with launching several direct-to-retail brands, including Isaac Mizrahi at Target, “Merch” Vintage Rock at Kmart, and Fieldcrest at Target. Mr. Shmidman graduated magna cum laude from Yeshiva University with a Bachelor's degree in Political Science.

David Blumberg has served as our Head of Strategic Development since February 2009 and has served as our Executive Vice President – Head of Strategic Development since August 2009. From November 2006 through January 2009, Mr. Blumberg served our company as a full-time consultant overseeing our merger and acquisition activities. Prior to joining our company as a consultant, during 2005 through October 2006, Mr. Blumberg worked as a consultant to LF Management Ltd., an affiliate of Li & Fung Limited/ LF USA. Prior to joining Li & Fung, from January 1997 to November 1999, Mr. Blumberg was president and managing director-investment banking of Wit Capital, Inc., an online investment bank. From 1981 to 1993, Mr. Blumberg was a managing director and senior vice president of Merrill Lynch Interfunding Inc. and Merrill Lynch Capital Markets- Investment Bank, respectively. Mr. Blumberg received a Bachelor of Science, cum laude in economics from Colgate University in 1981 and a Masters degree in business administration in corporate finance from New York University in 1987.

Barry Emanuel has served on our Board 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. He received his Bachelor of Science degree from the University of Rhode Island in 1962. The Board believes that Mr. Emanuel's more than 30 years of experience in the apparel industry, including his service as our director for more than 17 years, contributes valuable insight to our Board.

Drew Cohen has served on our Board since April 2004. Since 2007 he has been the President 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. The Board believes that Mr. Cohen's legal and business background and experience as an executive in an industry heavily involved in the licensing business, make him well suited to serve on our Board.

F. Peter Cuneo has served on our Board since October 2006. From June 2004 through December 2009 Mr. Cuneo served as the Vice Chairman of the Board of Directors of Marvel Entertainment, Inc. (“Marvel Entertainment”), a publicly traded entertainment company active in motion pictures, television, publishing, licensing and toys, 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 in 2006. From October 2004 to December 2005, he served on the Board of Directors of Majesco Entertainment Company, a provider of video game products primarily for the family oriented, mass market consumer. Mr. Cuneo received a Bachelor of Science degree from Alfred University in 1967 and currently serves as the Chairman of the Alfred University Board of Trustees. Mr. Cuneo received a Masters degree in business administration from Harvard Business School in 1973. The Board believes that Mr. Cuneo's extensive business and financial background and significant experience as an executive of Marvel Entertainment, an owner and licensor of iconic intellectual property, contributes important expertise to our Board.

Mark Friedman has served on our Board since October 2006. Mr. Friedman has been the Managing Partner of Trilea Partners LLC, an investment and consulting firm, since May 2006. Previously, beginning in 1996, Mr. Friedman was with Merrill Lynch, serving 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. Prior thereto, he specialized in similar services for Lehman Brothers Inc. and Goldman, Sachs & Co. Mr. Friedman has been ranked on the Institutional Investor All-American Research Team as one of the top-rated sector analysts and 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. The Board believes that Mr. Friedman's extensive business background and investment banking experience adds key experience and viewpoints to our Board.

James A. Marcum has served on our Board since October 2007. Since February 2010, he has been the Chief Executive Officer, President and a member of the board of Central Parking Corporation, a nationwide provider of professional parking management. From September 2008 to January 2010, Mr. Marcum served as Vice Chairman, Acting President and Chief Executive Officer of Circuit City Stores, Inc., a specialty retailer of consumer electronics, home office products and entertainment software. Mr. Marcum has served as a member of the board of directors of Circuit City Stores, Inc. since June 2008. Circuit City Stores, Inc. filed for bankruptcy in November 2008. He is a limited partner of Tri-Artisan Capital Partners, LLC, a merchant banking firm, and served as an operating partner and operating executive of Tri-Artisan Capital Partners from 2004 until March 2008. From January 2005 to January 2006, he served in various capacities, including chief executive officer and director, of Ultimate Electronics, Inc., a consumer electronics retailer. Prior thereto, Mr. Marcum has served in various senior executive capacities for a variety of nationwide specialty retailers. He received a Bachelor's degree from Southern Connecticut State University in accounting and economics in 1980. The Board believes that Mr. Marcum's contributions to the Board are well served by his extensive business background, his experience as a corporate executive of national retail establishments and his experience as a partner and executive of a merchant banking firm.

Laurence N. Charney has served on our Board since February 2011. Since August 2008, Mr. Charney has served as a private consultant to financial and accounting firms. Previously, from 1970 through June 2007, Mr. Charney was employed by Ernst & Young, LLP, a registered public accounting firm, retiring as a partner. Mr. Charney currently serves as a director of Mrs. Fields' Original Cookies, Inc., a private company involved in the development and franchising of retail stores, which sell cookies and other bakery products in the United States and internationally. In addition, Mr. Charney previously served as a director and audit committee member of Marvel Entertainment, Inc., XTL Bio-Pharmaceuticals Ltd., and Pure Biofuels, Inc.. Mr. Charney graduated with a BBA degree from Hofstra University and completed the Executive MBA in Business program at Columbia University. The Board believes that Mr. Charney's significant accounting and financial background contributes important expertise to our Board.

Election of officers

Our Board of Directors elects the officers of the Company on an annual basis and its officers serve until their successors are duly elected and qualified. No family relationships exist among any of our officers or directors.

Election of directors

Our Board of Directors is currently comprised of seven directors. At each annual meeting of stockholders, the successors to the directors then serving are elected to serve from the time of their election and qualification until the next annual meeting following their election or until their successors have been duly elected and qualified, or until their earlier death, resignation or removal. All of our current directors have been elected to serve until the annual meeting of stockholders to be held in 2011.

Audit Committee and Audit Committee Financial Expert

Our Board has appointed an Audit Committee each of whose members is, and is required to be, an “independent director” under the Listing Rules of NASDAQ. The members of our Audit Committee are Messrs. Cuneo, Cohen and Marcum, and Mr. Cuneo currently serves as its chairperson. In addition to being an “independent director” under the Listing Rules of NASDAQ, each member of the Audit Committee is an independent director under applicable SEC rules under the Securities Exchange Act of 1934. Our Board of Directors has also determined that Mr. Cuneo is our “audit committee financial expert,” as that term is defined under applicable SEC rules and NASDAQ Listing Rules, serving on the 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.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 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 received by us.

Based solely on our review of the copies of such forms received by us, we believe that during 2010, there was compliance with the filing requirements applicable to our officers, directors and greater than 10% common stockholders.

Code of Business Conduct

We have adopted a written code of business conduct that applies to our officers, directors and employees. 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.

Item 11. Executive Compensation

Compensation Discussion and Analysis

The purpose of this Compensation Discussion and Analysis is to provide the information necessary for understanding the compensation philosophy, policies and decisions which are material to the compensation of our principal executive officer, our principal financial officer and our three other most highly compensated executive officers (we refer to these officers as our “named executive officers”) during 2010. This Compensation Discussion and Analysis will place in context the information contained in the tables and accompanying narratives that follow this discussion.

Philosophy and Objectives

Our compensation philosophy is to offer our named executive officers compensation that is fair, reasonable and competitive, and that meets our goals of attracting, retaining and motivating highly skilled management personnel so that we can be in a position to achieve our financial, operational and strategic objectives to create long-term value for our stockholders. We seek to deliver fair, reasonable and competitive compensation for our employees and executives, including our named executive officers, by structuring compensation around one fundamental goal: incentivizing our executives to build stockholder value over the short and 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. We believe that we offer attractive career opportunities and challenges for our employees, but remain 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.

Our compensation program includes short-term elements, such as annual base salary, and in some cases, an annual incentive cash bonus, and long term elements such as equity-based awards through grants of restricted stock, restricted stock units and stock options. We believe that our compensation program incentivizes our named executive officers and other employees to execute on our goals and perform their job functions with excellence and integrity. We also take into account the roles played by each of our named executive officers and endeavor to individually customize their compensation packages to align the amount and mix of their compensation to their contributions to, and roles

within, our organization. The compensation packages and structure for our chief executive officer, Mr. Neil Cole, and for our executive vice president, head of strategic development, David Blumberg, differ from those of our other named executive officers in light of the distinct role and responsibilities each such executive has within the Company. As Mr. Cole makes executive decisions that influence our direction and growth initiatives, his total compensation is intended to be strongly aligned with objective financial measures, including an annual bonus determined by criteria set forth in his employment agreement based upon our performance. As Mr. Blumberg is responsible for overseeing our merger and acquisition activities that influence our growth, a substantial portion of his total compensation is intended to be tied to our consummation of acquisitions that meet specified objective financial measures as set forth in his employment agreement.

We enter into employment agreements with senior officers, including our named executive officers, when the compensation committee determines that an employment agreement is in order for us to obtain a degree of certainty as to an executive's continued employment in light of prevailing market conditions and competition for the particular position held by the officer, or where the compensation committee determines that an employment agreement is appropriate to attract an executive in light of market conditions, the prior experience of the executive or practices at our company with respect to other similarly situated executives. Based on these and any other factors then deemed relevant, in 2008 we entered into new employment agreements with Messrs. Neil Cole, Warren Clamen and Andrew Tarshis, all of whom were executive officers at the time. We also entered into a new employment agreement in February 2009 with Mr. Blumberg, our executive vice president and head of strategic development, and we entered into a new employment agreement in November 2009 with Mr. Shmidman, our then executive vice president of operations, who is currently our chief operating officer. Messrs. Blumberg and Shmidman became executive officers in August 2009.

Forms of Compensation Paid to Named Executive Officers During 2010

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 restricted stock units, shares of restricted stock and stock options are made under our 2006 Equity Incentive Plan and our 2009 Equity Incentive Plan, which were approved by our stockholders in August 2006 and August 2009, respectively. Shares of restricted stock that were issued subject to a vesting schedule cannot be sold until and to the extent the shares have vested. In 2010, we awarded shares of restricted stock to certain of our named executive officers. While we have not formally adopted any policies with respect to cash versus equity components in the mix of executive compensation, we feel that it is important to provide for a compensation mix that allows for acquisition of a meaningful level of equity ownership by our named executive officers in order to help align their interests with those of our stockholders.

Cash bonuses. Messrs. Cole, Clamen, Tarshis and Blumberg received cash bonuses in 2010. Mr. Cole received a contractually guaranteed cash bonus of \$1,725,000 based upon our achievement of certain 2010 performance goals. Mr. Cole was also awarded a discretionary cash bonus of \$2,300,000 in February 2011 related to our 2010 performance. In May 2008, our stockholders adopted the Executive Incentive Bonus Plan discussed below.

Perquisites and other personal benefits. During 2010, 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; and
- car allowances.

Objectives of Our Compensation Program

The compensation paid to our named executive officers is generally structured into two broad categories:

- base salary; and
- incentive compensation, either in the form of equity-based awards under our various equity incentive and stock option plans; cash payments tied to the satisfaction of specified performance criteria set forth in the executive officers employment agreement and from time to time certain of our named executive officers also have received

discretionary cash bonuses not tied to specific pre established performance criteria.

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 2010, the compensation of Mr. Cole, our chairman, president and chief executive officer was primarily based on Mr. Cole's employment agreement dated January 28, 2008, as amended on December 24, 2008, which agreement was effective as of January 1, 2008. In determining the salary and other forms of compensation for Mr. Cole, the compensation committee took into consideration Mr. Cole's contribution to our growth over the past several years under his leadership, and his substantial experience and performance in the industry in general and with us in particular. The compensation committee also considered the increased responsibilities of Mr. Cole as a result of our diversification and the substantial growth experienced by our company during his tenure. The compensation committee believes that Mr. Cole's compensation for 2010 as our principal executive officer reflects our performance during 2010 and his significant contributions to that performance.

See “Executive Compensation - Narrative to Summary Compensation Table and Plan-Based Awards Table - Employment Agreements” for further description of Mr. Cole's employment agreement.

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 compensation 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; 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 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. We have implemented a stockholder approved Executive Incentive Bonus Plan in conformance with Section 162(m) of the Internal Revenue Code of 1986 (“Internal Revenue Code” or “Code”) for our named executive officers and other senior executives. In 2010, Mr. Cole was the only named executive officer who was eligible to earn an award under the Executive Incentive Bonus Plan, and he did receive an award under the Executive Incentive Bonus Plan.

Compensation amounts for named executive officers are determined according to the level of seniority and position of the named executive officer. Generally, 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 such enhancement, 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.

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 its business or of comparable size and scope of operations. The recommendations to the Board of Directors by the compensation 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 compensation 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 within our company, and expected contributions of each named executive officer to us.

The following were contractual increases in the base salaries of our named executive officers from 2009 to 2010 as set forth on the table below:

| Named Executive | 2009 Base | 2010 Base | Change in | Percentage of |
|-----------------|-----------|-----------|-----------|---------------|
|-----------------|-----------|-----------|-----------|---------------|

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| Officer | Salary | Salary | Base | 2009 | Base Salary |
|-----------------|--------------|--------------|--------|------|-------------|
| Neil Cole | \$ 1,000,000 | \$ 1,000,000 | \$ - | 0 | % |
| Warren Clamen | 400,000 | 400,000 | - | 0 | % |
| Andrew Tarshis | 400,000 | 400,000 | - | 0 | % |
| Yehuda Shmidman | 350,000 | 375,000 | 25,000 | 7 | % |
| David Blumberg | 400,000 | 400,000 | - | 0 | % |

Equity-based awards. During 2010 equity awards were made to certain of our named executive officers pursuant to our 2009 Equity Incentive Plan and our 2006 Equity Incentive Plan which provide 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, 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. As of December 31, 2010, the number of shares remaining for issuance under the 2009 Equity Incentive Plan was 1,909,669.

In 2010, we continued to utilize restricted stock as the primary form of equity compensation primarily because of the increased stock-based compensation expense associated with stock options and similar instruments under Accounting Standards Codification Topic 718 - Stock Compensation. This accounting standard, which we adopted as of January 1, 2006, requires us to record as compensation expense the grant date fair value of restricted stock over the life of the grant.

As described above, we generally provide a substantial portion of named executive officer compensation in the form of equity awards because the compensation 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 three types of equity-based grants to our named executive officers:

- initial grants when a named executive officer is hired;
- annual performance based grants; and
- retention grants, which are typically made in connection with new employment agreements or 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. 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 compensation committee, typically beginning on the first anniversary of the date of grant. Restricted stock grants for 2010 were as follows: Mr. Clamen – 3,145 shares of restricted stock, Mr. Tarshis – 3,145 shares of restricted stock, Mr. Shmidman – 20,939 shares of restricted stock, and Mr. Blumberg – 17,913 shares of restricted stock. The aforementioned grants to Messrs. Clamen, Tarshis and Shmidman vest over a one to three year period; the grant to Mr. Blumberg vested on the grant date. In addition, in 2010 Mr. Blumberg was granted 15,000 options as a result of the Company's consummation of an acquisition that met certain specified performance criteria set forth in his employment agreement; these options vested immediately. For a discussion of the performance criteria relating to Messrs. Cole's and Blumberg's equity awards, please see the description of their respective employment agreements following the Summary Compensation Table.

Cash bonuses. In May 2008 our stockholders approved the Executive Incentive Bonus Plan, sometimes referred to as the bonus plan. The purpose of the bonus plan is to promote the achievement of our short-term, targeted business objectives by providing competitive incentive reward opportunities to our executive officers who can significantly impact our performance towards those objectives. Further, the bonus plan enhances our ability to attract, develop and motivate individuals as members of a talented management team. The bonus plan is administered, and can be amended, by the compensation committee. All awards are paid in cash. Awards made under the bonus plan are subject to a participant achieving one or more performance goals established by the compensation committee. The performance goals may be based on our overall performance, and also may recognize business unit, team and/or individual performance. No payment will be made under the bonus plan unless the compensation committee certifies that at least the minimum objective performance measures have been met. Such performance measures may include specific or relative targeted amounts of, or changes in: earnings before interest, taxes, depreciation and amortization, herein referred to as EBITDA; revenues; expenses; net income; operating income; equity; return on equity, assets or capital employed; working capital; stockholder return; production or sales volumes; or certain other objective criteria. In 2010, our chairman, president and chief executive officer was the only named executive officer who was eligible to receive a bonus under the bonus plan, and only he received a bonus under the bonus plan.

The amount of any award under the bonus plan may vary based on the level of actual performance. The amount of any award for a given year is determined for each participant by multiplying the individual participant's actual base salary in effect at the end of that year by a target percentage (from 0% to 200%), related to the attainment of one or more performance goals, determined by the compensation committee. In the event that an award contains more than one performance goal, participants in the bonus plan will be entitled to receive the portion of the target percentage allocated to the performance goal achieved. In the event that we do not achieve at least the minimum performance goals established, no award payment will be made.

Additionally, cash bonuses are also covered by employment agreements with our executive officers. Under his employment agreement, in 2010 our chairman, president and chief executive officer received two separate cash performance based bonuses pursuant to his employment agreement and the Executive Bonus Plan which aggregated to \$1,725,000. Mr. Cole earned \$1,225,000 based on the Company's achievement of approximately \$205.9 million of EBITDA, which represents 110% of the targeted EBITDA established by the Board of Directors. Also under his employment agreement, Mr. Cole earned \$500,000 based on the Company's revenue growth of approximately 43%, which puts it in the upper 50th percentile of companies compiled in the Standard & Poors Small Cap Retailing Index for 2010. Also in 2010, Messrs. Clamen and Tarshis each received a discretionary cash bonus of \$100,000 under their respective employment agreements, and, as noted above, Mr. Cole received a discretionary cash bonus of \$2,300,000. These bonuses were based upon both the individual performance of the executives and our overall performance but were not tied to any specified performance criteria. Further, in 2010 Mr. Blumberg received a cash payment of \$500,000 as a result of the Company's consummation of an acquisition that met certain specified performance criteria set forth in his employment agreement.

Post-termination compensation. We have entered into employment agreements with each of the named executive officers. Each of these agreements had provided for certain payments and other benefits if the executive's employment terminated 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 some or all of our executive officers are described below. Perquisites are generally provided, as applicable, 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 2010, 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 2010 | Additional Explanation for Offering Certain Perquisites |
|---|--|--|
| Car allowances | \$ 105,821 | 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. |
| Life Insurance Premiums | \$ 21,420 | Reduces risk to the beneficiaries of executives in the event of the death of the executive. |

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

Other matters. In 2007 and 2008, the compensation committee engaged an outside consulting firm, James F. Reda & Associates LLC for advice in connection with the negotiation of the employment agreement for our chief executive officer, which agreement was entered into in January 2008 and amended in December 2008. Our 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. Our board of directors has not established any security ownership guidelines for executive officers.

Tax Deductibility and Accounting Ramifications

The compensation committee generally takes into account the various tax and accounting ramifications of compensation paid to our executives. When determining amounts of equity-based grants to executives the compensation committee also considers the accounting expense associated with the grants.

Our 2009 Equity Incentive Plan and our other plans are intended to allow us to make awards to executive officers that are deductible under the Section 162(m) of the Code, which otherwise sets limits on the tax deductibility of compensation paid to a company's most highly compensated executive officers. The compensation committee will continue to seek ways to limit the impact of Section 162(m). However, the compensation committee also believes that the tax deduction limitation should not compromise our ability to maintain incentive programs that support the compensation objectives discussed above or compromise our ability to attract and retain executive officers. Achieving these objectives and maintaining flexibility in this regard may therefore result in compensation that is not deductible by Iconix for federal income tax purposes.

Summary

In summary, we believe that our mix of salary, cash incentives for short-term and long-term performance and the potential for additional equity ownership in Iconix motivates our management to produce significant returns for our stockholders. Moreover, we also believe that our compensation program strikes an appropriate balance between our interests and needs in operating and further developing our business and suitable compensation levels that can lead to the enhancement of stockholder value.

Compensation Committee Interlocks and Insider Participation

None of the directors on our compensation committee, or who served as a member of our compensation committee at any time during 2010, is or was formerly an officer or employee of the Company or had any relationship or related person transaction requiring disclosure under the rules of the Securities and Exchange Commission. During 2010, none of our executive officers served on the board of directors or the compensation (or equivalent) committee of any other entity that has officers that serve on our Board of Directors or on our compensation committee. In addition, none of the members of our compensation committee were formerly, or during 2010, employed by us in the capacity as an officer or otherwise.

The members of our compensation committee are, and during 2010 were, Messrs. Cuneo, Emanuel and Friedman. Mr. Friedman currently serves as its chairperson. Steven Mendelow also served on the compensation committee prior to his resignation from our Board of Directors in December 2010.

Compensation Committee Report

The compensation committee of our Board of Directors has reviewed and discussed with management the Compensation Discussion and Analysis for 2010 appearing in this Report. Based on such reviews and discussions, the compensation committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in this Report for filing with the SEC.

COMPENSATION COMMITTEE

Mark Friedman, Chairperson
 Barry Emanuel
 F. Peter Cuneo

SUMMARY COMPENSATION TABLE

The following table includes information for 2010, 2009, and 2008 with respect to our named executive officers.

Summary Compensation Table

| | | | | | | Change in Pension Value and Non- qualified Deferred Compensation | Other Compensation | Total |
|--------|-------|-----------------|------------------|---------------------------|----------------------------|---|-----------------------|-------|
| Salary | Bonus | Stock Awards | Option Awards | Incentive Compensation | Non-Equity Compensation | | | |
| | | | | | | | | |

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| Name and Principal Position | Year | (\$) (a) | (\$) (b) | (\$) (c) | (\$) (d) | (\$) (e) | (\$) (f) | (\$) (g) | (\$) (h) |
|--|------|--------------|--------------|---------------|-------------|--------------|-------------|--------------|---------------|
| Neil Cole President and Chief Executive Officer | 2010 | \$ 1,000,000 | \$ 2,300,000 | \$- | \$- | \$ 1,725,000 | \$- | \$ 55,241(1) | \$ 5,080,241 |
| | 2009 | \$ 1,000,000 | \$- | \$ 8,309,609 | \$- | \$ 1,500,000 | \$- | \$ 42,791(1) | \$ 10,852,400 |
| | 2008 | \$ 1,000,000 | \$ 500,000 | \$ 30,400,008 | \$- | \$ 500,000 | \$- | \$ 53,264(1) | \$ 32,453,272 |
| Warren Clamen(3) Executive Vice President and Chief Financial Officer | 2010 | \$ 400,000 | \$ 100,000 | \$ 52,301 | \$- | \$- | \$- | \$ 18,000(2) | \$ 570,301 |
| | 2009 | \$ 356,806 | \$ 100,000 | \$ 1,235,494 | \$- | \$- | \$- | \$ 18,000(2) | \$ 1,710,369 |
| | 2008 | \$ 306,250 | \$ 50,000 | \$ 80,501 | \$- | \$- | \$- | \$ 18,000(2) | \$ 454,751 |
| Andrew Tarshis(3) Executive Vice President and General Counsel | 2010 | \$ 400,000 | \$ 100,000 | \$ 52,301 | \$- | \$- | \$- | \$ 18,000(2) | \$ 570,301 |
| | 2009 | \$ 356,806 | \$ 100,000 | \$ 1,235,494 | \$- | \$- | \$- | \$ 18,000(2) | \$ 1,710,369 |
| | 2008 | \$ 306,250 | \$ 50,000 | \$ 80,501 | \$- | \$- | \$- | \$ 18,000(2) | \$ 454,751 |
| Yehuda Shmidman(4) Chief Operating Officer | 2010 | \$ 352,936 | \$- | \$ 352,308 | \$- | \$- | \$- | \$ 18,000(2) | \$ 723,244 |
| | 2009 | \$ 262,121 | \$ 216,667 | \$ 956,219 | \$- | \$- | \$- | \$ 18,000(2) | \$ 1,453,007 |
| | 2008 | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$- |
| David Blumberg(5) Executive Vice President, Head of Strategic Development | 2010 | \$ 400,000 | \$- | \$ 345,900 | \$ 109,530 | \$ 500,000 | \$- | \$ 18,000(2) | \$ 1,373,430 |
| | 2009 | \$ 400,000 | \$- | \$ 453,915 | \$ 220,465 | \$ 500,000 | \$- | \$ 18,000(2) | \$ 1,592,380 |
| | 2008 | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$- |

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

(b) Bonuses are fixed incentive and/or percentage incentive, as provided for in the applicable employment agreements or discretionary, as determined by the compensation committee. For 2010, Mr. Cole received cash performance based bonuses of \$1,225,000 and \$500,000 for a total of \$1,725,000, pursuant to his employment agreement and the Executive Incentive Bonus Plan. The performance targets for 2010 were as follows: \$1,225,000 was earned for our achievement of approximately \$205.9 million of EBITDA, which represents 110% of the targeted EBITDA established by the Board of Directors; \$500,000 was earned for the our achievement of 43% revenue growth, which puts it in the upper 50th percentile of companies compiled in the Standard & Poors Small Cap Retailing Index for 2010. For 2009, Mr. Cole received cash performance based bonuses of \$1,000,000 and \$500,000 for a total of \$1,500,000, pursuant to his employment agreement and the Executive Bonus Plan. The performance targets for 2009 were as follows: \$1,000,000 was earned for our achievement of approximately \$163.1 million of EBITDA, which represents 100% of the targeted EBITDA established by the Board of Directors; \$500,000 was earned for our achievement of 7% revenue growth, which puts us in the upper 50 th percentile of companies compiled in the Standard & Poors Small Cap Retailing Index for 2009. In accordance with SEC rules, the 2010, 2009 and 2008 performance-based bonuses paid to Mr. Cole have been reflected in this table under the Non-Equity Incentive Plan Compensation column. In addition, in February 2011, the Compensation Committee awarded Mr. Cole a discretionary bonus of \$2,300,000 based on our 2010 performance, which, in accordance with SEC rules, has been reflected in this table under the Bonus column. For 2010, Messrs. Clamen and Tarshis each received discretionary cash bonuses of \$100,000 respectively, pursuant to their employment agreements. For 2009, Messrs. Clamen and Tarshis each received discretionary cash bonuses of \$100,000, pursuant to their employment agreements or otherwise and Mr. Shmidman received a \$150,000 cash bonus as specified under his employment agreement and an additional discretionary bonus of \$66,667. For the year ended December 31, 2008, Messrs. Clamen and Tarshis each received cash bonuses of \$50,000 pursuant to their employment agreements. For the year ended December 31, 2008, Mr. Cole received a cash sign-on bonus in the amount of \$500,000 in connection with his new employment agreement. Mr. Cole also received a cash performance based bonus of \$500,000 in 2008 pursuant to his employment agreement and the Executive Incentive Bonus Plan. The performance target for 2008 was our achievement of approximately \$150 million of EBITDA, which represents 80% of the targeted EBITDA established by the Board of Directors.

(c) The amounts shown in this column represent the aggregate grant date fair value in 2010, 2009, and 2008 with respect to shares of restricted stock and stock options. The 2008 award values were recalculated from amounts shown in prior filings made by us with SEC to reflect their grant date fair values, as required by SEC rules effective for 2010. See Notes 6 and 13 to Notes to the Consolidated Financial Statements included in this Report for a discussion for the relevant assumptions used in calculating grant date fair value.

(d) Option awards include, as applicable, Iconix options and equity-based compensation instruments that have option-like features and amounts represent grant date fair value.

(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 2010, 2009 and 2008 other than the cash payments of \$500,000 in each of 2010 and 2009. Mr. Blumberg received upon our consummation of an acquisition in 2010 that had a “value” (as defined in his employment agreement) of greater than \$30 million and the consummation of two acquisitions in 2009, each of which had a “value” (as defined in his employment agreement) of less than \$30 million, and the performance-based payments received by Mr. Cole in 2010, 2009 and 2008 described in footnote (b) above.

(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 were no defined benefit plans, actuarial plans, or non-qualified deferred compensation for 2010, 2009, and 2008.

(g) All other compensation includes, as applicable, car allowances 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) Represents premiums paid by us on a life insurance policy for the benefit of the beneficiaries of Mr. Cole, as well as a car allowance.

(2) Represents amounts paid by us for executives' car allowances.

(3) Mr. Clamen currently serves as our executive vice president and chief financial officer. Prior to November 2008, Mr. Clamen served as our chief financial officer. Mr. Tarshis currently serves as our executive vice president and general counsel. Prior to November 2008, Mr. Tarshis served as our senior vice president and general counsel.

(4) Mr. Shmidman currently serves as our chief operating officer. Prior to July 2010, Mr. Shmidman served as our executive vice president of operations since August 2009. Prior to August 2009, Mr. Shmidman served as our Senior Vice President. Compensation information for 2008 is not provided since Mr. Shmidman was not an executive officer during that year.

(5) Since February 2009 Mr. Blumberg has served as our Head of Strategic Development and he became an executive officer in August 2009 when he assumed the position of executive vice president-head of strategic development. Prior to February 2009, Mr. Blumberg served us as a full-time consultant overseeing our mergers and acquisitions activities.

GRANTS OF PLAN-BASED AWARDS

| Name | Grant Date | Estimated Future Payouts Under Non-Equity Incentive Plan Awards | | | Estimated Future Payouts Under Equity Incentive Plan Awards | | | All Other Awards: Number of Shares of Stock | All Other Awards: Number of Securities Underlying Awards | Exercise or Base Price of Option Awards (\$/Sh) | Closing Price of Common Stock Date of Grant | Grant Date Fair Value of Stock and Option Awards |
|-----------------|------------|---|---------------------|--------------------|---|---------------------|-----------|---|--|---|---|--|
| | | Threshold Target (\$) | Maximum Target (\$) | Time Threshold (#) | Threshold Target (\$) | Maximum Target (\$) | Units (#) | | | | | |
| Neil Cole | - | - | - | - | - | - | - | - | - | - | - | \$ - |
| Warren Clamen | 4/8/10 | - | - | - | - | - | - | 3,145 | - | - | 16.63 | \$ 52,301 |
| Andrew Tarshis | 4/8/10 | - | - | - | - | - | - | 3,145 | - | - | 16.63 | \$ 52,301 |
| Yehuda Shmidman | 4/8/10 | - | - | - | - | - | - | 3,145 | - | - | 16.63 | \$ 52,301 |
| | 8/3/10 | - | - | - | - | - | - | 17,794 | - | - | 16.86 | \$ 300,007 |
| David Blumberg | 6/3/10 | - | - | - | - | - | - | - | 15,000 | 16.33 | - | \$ 109,530 |
| | 12/31/10 | - | - | - | - | - | - | 17,913 | - | - | 19.31 | \$ 345,900 |

NARRATIVE TO SUMMARY COMPENSATION TABLE AND PLAN-BASED AWARDS TABLE

Employment Agreements

The compensation committee determines the compensation, including related terms of employment agreements with us for those who have them, for each of the named executive officers.

Neil Cole

On January 28, 2008, we entered into a five-year (subject to a one-year extension) employment agreement (the “new employment agreement”), effective as of January 1, 2008, with Neil Cole, chairman of the board, president and chief executive officer, which replaced his prior employment agreement that expired on December 31, 2007 and is described below. The new employment agreement also superseded and terminated the prior non-competition and non-solicitation agreement between us and Mr. Cole, which, among other things, provided for him to receive 5% of the sale price upon a sale of our Company under certain circumstances.

Consistent with our philosophy on executive compensation, Mr. Cole’s new employment agreement reflects a substantial portion of his compensation in the form of long-term equity incentives, including performance stock incentives that vest upon the achievement of specific metrics defined in the agreement, particularly, growth in EBITDA, market capitalization and stock price as measured by targets to be established and certified by the compensation committee.

As described above, in connection with the negotiation of the new employment agreement with Mr. Cole, the compensation committee retained James F. Reda & Associates LLC, as its outside compensation consulting firm to provide advice. In assisting the compensation committee, James F. Reda & Associates LLC performed market research as to compensation levels in similarly capitalized companies in the industry, as well as companies that had achieved similar growth. James F. Reda & Associates LLC also familiarized itself with the circumstances surrounding Mr. Cole's expiring contract and separate non-competition and non-solicitation agreement, which provided Mr. Cole with 5% of the proceeds upon a sale of the Company under certain circumstances. As various aspects of our business, operations and management are unique, the compensation committee utilized the James F. Reda & Associates LLC research as one resource, rather than a stand-alone tool, in assessing the appropriate level of compensation and other terms under Mr. Cole's new employment agreement.

Under his new employment agreement, Mr. Cole is entitled to an annual base salary of \$1,000,000 and received a signing bonus of \$500,000.

Pursuant to the terms of the employment agreement Mr. Cole has been granted 1,181,684 time-vested restricted common stock, or RSUs, and 787,789 performance-based restricted common stock units, or PSUs, under our 2006 Equity Incentive Plan and 2009 Equity Incentive Plan. The RSUs vest in five substantially equal annual installments commencing on December 31, 2008, subject to Mr. Cole's continuous employment with us on the applicable vesting date, and the PSUs are subject to vesting based on our achievement of the following performance goals: 50% is tied to the achievement of EBITDA growth, 25% is tied to the achievement of market cap growth, and 25% is tied to the achievement of stock price growth. Both grants are subject to forfeiture upon the termination of Mr. Cole's employment under certain circumstances. In addition, Mr. Cole's ability to sell or otherwise transfer the common stock underlying the RSUs and the PSUs while he is employed by us is subject to certain restrictions.

The annual performance goals required for the portion of Mr. Cole's PSUs to vest for the year ended December 31, 2010 were as follows: EBITDA of \$194.0 million, (for which Mr. Cole earned 118,169 PSUs); market capitalization of \$1,585.2 million, (for which Mr. Cole earned no PSUs); and a stock price of \$27.62 per share, (for which Mr. Cole earned no PSUs).

On December 24, 2008, we entered into an agreement with Mr. Cole which amended his employment agreement and the related RSU agreement to provide, among other things for the deferral of the issuance to Mr. Cole of the 1,181,684 shares of our common stock to which he is entitled to receive under the RSUs granted to him under the employment agreement until the earlier of (i) the date Mr. Cole is no longer employed by either (a) us or (b) any corporation or other entity owning, directly or indirectly, 50% or more of our outstanding common stock, or in which we or any such corporation or other entity owns, directly or indirectly, 50% or more of the outstanding capital stock (determined by aggregate voting rights) or other voting interests or (ii) a change in control (as defined in the new employment agreement). In consideration of Mr. Cole's agreement to delay the distribution to him of such shares of our common stock to which he will be entitled to receive under the RSUs as noted above, the agreement also provided for the award to Mr. Cole of an annual cash bonus to be granted under our executive incentive bonus plan, in the amount equal to five hundred thousand dollars (\$500,000) for each of the four completed calendar years commencing with the calendar year from January 1, 2009 through December 31, 2009, and ending with the calendar year from January 1, 2012 through December 31, 2012 if either of one of two performance measures specified in the agreement have been satisfied. The two performance measures are as follows: (a) if the percentage determined by dividing our EBITDA by our revenues for the calendar year in question places us in the top 50% of the companies contained in the Standard & Poors Small Cap Retailing Index at the end of that calendar year or (b) if our annual revenue percentage growth for the calendar year in question when compared to the immediately preceding calendar year places us in the top 50% of those companies contained in the Standard & Poors Small Cap Retailing Index at the end of that calendar year.

Mr. Cole is also entitled to various benefits, including benefits available to our other senior executives and certain automobile, air travel and life insurance benefits pursuant to the new employment agreement.

In addition to his salary and benefits, Mr. Cole is eligible to receive an additional annual cash bonus for each completed calendar year, including as a performance goal thereunder the targets specified in the employment agreement. This cash bonus shall not exceed 150% of Mr. Cole's base salary. The bonus shall be a percentage of the base salary determined based on the level of our consolidated earnings before interest, taxes, depreciation and amortization of fixed assets and intangible assets achieved for such year against a target level established for such year by the compensation committee of our board of directors, in the compensation committee's sole discretion, but with prior consultation with Mr. Cole, as follows:

| Annual Level of Targeted EBITDA Achieved | % of Base Salary | |
|--|------------------|---|
| less than 80% | 0 | % |
| 80% (threshold) | 50 | % |
| 90% | 75 | % |
| 100% (target) | 100 | % |
| 105% | 110 | % |
| 110% | 122.5 | % |
| 115% | 135 | % |
| 120% or more (maximum) | 150 | % |

Mr. Cole's annual bonus, if earned, will be paid in a lump sum cash payment in the calendar year following the calendar year for which such bonus is earned.

Under Mr. Cole's new employment agreement, if we terminate Mr. Cole's employment for "cause" or if Mr. Cole terminates his employment without "good reason", he will receive his earned and/or accrued but unpaid compensation, other than any bonus compensation, then due to him and shares of common stock in respect of any of his already vested restricted stock units. If we terminate Mr. Cole's employment without cause or if Mr. Cole terminates his employment for good reason, he will receive, in addition to the foregoing, an amount equal to two times his base salary then in effect plus any previously earned but unpaid annual bonus for a prior fiscal year and a pro-rata portion of the annual bonus for the year of termination, and, if such termination or resignation occurs prior to January 1, 2011, two times the average of the annual bonus amounts he received for the two prior completed fiscal years. In addition, that portion of his performance-based stock units subject to vesting in the year of termination based on performance goals achieved as of the date of termination, and 75% of his unvested restricted stock units, will vest. If his employment is terminated by us without cause or by him for good reason within 12 months of a change in control, the amount of his base salary-related payment will increase to three times, instead of two times, his base salary then in effect and that portion of his performance-based stock units that would vest in the year of termination or in the future based on performance goals achieved as of the date of the change of control, and all of his unvested restricted stock units, will vest, and if such change in control occurs prior to January 1, 2011, Mr. Cole will also receive three, instead of two, times the average of the annual bonus amounts he received for the three, instead of two, prior completed fiscal years.

If Mr. Cole's employment terminates as a result of his disability or death, he or his estate will be entitled to any previously earned and unpaid compensation then due to him plus any previously earned but unpaid annual bonus for the prior fiscal year and a pro-rata portion of the annual bonus for the year of such termination. In addition, that portion of his performance-based stock units subject to vesting in the year of termination based on performance goals achieved as of the date of termination, and 100% (50% in the event of disability) of his unvested restricted stock units, will vest.

The new employment agreement with Mr. Cole also contains certain non-competition and non-solicitation covenants restricting such activities for periods equal to the term of the agreement and any renewal period plus one and two years, respectively, after the agreement is terminated for any reason.

Warren Clamen and Andrew Tarshis

On November 11, 2008, we entered into new employment agreements with each of the following executive officers replacing their prior employment agreements with us: (i) Andrew Tarshis, referred to as the Tarshis employment agreement and (ii) Warren Clamen, referred to as the Clamen employment agreement and, together with the Tarshis employment agreement, the Clamen/Tarshis employment agreements and each of Mr. Tarshis and Mr. Clamen are referred to in the description of the Clamen/Tarshis employment agreements below as an executive. The Clamen/Tarshis employment agreements provide for the employment of Mr. Tarshis as our executive vice president and general counsel and Mr. Clamen as our executive vice president and chief financial officer, for three-year terms.

Under the Clamen/Tarshis employment agreements, each executive is entitled to an annual base salary of not less than \$350,000, \$400,000 and \$400,000, during the first, second and third years of the term of his employment agreement. In addition, each executive is entitled to participate in our executive bonus program and is eligible to receive bonuses of up to 100% of his base salary or such maximum amount available under any executive bonus program generally applicable to our senior executives.

Pursuant to the terms of the Clamen/Tarshis employment agreements, they each received an award of 70,542 shares of our common stock in 2009. The shares vest in three equal annual installments with the first installment vesting on November 11, 2009, subject to acceleration under certain circumstances set forth in the Clamen/Tarshis employment agreements. Each executive is also entitled to various benefits, including benefits available to our other senior executives and certain automobile, life insurance and medical benefits.

Under the Clamen/Tarshis employment agreements, if either of the executive's employment is terminated by us for "cause" or by the executive without "good reason" (as defined in the Clamen/Tarshis employment agreements), he will receive his earned and unpaid base salary through the date of termination and shares of common stock in respect of any of his already vested stock awards. If an executive's employment is terminated by us without cause or by the executive for good reason, he will receive, in addition to the foregoing, an amount equal to his applicable base salary for the remaining term of the Clamen/Tarshis employment agreement plus any earned but unpaid annual bonus for a prior year ("prior year bonus") and a pro-rata portion of any bonus for the year of termination ("pro rata bonus"). In addition, any unvested portion of his stock award will vest. If the employment of an executive is terminated by us without cause or by him for good reason within 12 months of a "change in control" (as defined in the Clamen/Tarshis employment agreements), in addition to the foregoing payments he will also receive an amount equal to \$100 less than three times the executive's "annualized includable compensation for the base period" (as defined in the Internal Revenue Code). If an executive's employment terminates as a result of his disability or death, the executive or his estate will be entitled to any earned and unpaid base salary, plus any prior year bonus and pro rata bonus. In addition, any unvested portion of his stock award will vest.

The Clamen/Tarshis employment agreements also contain certain non-competition and non-solicitation covenants restricting such activities for certain specified periods.

The prior employment agreements between us and each of Messrs. Clamen and Tarshis cover periods prior to November 11, 2008, and are summarized below.

Effective March 9, 2005, we entered into an employment agreement, subsequently amended on October 27, 2006, with Warren Clamen, which, as amended, provided for him to serve as our chief financial officer until October 27, 2008, subject to earlier termination as specified in the agreement (this agreement expired on October 27, 2008). This agreement was superseded by Mr. Clamen's new employment agreement dated November 11, 2008. Mr. Clamen's prior employment agreement provided for him 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, under the prior employment agreement Mr. Clamen was eligible to participate in any executive bonus program that we had in effect during the term of the employment agreement. Pursuant to this prior 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 ceased 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 to this prior employment agreement in October 2006, we also issued to Mr. Clamen 10,971 shares of our restricted common stock, which vested in two equal annual installments commencing on October 27, 2007.

On September 22, 2006, we entered into a employment agreement with Andrew Tarshis, which provided for him to serve as our senior vice president and general counsel until September 22, 2009 and provided 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. This agreement was superseded by Mr. Tarshis' new employment agreement dated November 11, 2008. Pursuant to his prior 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 prior employment agreement, Mr. Tarshis was 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.

Yehuda Shmidman

On November 17, 2009 we entered into a new employment agreement with Yehuda Shmidman, herein referred to as the Shmidman employment agreement. The Shmidman employment agreement provides for the employment of Mr. Shmidman as our executive vice president of operations for a term of three years. In July 2010, Mr. Shmidman was promoted to chief operating officer.

Under the Shmidman employment agreement, Mr. Shmidman is entitled to an annual base salary of not less than \$350,000, \$375,000 and \$400,000, during the first, second and third years of the term of his employment agreement. In addition, under the employment agreement Mr. Shmidman received a bonus of \$150,000 in 2009 and commencing in 2010 he became eligible to participate in our executive bonus program and is eligible to receive bonuses of up to 100% of his base salary or such maximum amount available under any executive bonus program generally applicable to our senior executives.

Pursuant to the terms of the Shmidman employment agreement, Mr. Shmidman received an award of 74,788 shares of our common stock. The shares vest in three equal annual installments with the first installment vesting on November 16, 2010, subject to acceleration under certain circumstances set forth in the Shmidman employment agreement. Mr. Shmidman is also entitled to various benefits, including benefits available to our other senior executives and certain automobile, life insurance and medical benefits.

Under the Shmidman employment agreement, if Mr. Shmidman's employment is terminated by us for "cause" or by himself without "good reason" (as defined in the Shmidman employment agreement), he will receive his earned and unpaid base salary through the date of termination and shares of common stock in respect of any of his already vested stock awards. If an Mr. Shmidman's employment is terminated by us without cause or by Mr. Shmidman for good reason, he will receive, in addition to the foregoing, an amount equal to his applicable base salary for the remaining term of the Shmidman employment agreement plus any prior year bonus and a pro rata bonus. In addition, any unvested portion of his stock award will vest. If the employment of Mr. Shmidman is terminated by us without cause or by him for good reason within 12 months of a "change in control" (as defined in the Shmidman employment agreement), in addition to the foregoing payments he will also receive an amount equal to \$100 less than three times the executive's "annualized includable compensation for the base period" (as defined in the Internal Revenue Code). If Mr. Shmidman's employment terminates as a result of his disability or death, he or his estate will be entitled to any earned and unpaid base salary, plus any prior year bonus and pro rata bonus. In addition, any unvested portion of his stock award will vest.

The Shmidman employment agreement also contains certain non-competition and non-solicitation covenants restricting such activities for certain specified periods.

The prior employment agreement between us and Mr. Shmidman covered periods prior to November 17, 2009, and is summarized below.

Effective November 6, 2006, we entered into an employment agreement with Yehuda Shmidman which provided for him to serve as our vice president until November 5, 2009, subject to earlier termination as specified in the agreement (this agreement expired on November 5, 2009). This agreement was superseded by Mr. Shmidman's new employment agreement dated November 17, 2009. Mr. Shmidman's prior employment agreement provided for him to receive a base salary of no less than \$150,000 per year for the year ending November 5, 2007, no less than \$200,000 for the year ending November 5, 2008, and no less than \$250,000 for the year ended November 5, 2009, plus certain fringe benefits. In addition, under the prior employment agreement Mr. Shmidman was eligible to participate in any executive bonus program that we had in effect during the term of the employment agreement. Pursuant to this prior employment agreement, in November 2006, we granted Mr. Shmidman 17,626 shares of our restricted common stock, which vested in three equal annual installments commencing on November 5, 2007.

David Blumberg

On February 26, 2009, we entered into an employment agreement with Mr. David Blumberg effective as of January 1, 2009 that provides for the employment of Mr. Blumberg as our Head of Strategic Development for a three-year term. From November 2006 until the commencement of his employment with us in 2009, Mr. Blumberg provided consulting services to us.

Under the employment agreement, Mr. Blumberg is entitled to an annual base salary of not less than \$400,000. In addition, Mr. Blumberg is entitled to payments after the closing by us or our subsidiaries of an “acquisition” (as defined in the employment agreement) in or of any entity, business, brand, trademark, service mark, patent, license, revenue stream or other asset during the term of the agreement and, under certain circumstances, for a 90 day period after termination of the agreement. Subject to an annual acquisition payment cap of 2.5 times his then current base salary (a current annual \$1 million cap), Mr. Blumberg will receive \$500,000 for acquisitions that have a “value” (as defined in the employment agreement), of \$30 million or more and \$250,000 for acquisitions with a lesser “value”. Under Mr. Blumberg’s employment agreement, the value of an acquisition generally shall mean the projected gross revenue stream to be derived by us from such acquisition during the first complete year following the closing of the acquisition, subject to certain adjustments such as deductions for operational and transaction expenses.

In addition, under the employment agreement Mr. Blumberg is also entitled to receive an award of up to 107,476 shares of our common stock, referred to as the award shares. For each acquisition that closes during a calendar year one sixth of the shares will vest at the end of such calendar year subject to an annual vesting cap specified in the employment agreement. On December 31, 2010 and 2009 a total of 17,913 and 35,826, respectively, of the award shares were granted to Mr. Blumberg and vested. To date the Company has not granted the balance of the award to Mr. Blumberg. Any of the award shares that would have vested in a particular year but for the cap instead will vest on December 31, 2011, subject to certain forfeiture provisions. Mr. Blumberg is also entitled to various benefits, including benefits available to our other senior employees including an automobile allowance and certain life insurance and medical and dental benefits.

If Mr. Blumberg’s employment is terminated by us for “cause” or by him without “good reason” (each as defined in the employment agreement), he will receive his earned and unpaid base salary through the date of termination and shares of common stock in respect of any already vested stock awards, including award shares, or, if the award shares have not been granted, the vested portion of the alternate payment described below. In addition, subject to the acquisition cap, Mr. Blumberg will receive the acquisition payment for any acquisition that closes within 90 days of his termination. If his employment is terminated by us without cause or by him for good reason, he will receive, in addition to the foregoing, an amount equal to his base salary for the remaining agreement term plus any earned but unpaid annual bonus for a prior year or other completed period (the prior year bonus) and any unvested portion of his stock award will vest. In addition, subject to the acquisition cap, he will receive the acquisition payment for any acquisition that closes within 90 days of such termination. If his employment is terminated by us without cause or by him for good reason within 12 months of a “change in control” (as defined in the employment agreement), in addition to the foregoing payments he would have received had he been terminated without a change of control, he will also receive an amount equal to equal to three (3) times the greater of (i) \$400,000 or \$100 less than the average of the annual cash compensation received by him on or after January 1, 2009 in his capacity as an employee of the Company during the “base period” (as defined in Section 280G of the Internal Revenue Code) subject to an “excess parachute” payment limitation (as defined in Section 280G). Annual cash compensation includes base salary plus any acquisition payments and acquisition bonus payments paid to him. If Mr. Blumberg’s employment terminates as a result of his disability or death, he or his estate will be entitled to any earned and unpaid base salary, plus any prior year bonus and any unvested portion of his stock award will vest and subject to the acquisition cap, the acquisition payment for any acquisition that closes within 90 days of the date of death or disability.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table sets forth information with respect to outstanding equity-based awards at December 31, 2010 for our named executive officers.

| Name | Option Awards | | | | | Stock Awards | | | | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) |
|--------------------|--|----------------------|---------------------|-----------------|---|---|--|--|--|--|
| | Number of Securities Underlying Unexercised Options (#)(a) | Number of Awards (#) | Exercise Price (\$) | Expiration Date | Number of Shares or Units of Stock That Have Not Vested (#) | Vesting Date of Shares or Units of Stock That Have Not Vested | Market Value of Shares or Units of Stock That Have Not Vested (\$) | Number of 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(1) | 76,500 | - | 2.30 | 10/26/2011 | 236,337(1) | 12/31/2011 | \$4,563,667 | 157,558(2) | \$3,042,445 | |
| | 273,500 | - | 2.30 | 10/26/2011 | 236,337(1) | 12/31/2012 | 4,563,667 | 157,558(2) | 3,042,445 | |
| | 600,000 | - | 2.75 | 4/23/2012 | - | - | - | 78,779 | 1,521,222 | |
| | 15,000 | - | 4.41 | 5/22/2012 | - | - | - | 78,779 | 1,521,222 | |
| | 800,000 | - | 4.62 | 3/29/2015 | - | - | - | 78,779 | 1,521,222 | |
| | 200,000 | - | 10.00 | 12/28/2015 | - | - | - | - | - | |
| Warren Clamen | | | | | 3,145 | 4/8/2011 | \$60,730 | - | - | |
| | | | | | 23,514 | 11/11/2011 | 454,055 | - | - | |
| Andrew Tarshis | | | | | 3,145 | 4/8/2011 | \$60,730 | - | - | |
| | | | | | 23,514 | 11/11/2011 | 454,055 | - | - | |
| Yehuda Shmidman | | | | | 24,930 | 11/16/2011 | \$481,398 | - | - | |
| | | | | | 24,929 | 11/16/2012 | 481,379 | - | - | |
| | | | | | 3,145 | 4/8/2011 | 60,730 | - | - | |
| | | | | | 5,932 | 8/3/2011 | 114,547 | - | - | |
| | | | | | 5,931 | 8/3/2012 | 114,528 | - | - | |
| | | | | | 5,931 | 8/3/2013 | 114,528 | - | - | |
| David Blumberg (3) | 30,000 | - | \$20.18 | 3/9/2017 | - | - | - | - | - | |
| | 55,000 | - | 20.40 | 3/30/2017 | - | - | - | - | - | |
| | 55,000 | - | 23.66 | 10/3/2017 | - | - | - | - | - | |
| | 30,000 | - | 20.02 | 12/17/2017 | - | - | - | - | - | |
| | 20,000 | - | 6.65 | 10/2/2018 | - | - | - | - | - | |
| | 15,000 | - | 17.16 | 9/22/2019 | - | - | - | - | - | |

| | | | | | | | | | |
|--------|---|---|-------|------------|---|---|---|---|---|
| 15,000 | - | - | 11.66 | 10/30/2019 | - | - | - | - | - |
| 15,000 | - | - | 16.33 | 6/3/2020 | - | - | - | - | - |

- (1) Mr. Cole was granted 1,181,684 RSUs, and 571,150 performance-based restricted common stock units, or PSUs, on February 19, 2008 pursuant to his employment agreement with us. On December 24, 2008, Mr. Cole agreed, in an amendment to his employment agreement, to defer the issuance of 1,181,684 shares of common stock underlying the RSUs until the earlier of (i) the date Mr. Cole is no longer employed by either (a) us or (b) any corporation or other entity owning, directly or indirectly, 50% or more of our outstanding common stock, or in which we or any such corporation or other entity owns, directly or indirectly, 50% or more of the outstanding capital stock (determined by aggregate voting rights) or other voting interests or (ii) a change in control (as defined in the employment agreement). In consideration of Mr. Cole's agreement to delay the distribution to him of such shares of our common stock to which he will be entitled to receive under the RSUs as noted above, the agreement also provided for the award to Mr. Cole of an annual cash bonus to be granted under our executive incentive bonus plan, in the amount equal to \$500,000 for each of the four completed calendar years commencing with the calendar year from January 1, 2009 through December 31, 2009, and ending with the calendar year from January 1, 2012 through December 31, 2012 if either one of two performance measures specified in the agreement have been satisfied. The 1,181,684 RSUs continue to vest in five substantially equal installments on each December 31st, beginning on December 31, 2008 and subject to Mr. Cole's continuous employment with us, although the delivery of the shares underlying such RSUs has been deferred as described above.
- (2) As noted above, Mr. Cole was granted 1,181,684 RSUs and 571,150 PSUs on February 19, 2008 pursuant to his employment agreement with us. At that time he was also entitled to receive an additional 216,639 PSU's under his employment agreement. On May 21, 2008, Mr. Cole entered into an agreement with us that provided for the rescission of 256,034 of the previously granted 571,150 PSUs, which rescinded PSUs were then added to 216,639 additional PSUs he was entitled to under his employment agreement (a total of 472,673 PSUs). These 472,673 PSUs were granted to Mr. Cole in 2009. The 551,452 PSUs reflected in the table represent the unearned portion of the 787,790 PSUs granted to Mr. Cole under the terms of his employment agreement. In February 2011, the Compensation Committee determined that the \$194.0 million EBITDA target was achieved, and, therefore, Mr. Cole earned 118,169 of the 157,558 PSU's that he was eligible to earn for the year ended December 31, 2010. In February 2010, the Compensation Committee determined that the \$160 million EBITDA target was achieved, and, therefore, Mr. Cole earned 39,390 of 157,558 PSU's that he was eligible to receive for the year ended December 31, 2009. In February 2009, the Compensation Committee determined that the \$147 million EBITDA target was achieved, and, therefore, Mr. Cole earned 78,779 of 157,558 PSU's that he was eligible to receive for the year ended December 31, 2008. The other performance goals involving market capitalization and share price were not achieved with respect to the years ended December 31, 2010, 2009 and 2008.
- (3) At December 31, 2010 and 2009 Mr. Blumberg had been awarded 17,913 and 35,826, respectively, of the 107,476 shares of common stock issuable under his employment agreement. All of the 17,913 and 35,826 shares awarded on each such date vested on such date.

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Grant dates and vesting dates for all outstanding equity awards at December 31, 2010 are as follows:

| Name | Number of Securities Underlying Unvested Restricted Stock (#) | Number of Securities Underlying Unexercised Options Exercisable (#) | Grant Date | Vesting Date |
|-----------------|---|---|------------|--------------|
| Neil Cole | - | 76,500 | 10/26/2001 | 10/26/2001 |
| | - | 273,500 | 10/26/2001 | 10/26/2001 |
| | - | 200,000 | 4/23/2002 | 2/1/2003 |
| | - | 200,000 | 4/23/2002 | 2/1/2004 |
| | - | 200,000 | 4/23/2002 | 2/1/2005 |
| | - | 15,000 | 5/22/2002 | 5/22/2002 |
| | - | 800,000 | 3/29/2005 | 3/29/2005 |
| | - | 200,000 | 12/28/2005 | 12/28/2005 |
| | 236,337 | - | 8/13/2009 | 12/31/2011 |
| | 236,337 | - | 8/13/2009 | 12/31/2012 |
| | 78,779 | - | 1/28/2008 | 12/31/2012 |
| | 78,779 | - | 8/13/2009 | 12/31/2012 |
| | 78,779 | - | 8/13/2009 | 12/31/2012 |
| | 157,558 | - | 8/13/2009 | 12/31/2011 |
| 157,558 | - | 8/13/2009 | 12/31/2012 | |
| Warren Clamen | 23,514 | - | 9/22/2009 | 11/10/2011 |
| | 3,145 | - | 4/8/2010 | 4/8/2011 |
| Andrew Tarshis | 23,514 | - | 9/22/2009 | 11/10/2011 |
| | 3,145 | - | 4/8/2010 | 4/8/2011 |
| Yehuda Shmidman | 24,929 | - | 11/17/2009 | 11/16/2011 |
| | 24,929 | - | 11/17/2009 | 11/16/2012 |
| | 3,145 | - | 4/8/2010 | 4/8/2011 |
| | 5,932 | - | 8/3/2010 | 8/3/2011 |
| | 5,931 | - | 8/3/2010 | 8/3/2012 |
| 5,931 | - | 8/3/2010 | 8/3/2013 | |
| David Blumberg | - | 30,000 | 3/9/2007 | 3/9/2007 |
| | - | 55,000 | 3/30/2007 | 3/30/2007 |
| | - | 55,000 | 10/3/2007 | 10/3/2007 |
| | - | 30,000 | 12/17/2007 | 12/17/2007 |
| | - | 20,000 | 10/2/2008 | 10/2/2008 |
| | - | 15,000 | 9/22/2009 | 9/22/2009 |
| | - | 15,000 | 10/30/2009 | 10/30/2009 |
| - | 15,000 | 6/3/2010 | 6/3/2010 | |

OPTION EXERCISES AND STOCK VESTED

The following table sets forth certain information regarding exercise of options and vesting of restricted stock held by our named executive officers during the year ended December 31, 2010.

| Name | Option Awards | | Stock Awards | |
|-----------------|---|---------------------------------------|---|-----------------------------------|
| | Number of Shares Acquired on Exercise(1) (#) | Value Realized on Exercise(2) (\$) | Number of Shares Acquired on Vesting (#) | Value Realized on Vesting (\$) |
| Neil Cole | 245,366 | \$ 3,496,466 | 236,337(3) | \$ 4,563,667 |
| | - | - | 118,169(3) | 2,281,843 |
| Warren Clamen | 60,000 | \$ 742,800 | 2,982 | \$ 49,374 |
| | 50,000 | 372,000 | 1,624 | 24,539 |
| | - | - | 23,514 | 419,725 |
| Andrew Tarshis | 10,000 | \$ 86,300 | 2,982 | \$ 49,374 |
| | - | - | 1,624 | 24,539 |
| | - | - | 23,514 | 419,725 |
| Yehuda Shmidman | 10,000 | \$ 88,600 | 4,979 | \$ 82,452 |
| | 10,000 | 74,400 | 2,166 | 32,728 |
| | - | - | 24,929 | 442,246 |
| David Blumberg | - | - | 35,826 | \$ 453,915 |

(1) The number of shares reflects the gross amount issued upon the exercise of the options and does not give effect to the withholding of a portion of the shares by us to satisfy certain withholding tax liability of the person exercising the options.

(2) Included in this column is the aggregate dollar amount realized by the named executive officer upon exercise of the options.

(3) Includes 236,337 shares of common stock underlying RSU's that vested on December 31, 2010 and 118,169 shares of common stock underlying PSU's that were deemed earned by the compensation committee for the year ended December 31, 2010 as more fully discussed in footnote 2 to the table of Outstanding Equity Awards at Fiscal Year-End. The delivery of the 236,337 shares of common stock underlying the RSU's was deferred, as more fully discussed in footnote 1 to the table of Outstanding Equity Awards at Fiscal Year-End.

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.

Except as provided in the footnotes below, 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 | Warren Clamen | A n d r e w Tarshis | Yehuda Shidman | David Blumberg |
|-------------------|-------------------|-------------------|-----------------------------|-------------------|-------------------|
| Confidentiality | Infinite duration | Infinite duration | I n f i n i t e duration | Infinite duration | Infinite duration |
| Non-solicitation | Two years | Three years(1) | Three years(1) | Three years(1) | Two years(3) |
| Non-competition | One year | Two years(1) | Two years(1) | Three years(1) | Three years(3) |
| Non-interference | (2) | Three years(1) | Three years(1) | Three years(1) | Two years(3) |
| Non-disparagement | Five years | None | None | None | None |

(1) Covenant runs from the date of the executive's current employment agreement.

(2) Mr. Cole's employment agreement with us provides that during the term and a period of (i) two years thereafter, Mr. Cole cannot solicit our employees and (ii) one year thereafter, Mr. Cole cannot solicit our customers.

(3) Covenant runs from the date the executive's employment is terminated.

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, 2010 and a "change in control" had not occurred:

| Type of Payment | Termination Event | Estimated Amount of Termination Payment to: | | | | |
|---|--|---|------------------|-------------------|--------------------|-------------------|
| | | Neil Cole(1) | Warren Clamen | Andrew Tarshis | Yehuda Shmidman | David Blumberg |
| Payment of earned but unpaid salary, unreimbursed expense, and accrued but unused vacation time (2) | Termination for Cause or by executive without Good Reason | none | none | none | none | none |
| Earned but unpaid bonuses (2) | Termination without Cause or by executive for Good Reason, death or disability | none | none | none | none | none |
| Lump Sum Severance Payment | Termination without Cause or by executive for Good Reason | \$ 6,350,000(3) | \$ 344,110(4) | \$ 344,110(4) | \$ 730,822(4) | 400,000(4) |

| | | | | | | | |
|--|---|-----------|----------|-----------|----------|----------|-----|
| Pro rata portion of current year bonuses | Death, termination without Cause, or termination by executive for Good Reason | \$ none | (6) none | (5) none | (5) none | (5) none | (6) |
| Continued coverage under medical, dental, hospitalization and life insurance plans | Death, termination without Cause, or termination by executive for Good Reason | \$ 52,388 | \$ 1,247 | \$ 44,207 | 44,072 | 44,207 | |

1 Upon Mr. Cole's termination without cause by us or for good reason by Mr. Cole, 75% of the then remaining unvested restricted stock units shall immediately vest, and the portion of performance based units shall become vested on the achievement of the performance goals through the date of termination.

2 At December 31, 2010, each named executive officer is assumed to have received all such payments.

3 Payable one half in monthly installments, and half on December 31, 2010.

4 These amounts are payable in lump sum within 30 days of termination.

5 All such bonuses are discretionary.

6 All such bonuses are performance based.

Change in Control Payments

In lieu of the lump sum severance payment upon termination without a change of control, Mr. Cole is entitled to a lump sum payment equal to three times his base salary plus three times his average annual bonus for the last three years upon termination following a change in control.

In addition to the payments made upon termination by the Company without cause or termination by the executive for good reason, the employment agreements with Messrs Tarshis, Clamen, Shmidman and Blumberg 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).

Under the circumstances described above, all of the named executive officers were 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, with the exception of Mr. Cole, may not equal or exceed an amount that would constitute an “excess parachute payment” (as defined in Section 280G of the Internal Revenue Code). With respect to Mr. Cole, such payment is due within 60 days of December 31, 2010.

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 have been entitled upon termination of employment if we had terminated their employment without cause within twelve (12) months following a “change in control” of our Company that (by assumption) occurred on December 31, 2010 and prior to the expiration of any employment agreements.

| Name | Cash Severance Payment (\$)(1) | Continuation of Medical/Welfare Benefits (Present Value) (\$) | Present Value of Accelerated Vesting of Equity Awards (\$)(1) | Present Value of Accelerated Payment of Bonus (\$) | Total Termination Benefits (\$) |
|-----------------|--------------------------------|---|---|--|---------------------------------|
| Neil Cole | \$9,525,000 (2) | \$ 39,741 | \$4,370,389 | \$- | \$13,935,130 |
| Warren Clamen | 2,558,196 (3) | 1,085 | 54,197 | - | 2,613,477 |
| Andrew Tarshis | 2,153,156 (4) | 33,705 | 51,025 | - | 2,237,886 |
| Yehuda Shmidman | 2,029,233 (5) | 33,705 | 294,693 | - | 2,357,631 |
| David Blumberg | 4,496,695 (6) | 33,705 | 1,037,661 | - | 5,568,062 |

(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 31, 2010.

(2) Payable within 60 days of termination.

(3) \$345,556 is payable within 30 days of termination. The difference is due within 15 days of termination

(4) \$345,556 is payable within 30 days of termination. The difference is due within 15 days of termination.

- (5) \$1,082,431 is payable within 30 days of termination. The difference is due within 15 days of termination.
- (6) \$ 400,000 is payable within 30 days of termination. The difference is due within 15 days of termination.

Director Compensation

The compensation committee determined that for each full year of service as a director of our company during 2010, each non-employee member of the Board would receive a cash payment of \$50,000, payable 50% on or about each January 1 and 50% on or about each July 1, and a number of restricted shares of common stock with a fair market value of \$100,000 on January 1, vesting 100% on July 1 of each year. In addition, the compensation committee determined that the audit committee chair would receive an annual stipend of \$15,000, and the chairs of the compensation committee and nominating and governance committee would receive an annual stipend of \$10,000, each payable each July 1.

The following table sets forth compensation information for 2010 for each person who served as a member of our Board of Directors at any time during 2010 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 (\$)(1)(2) | Change in Pension Value | | | | Total (\$) |
|--------------------|--|-------------------------------|-----------------------------|---|--|-----------------------------------|---------------|
| | | | Option Awards (\$)(2) | Non-Equity Incentive Compensation (\$) | and Nonqualified Plan Deferred Compensation Earnings | All Other Compensation (\$) | |
| Barry Emanuel | \$ 50,000 | \$ 100,000 | — | — | — | — | \$ 150,000 |
| Steven Mendelow(3) | 65,000 | 100,000 | — | — | — | — | 165,000 |
| Drew Cohen | 60,000 | 100,000 | — | — | — | — | 160,000 |
| F. Peter Cuneo | 50,000 | 100,000 | — | — | — | — | 150,000 |
| Mark Friedman | 60,000 | 100,000 | — | — | — | — | 160,000 |
| James A. Marcum | 50,000 | 100,000 | — | — | — | — | 150,000 |

(1) Represents the aggregate grant date fair value. See Note 6 to Notes to the Consolidated Financial Statements included in this Report for a discussion for the relevant assumptions used in calculating grant date fair value.

(2) At December 31, 2010 our non-employee directors owned the following unexercised options - Drew Cohen 50,000; Barry Emanuel - 191,173; and Steven Mendelow - 100,250.

(3) Mr. Mendelow resigned from the Board of Directors on December 7, 2010.

Director Compensation for 2011. For 2011, each non-employee member of the Board will receive an annual cash payment of \$50,000, payable 50% on or about January 1 and 50% on or about July 1, and an award on January 1, 2011 of a certain number of restricted shares of our common stock with a fair market value of \$100,000 on January 1, 2011, all of which vests on July 1, 2011.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table presents information regarding beneficial ownership of our common stock as April 14, 2011 by each of our directors and our named executive officers, all of our executive officers and directors, as a group, and each person known by us to beneficially hold more than five percent 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, restricted stock units and other convertible securities that are exercisable or convertible within 60 days of April 14, 2011 and shares of our common stock underlying restricted stock awards that vest within 60 days of April 14, 2011 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 72,889,583 shares of our common stock outstanding as of April 14, 2011. 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 | 3,005,388 | (1) | 4.0 | % |
| Warren Clamen | 39,146 | | * | |
| Andrew Tarshis | 16,940 | | * | |
| Yehuda Shmidman | 15,033 | | * | |
| David Blumberg | 263,920 | (2) | * | |
| Barry Emanuel | 159,529 | (3) | * | |
| Drew Cohen | 64,000 | (4) | * | |
| F. Peter Cuneo | 119,776 | | * | |
| Mark Friedman | 34,140 | | * | |
| James A. Marcum | 26,320 | | * | |
| Laurence N. Charney | - | (5) | * | |
| Baron Capital Group, Inc. 767 Fifth Avenue New York, NY 10153 | 3,900,000 | (6) | 5.4 | % |
| Black Rock Inc. 40 East 52nd Street New York, NY 10022 | 5,637,025 | (7) | 7.7 | % |
| Luxor Capital Group 1114 Avenue of the Americas, 29th Floor New York, NY 10036 | 6,089,298 | (8) | 8.4 | % |
| Dimensional Fund Advisors LP Palisades West, Building One 6300 Bee Cave Road Austin, TX 78746 | 3,894,296 | (9) | 5.3 | % |
| All directors and executive officers as a group (11 persons) | 3,764,092 | (10) | 5.0 | % |

* Less than 1%

(1) Includes (i) 1,965,000 shares of common stock issuable upon exercise of options (ii) 709,011 shares of common stock underlying restricted common stock units that have vested but the delivery of which Mr. Cole has agreed to defer and (iii) 20,000 shares of common stock owned by Mr. Cole's children. Does not include (i) shares held in Mr. Cole's account under the Company's 401(k) savings plan over which Mr. Cole has no current voting or investment power or (ii) 472,673 shares of common stock underlying restricted common stock units that have not vested, the delivery of which Mr. Cole has agreed to defer.

- (2) Includes (i) 45,000 shares of common stock issuable upon exercise of options owned by Mr. Blumberg, (ii) 190,000 shares of common stock issuable upon exercise of options owned by Blumberg Associates, LLC, and (iii) 16,000 shares owned by Blumberg Associates, LLC. Mr. Blumberg has voting and investment control over securities of the Company owned by Blumberg Associates, LLC.
- (3) Includes 141,073 shares of common stock issuable upon exercise of options.
- (4) Includes 50,000 shares of common stock issuable upon exercise of options.
- (5) On February 16, 2011, Mr. Charney was granted 4,114 shares of common stock which vest fully on July 1, 2011, which represents his equity compensation as a director for 2011, pro-rated for a partial year based on his start date. Mr. Charney was also granted 11,754 shares of common stock on February 16, 2011, which vests evenly on the one, two and three year anniversary of the grant.
- (6) Baron Capital Group, Inc. (“BCG”) is deemed to have beneficial ownership of these shares, which are held by BCG or entities that it controls. BCG and Ronald Baron disclaim beneficial ownership of the shares held by their controlled entities (or the investment advisory clients thereof) to the extent that persons other than BCG and Ronald Baron hold such shares. BAMCO, Inc. disclaims beneficial ownership of shares held by its investment advisory clients to the extent such shares are held by persons other than BAMCO, Inc. and its affiliates. The information provided is based upon Schedule 13G filed by BCG and its affiliates: Bamco, Inc.; Baron Small Cap Fund; and Ronald Baron, as amended on February 14, 2011.
- (7) On December 1, 2009, Black Rock, Inc. completed its acquisition of Barclays Global Investors, NA, herein referred to as Barclays Capital. The reported amounts include shares of our common stock beneficially owned by Barclays Capital and certain of its affiliates. The information is based upon a Schedule 13G filed February 4, 2011 by Black Rock, Inc.
- (8) Based on a Schedule 13-G filed on February 14, 2011, Luxor Capital Group, LP acts as the investment manager of Luxor Capital Partners, LP, a Delaware limited partnership (the “Onshore Fund”), Luxor Spectrum, LLC, a Delaware limited liability company (the “Spectrum Onshore Fund”), Luxor Wavefront, LP, a Delaware limited partnership (the “Wavefront Fund”), Luxor Capital Partners Offshore Master Fund, LP, a Cayman Islands limited partnership (the “Offshore Master Fund”), Luxor Capital Partners Offshore, Ltd., a Cayman Islands exempted company (the “Offshore Feeder Fund”), Luxor Spectrum Offshore Master Fund, LP, a Cayman Islands limited Partnership (the “Spectrum Offshore Master Fund”) and Luxor Spectrum Offshore, Ltd., a Cayman Islands exempted company (the “Spectrum Offshore Feeder Fund”) (the Onshore Fund, the Spectrum Onshore Fund, the Wavefront Fund, the Offshore Master Fund, the Offshore Feeder Fund, the Spectrum Offshore Master Fund and the Spectrum Offshore Feeder Funds are collectively referred to as the “Funds”) and to accounts it separately manages (the “Separately Managed Accounts”). The Offshore Master Fund is a subsidiary of Luxor Capital Partners Offshore, Ltd., a Cayman Islands exempted company (the “Offshore Feeder Fund”), and the Spectrum Offshore Master Fund is a subsidiary of Luxor Spectrum Offshore Master Fund, LP, a Cayman Islands limited Partnership (the “Spectrum Offshore Feeder Fund”). Luxor Management, LLC, a Delaware limited liability company (“Luxor Management”) is the general partner of Luxor Capital Group, LP, a Delaware limited partnership (“Luxor Capital Group”). Mr. Christian Leone, United States citizen, is the managing member of Luxor Management. LCG Holdings, LLC, a Delaware limited liability company (“LCG Holdings”) is the general partner of the Onshore Fund, the Wavefront Fund, the Offshore Master Fund, the Spectrum Offshore Master Fund and the managing member of the Spectrum Onshore Fund. Mr. Leone is the managing member of LCG Holdings. 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 Funds and the Separately Managed Accounts. 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 Spectrum Onshore

Fund, the Wavefront Fund, the Offshore Master Fund and the Spectrum Offshore Master Fund.

(9)Based on a Schedule 13G filed on February 11, 2011, Dimensional Fund Advisors LP, an investment adviser registered under Section 203 of the Investment Advisors Act of 1940, furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager to certain other commingled group trusts and separate accounts (such investment companies, trusts and accounts, collectively referred to as the “Funds”). In certain cases, subsidiaries of Dimensional Fund Advisors LP may act as an adviser or sub-adviser to certain Funds. In its role as investment advisor, sub-adviser and/or manager, neither Dimensional Fund Advisors LP or its subsidiaries (collectively, “Dimensional”) possess voting and/or investment power over the securities of the Issuer that are owned by the Funds, and may be deemed to be the beneficial owner of the shares of the Issuer held by the Funds. However, all securities reported in the referenced Schedule 13-G are owned by the Funds. Dimensional disclaims beneficial ownership of such securities.

(10) Includes (i) 2,391,073 shares of common stock issuable upon exercise of options and (ii) 709,011 shares underlying restricted stock and restricted stock unit awards.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth certain information with respect to all of the Company's equity compensation plans in effect as of December 31, 2010.

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) | Weighted-average exercise price of outstanding options, warrants and rights (b) | Number of securities remaining available for future issuance under equity compensation plans, (excluding securities reflected in column (a)) (c) |
|---|---|---|--|
| Equity compensation plans approved by security holders: | 1,945,935 | \$ 6.17 | 1,909,669 |
| Equity compensation plans not approved by security holders: : (1) | 900,500 | \$ 4.73 | — |
| Total | 2,846,435 | \$ 5.72 | 1,909,669 |

(1) Represents the aggregate number of shares of common stock issuable upon exercise of individual arrangements with option and warrant holders, including 300,500 options issued under the terms of our 2001 Stock Option Plan. These options and warrants are up to three years in duration, expire at various dates through December 28, 2015, contain anti-dilution provisions providing for adjustments of the exercise price under certain circumstances and have termination provisions similar to options granted under stockholder approved plans. See Note 6 of Notes to the Consolidated Financial Statements included in this Report for a description of our stock option and stock incentive plans.

Item 13. Certain Relationships and Related Transactions, and Director Independence

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

The Candie's Foundation

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 the Company \$0.9 million and \$0.8 million at December 31, 2010 and 2009, respectively. In February 2011, the Candie's Foundation received a contribution of approximately \$0.3 million from a licensee of ours. The Candie's Foundation intends to pay-off the entire borrowing from us during 2011, although additional advances will be made as and when necessary.

Travel

We recorded expenses of approximately \$116,000, \$326,000 and \$354,000 for 2010, 2009 and 2008, respectively, for the hire and use of aircraft solely for business purposes owned by a company in which our chairman, chief executive officer and president is the sole owner. We believe that all transactions were made on terms and conditions no less favorable than those available in the marketplace from unrelated parties.

Board Independence

Our Board has determined that Messrs. Cohen, Cuneo, Emanuel, Friedman, Marcum and Charney are each an “independent director” under the applicable Listing Rules of NASDAQ.

Item 14. Principal Accounting Fees and Services.

Audit Fees. The aggregate fees billed by BDO USA, LLP for professional services rendered for the audit of the Company's annual financial statements for 2010 and 2009, internal controls over financial reporting and the reviews of the financial statements included in the Company's Forms 10-Q, comfort letter and consents related to SEC registration statements and other capital raising activities for 2010 and 2009 totaled approximately \$600,000 and \$473,000, respectively.

Audit-Related Fees. There were approximately \$264,000 and \$265,650 aggregate fees billed by BDO USA, LLP for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements for 2010 and 2009, respectively, and that are not disclosed in the paragraph captions "Audit Fees" above. The majority of the audit-related fees in 2010 and 2009 were related to acquisitions.

Tax Fees. The aggregate fees billed by BDO USA, LLP for professional services rendered for tax compliance, for 2010 and 2009, were approximately \$55,000 and \$55,000, respectively. There were no fees billed by BDO USA, LLP for professional services rendered for tax advice and tax planning for 2010 and 2009.

All Other Fees. There were no fees billed by BDO USA, LLP for products and services, other than the services described in the paragraphs captions "Audit Fees", "Audit-Related Fees", and "Tax Fees" above for 2010 and 2009.

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 USA, LLP in 2010. Consistent with the Audit Committee's responsibility for engaging the Company's 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 USA, LLP.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) Documents included as part of this Annual Report

1. The following consolidated financial statements are included in this Annual Report:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets - December 31, 2010 and 2009

Consolidated Income Statements for the years ended December 31, 2010, 2009 and 2008

Consolidated Statements of Stockholders' Equity for the years ended December 31, 2010, 2009 and 2008

Consolidated Statements of Cash Flows for the years ended December 31, 2010, 2009 and 2008

Notes to Consolidated Financial Statements

The following consolidated financial statement schedule of Iconix Brand Group, Inc. and subsidiaries is included in Item 15(d):

Report of Independent Registered Public Accounting Firm on Financial Statement Schedule

Schedule II Valuation and qualifying accounts

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

3. See the Index to Exhibits for a list of exhibits filed as part of this Annual Report.

(b) See Item (a) 3 above.

(c) See Item (a) 2 above.

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.

ICONIX BRAND GROUP, INC.

Date: April 29, 2011

By: /s/ Neil Cole
Neil Cole
President and Chief Executive Officer

/s/ Warren Clamen
Warren Clamen
Executive Vice President and
Chief Financial Officer

Index to Exhibits

| Exhibit Numbers | Description |
|-----------------|---|
| 2.1 | Asset Purchase dated October 29, 2004 by and among B.E.M. Enterprise, Ltd., Escada (USA) Inc., the Company and Badgley Mischka Licensing LLC (1) |
| 2.2 | Asset Purchase Agreement dated July 22, 2005 by and among the Company, Joe Boxer Company, LLC, Joe Boxer Licensing, LLC, JBC Canada Holdings, LLC, Joe Boxer Canada, LP, and William Sweedler, David Sweedler, Alan Rummelsburg, Joseph Sweedler and Arnold Suresky (2) |
| 2.3 | Asset Purchase Agreement dated September 16, 2005 by and among the Company, Rampage Licensing, LLC, Rampage.com, LLC, Rampage Clothing Company, Larry Hansel, Bridgette Hansel Andrews, Michelle Hansel, Paul Buxbaum and David Ellis (3) |
| 2.4 | Merger Agreement dated as of March 31, 2006 by and among the Company, Moss Acquisition Corp., Mossimo, Inc., and Mossimo Giannulli (4) |
| 2.5 | Asset Purchase Agreement dated as of March 31, 2006, between the Company and Mudd (USA) LLC (5) |
| 2.6 | Amendment dated April 11, 2006 to Asset Purchase Agreement dated as of March 31, 2006 between the Company and Mudd (USA), LLC. (6) |
| 2.7 | Asset Purchase Agreement, dated as of August 21, 2006, between the Company and London Fog Group, Inc. (7) |
| 2.8 | Asset Purchase Agreement, dated as of October 31, 2006, between the Company, The Warnaco Group, Inc., and Ocean Pacific Apparel Corp. (including the forms of the Note and the Registration Rights Agreement) (27)+ |

2.9 Assets Purchase Agreement dated as of February 21, 2007 by and among the Company, Danskin, Inc. and Danskin Now, Inc. (28)+**

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| Exhibit Numbers | Description |
|-----------------|--|
| 2.10 | Asset Purchase Agreement dated March 6, 2007 by and among the Company, Rocawear Licensing LLC, Arnold Bize, Shawn Carter and Naum Chernyavsky (29)+ |
| 2.11 | Purchase and Sale Agreement, dated September 6, 2007, by and among the Company, Official Pillowtex LLC and the Sellers of interests in Official Pillowtex, LLC (“the Sellers”) (32)+ |
| 2.12 | Asset Purchase Agreement dated November 15, 2007 by and among the Company, Exeter Brands Group LLC and NIKE, Inc. (34)+ |
| 2.13 | Asset Purchase Agreement by and among NexCen Brands, Inc., NexCen Fixed Asset Company , LLC, NexCen Brand Management, Inc., WV IP Holdings, LLC and the Company dated September 29, 2008 (39)+ |
| 2.14 | Contribution and Sale Agreement dated October 26, 2009 by and among the Registrant, IP Holder LLC, now known as IP Holdings Unltd LLC, Seth Gerszberg, Suchman LLC, Yakira, L.L.C., Ecko.Complex, LLC, Zoo York LLC and Zoo York THC LLC. + (46) |
| 2.15 | Membership Interest Purchase Agreement dated as of March 9, 2010 by and between the Registrant and Purim LLC (50)+ |
| 2.16 | Purchase Agreement dated as of April 26, 2010 by and among Iconix Brand Group, Inc., United Features Syndicate, Inc. and The E.W. Scripps Company (51)+ |
| 3.1 | Certificate of Incorporation, as amended (8) |
| 3.2 | Restated and Amended By-Laws (9) |
| 4.1 | Rights Agreement dated January 26, 2000 between the Company and Continental Stock Transfer and Trust Company (10) |
| 4.2 | Fifth Amended and Restated Indenture dated of August 28, 2006 by and between IP Holdings LLC, as issuer, and Wilmington Trust Company as Trustee (7) |
| 4.3 | Indenture, dated June 20, 2007 between the Company and The Bank of New York (31) |
| 4.4 | Registration Rights Agreement, dated June 20, 2007, by and among the Company, Merrill Lynch, Pierce, Fenner & Smith, Incorporated and Lehman Brothers Inc. (31) |
| 10.1 | 1997 Stock Option Plan of the Company (12)* |
| 10.2 | 2000 Stock Option Plan of the Company (13)* |
| 10.3 | 2001 Stock Option Plan of the Company (14)* |
| 10.4 | 2002 Stock Option Plan of the Company (15)* |

- 10.5 Non -Employee Director Stock Incentive Plan (16)*
- 10.6 401(K) Savings Plan of the Company (17)
- 10.7 Employment Agreement between Neil Cole and the Company dated January 28, 2008 (9)*

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| Exhibit Numbers | Description |
|-----------------|---|
| 10.8 | Membership Interest Purchase Agreement dated as of May 4, 2009 by and among the Registrant, Donald Edward Hardy and Francesca Passalacqua, trustees of the Hardy/Passalacqua Family Revocable Trust and Donald Edward Hardy. + (47) |
| 10.9 | 2009 Equity Incentive Plan*(49) |
| 10.15 | Option Agreement of Neil Cole dated November 29, 1999 (17)* |
| 10.16 | Iconix Brand Group, Inc. 2006 Equity Incentive Plan and forms of options granted thereunder (37)* |
| 10.17 | Restricted Stock Agreement dated September 22, 2006 between the Company and Andrew Tarshis (24)* |
| 10.18 | Restricted Stock Agreement dated September 22, 2006 between the Company and Deborah Sorell Stehr (24)* |
| 10.19 | Form of Restricted Stock Agreement for officers under the Iconix Brand Group, Inc. 2006 Equity Incentive Plan (25)* |
| 10.20 | Form of Restricted Stock Agreement for Directors under the Iconix Brand Group, Inc. 2006 Equity Incentive Plan (25)* |
| 10.21 | 8% Senior Subordinated Note due 2012 of the Company payable to Sweet Sportswear, LLC (20) |
| 10.22 | Letter Agreement dated October 29, 2004 among UCC Funding Corporation, Content Holdings, Inc., the Company and Badgley Mischka Licensing LLC (1) |
| 10.23 | Form of Option Agreement under the Company's 1997 Stock Option Plan (18)* |
| 10.24 | Form of Option Agreement under the Company's 2000 Stock Option Plan (18)* |
| 10.25 | Form of Option Agreement under the Company's 2001 Stock Option Plan (18)* |
| 10.26 | Form of Option Agreement under the Company's 2002 Stock Option Plan (18)* |
| 10.27 | Agreement dated June 2, 2006 among the Company, UCC Consulting, Content Holdings, James Haran and Robert D'Loren (44) |
| 10.28 | Common Stock Purchase Warrant issued to UCC Consulting Corporation (45) |
| 10.29 | Purchase and Sale Agreement dated June 2, 2006 by and among the Company, Content Holdings, Robert D'Loren, Seth Burroughs and Catherine Twist (44) |
| 10.30 | |

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Loan and Security Agreement dated as of October 31, 2006 among Mossimo Holdings LLC, Mossimo Management LLC, and Merrill Lynch Mortgage Capital Inc., as agent and lender (11)+

- 10.31 Guaranty dated as of October 31, 2006 by the Company in favor of Merrill Lynch Mortgage Capital Inc., as agent (11)
- 10.32 Registration Rights Agreement dated as of March 9, 2007 by and between the Company and Dansk, Inc. (28)
- 10.33 Registration Rights Agreement dated March 30, 2007 by and between the Company and Rocawear Licensing LLC (29)

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| Exhibit Numbers | Description |
|-----------------|---|
| 10.34 | Amended and Restated Credit Agreement dated as of May 2, 2007 by and among the Company, Lehman Brothers Inc. as Arranger, and Lehman Commercial Paper Inc., as Lender, as Syndication Agent and as Administrative Agent (30)+ |
| 10.35 | Guarantee and Collateral Agreement made by the Company and certain of its subsidiaries in favor of Lehman Commercial Paper Inc., as Administrative Agent (30)+ |
| 10.36 | Purchase Agreement, dated June 14, 2007, by and among the Company, Merrill Lynch, Pierce, Fenner & Smith, Incorporated and Lehman Brothers Inc. (31) |
| 10.37 | Letter Agreement Confirming OTC Convertible Note Hedge, dated June 19, 2007 among the Company, Merrill Lynch International and, solely in its capacity as agent thereunder, Merrill Lynch, Pierce, Fenner & Smith Incorporated (31) |
| 10.38 | Letter Agreement, Confirming OTC Convertible Note Hedge, dated June 19, 2007, among the Company, Lehman Brothers - OTC Derivatives Inc. and, solely in its capacity as agent thereunder, Lehman Brothers (31) |
| 10.39 | Letter Agreement, Confirming OTC Warrant transaction, dated June 19, 2007, among the Company, Merrill Lynch International and, solely in its capacity as agent thereunder, Merrill Lynch, Pierce, Fenner & Smith Incorporated (31) |
| 10.40 | Letter Agreement, Confirming OTC Warrant Transaction, dated June 19, 2007, among the Company, Lehman Brothers OTC Derivatives Inc. and, solely in its capacity as agent thereunder, Lehman Brothers (31) |
| 10.41 | Escrow Agreement dated September 6, 2007 by and between the Company, Ben Kraner, on behalf of the Sellers, as each Seller's authorized attorney-in-fact, and U.S. Bank National Association, as escrow agent (32) |
| 10.42 | Note and Security Agreement dated November 7, 2007 made by Artful Holdings, LLC in favor of the Company (33) |
| 10.43 | Restricted Stock Grant Agreement dated February 19, 2008 between the Company and Neil Cole (42)* |
| 10.44 | Restricted Stock Performance Unit Agreement dated February 19, 2008 between the Company and Neil Cole (42)* |
| 10.45 | Lease dated as of November 12, 2007 with respect to the Company's Executive Offices (42) |
| 10.46 | Iconix Brand Group, Inc. Executive Incentive Bonus Plan (35) |
| 10.47 | Transition Services Agreement between the Company and David Conn (38) |
| 10.48 | |

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Employment Agreement dated November 11, 2008 between the Company and Andrew Tarshis (40)*

- 10.49 Employment Agreement dated November 11, 2008 between the Company and Warren Clamen (40)*
- 10.50 Agreement dated May 2008 between the Company and Neil Cole.(36)*
- 10.51 Agreement dated December 24, 2008 between the Company and Neil Cole (41)*
- 10.52 Form of restricted stock agreement under the 2009 Equity Incentive Plan* (48)
- 10.53 Form of stock option agreement under the 2009 Equity Incentive Plan* (48)
- 10.54 Restricted Stock Performance Unit Agreement with Neil Cole dated September 23, 2009* (48)
- 10.55 Restricted Stock Agreement with Warren Clamen dated September 22, 2009* (48)

| Exhibit Numbers | Description |
|-----------------|---|
| 10.56 | Restricted Stock Agreement with Andrew Tarshis dated September 22, 2009* (48) |
| 10.57 | Employment Agreement dated November 17, 2009 between the Company and Yehuda Shmidman * (52) |
| 10.58 | Employment Agreement dated February 26, 2009 between the Company and David Blumberg* (52) |
| 10.59 | Restricted Stock Agreement with David Blumberg dated September 22, 2009* (52) |
| 10.60 | Lease dated as of December 30, 1994, including amendments dated November 30, 1996, September 26, 2003, and December 23, 2004, with respect to the Company's office at 200 Madison Avenue ++ |
| 21 | Subsidiaries of the Company ++ |
| 23 | Consent of BDO USA, LLP ++ |
| 31.1 | Certification of Chief Executive Officer Pursuant To Rule 13a-14 Or 15d-14 Of The Securities Exchange Act Of 1934, As Adopted Pursuant To Section 302 Of The Sarbanes-Oxley Act Of 2002 +++ |
| 31.2 | Certification of Principal Financial Officer Pursuant To Rule 13a-14 Or 15d-14 Of The Securities Exchange Act Of 1934, As Adopted Pursuant To Section 302 Of The Sarbanes-Oxley Act of 2002 +++ |
| 32.1 | Certification of Chief Executive Officer Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 Of The Sarbanes-Oxley Act of 2002 ++ |
| 32.2 | Certification of Principal Financial Officer Pursuant To 18 U.S.C. Section 1350, As Adopted pursuant To Section 906 Of The Sarbanes-Oxley Act Of 2002 ++ |
| 99.1 | Note Purchase Agreement by and among IP Holdings LLC, the Company and Mica Funding, LLC, dated April 11, 2006 (26)+ |
| 99.2 | Note Purchase Agreement by and among IP Holdings LLC, the Company and Mica Funding, LLC, dated August 28, 2006 (7)+ |
| 99.3 | Agreement for Creative Director Services dated as of October 31, 2006 by and among the Company, Mossimo, Inc. and Mossimo Giannulli (11) |
| (1) | Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 2004 and incorporated by reference herein. |
| (2) | |

Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated July 22, 2005 and incorporated by reference herein.

- (3) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated September 16, 2005 and incorporated by reference herein.

- (4) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated March 31, 2006 (SEC accession No. 0000950117-06-001668) and incorporated by reference herein.
- (5) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated March 31, 2006 (SEC accession No. 0000950117-06-001669) and incorporated by reference herein.
- (6) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 and incorporated by reference herein.
- (7) Filed as an exhibit filed to the Company's Current Report on Form 8-K for the event dated August 28, 2006 and incorporated by reference herein.
- (8) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007 and incorporated by reference herein.
- (9) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated January 28, 2008 and incorporated by reference herein.
- (10) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated January 26, 2000 and incorporated by reference herein.
- (11) Filed as an exhibit to the Company's Current Report on form 8-K for the event dated October 31, 2006 (SEC accession no. 0001144204-06-045497) and incorporated by reference herein.
- (12) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 1997 and incorporated by reference herein.
- (13) Filed as Exhibit A to the Company's definitive Proxy Statement dated July 18, 2000 as filed on Schedule 14A and incorporated by reference herein.
- (14) Filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended January 31, 2002 and incorporated by reference herein.
- (15) Filed as Exhibit B to the Company's definitive proxy statement dated May 28, 2002 as filed on Schedule 14A and incorporated by reference herein.
- (16) Filed as Appendix B to the Company's definitive Proxy Statement dated July 2, 2001 as filed on Schedule 14A and incorporated by reference herein.
- (17) Filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended January 31, 2003 and incorporated by reference herein.

- (18) Filed as an exhibit to the Company's Transition Report on Form 10-K for the transition period from February 1, 2004 to December 31, 2004 and incorporated by reference herein.
- (19) Intentionally omitted.
- (20) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 2002 and incorporated by reference herein.
- (21) Intentionally omitted.
- (22) Intentionally omitted.
- (23) Intentionally omitted.
- (24) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated September 22, 2006 and incorporated by reference herein.
- (25) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 and incorporated by reference herein.
- (26) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated April 11, 2006 and incorporated by reference herein.
- (27) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated October 31, 2006 (SEC accession no. 0001144204-06-0455507) and incorporated by reference herein.
- (28) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated March 9, 2007 and incorporated by reference herein.
- (29) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated March 30, 2007 and incorporated by reference herein.
- (30) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated May 1, 2007 and incorporated by reference herein.
- (31) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated June 14, 2007 and incorporated by reference herein.
- (32) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated October 3, 2007 and incorporated by reference herein.
- (33) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated November 7, 2007 and incorporated by reference herein.

- (34) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated December 17, 2007 and incorporated by reference herein.
- (35) Filed as Annex B to the Company's Definitive Proxy Statement on Schedule 14A filed with the SEC on April 7, 2008 and incorporated by reference herein.
- (36) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 and incorporated by reference herein.
- (37) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated July 31, 2008 and incorporated by reference herein.
- (38) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated August 13, 2008 and incorporated by reference herein.
- (39) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated September 29, 2008 and incorporated by reference herein.
- (40) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated November 11, 2008 and incorporated by reference herein.
- (41) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated December 24, 2008 and incorporated by reference herein.
- (42) Filed as an exhibit to the Company's Annual Report on Form 10-K for the period ended December 31, 2007 and incorporated by reference herein.
- (43) Intentionally omitted.
- (44) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated June 2, 2006 and incorporated by reference herein.
- (45) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 and incorporated by reference herein.
- (46) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated October 30, 2009 and incorporated herein by reference.
- (47) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated May 4, 2009 and incorporated herein by reference.

- (48) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 and incorporated herein by reference.
- (49) Filed as Annex A to the Company's Definitive Proxy Statement on Schedule 14A filed with the SEC on June 29, 2009 and incorporated by reference herein.
- (50) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated March 9, 2010 and incorporated by reference herein.
- (51) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated April 26, 2010 and incorporated by reference herein.
- (52) Filed as an exhibit to the Company's Report on Form 10-K for the year ended December 31, 2009 and incorporated by reference herein.

* Denotes management compensation plan or arrangement

+ Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Iconix Brand Group, Inc. hereby undertakes to furnish supplementally to the Securities and Exchange Commission copies of any of the omitted schedules and exhibits upon request by the Securities and Exchange Commission.

** Portions of this document have been omitted and were filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment, which was granted under Rule 24b-2 of the Securities Exchange Act of 1934.

++ Filed with the Original Filing.

+++ Filed herewith.

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pt; margin-top: 6pt; margin-bottom: 6pt;">> Issuer has announced a failure to pay a coupon

Issuer has announced an intention not to make a payment on an upcoming coupon (grace period)

Multi-Coupon Bonds: For step-up bonds with a pre-defined coupon schedule, such schedule cannot change during the life of the bond and is used for all calculations. For event-driven bonds whose coupon may change upon occurrence (or non-occurrence) of pre-specified events, the coupon schedule as of the calculation date is used.

Additional information about the Markit iBoxx \$ Liquid High Yield Index is available at markit.com/product/IBoxx and may also be obtained from other sources including, but not limited to, press releases, newspaper articles and other publicly available documents. We are not incorporating by reference the website, the sources listed above or any material they include in this prospectus supplement.

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Historical Closing Prices of the ETF's Shares

The closing price of shares of the ETF has fluctuated in the past and may, in the future, experience significant fluctuations. Any historical upward or downward trend in the closing price of the shares during the period shown below is not an indication that the shares are more or less likely to increase or decrease at any time during the life of your notes. The period shown below will be approximately ten years, but may be shorter if Bloomberg Financial Services does not provide historical closing prices for the entirety of such period (whether due to the applicable inception date occurring less than ten years from the date hereof or otherwise).

You should not take the historical closing prices of the shares as an indication of the future performance of the shares. We cannot give you any assurance that the future performance of the shares will result in your receiving an amount greater than the outstanding face amount of your notes on the stated maturity date. Neither we nor any of our affiliates make any representation to you as to the performance of the shares. Before investing in the offered notes, you should consult publicly available information to determine the relevant ETF closing prices between the date of this prospectus supplement and the date of your purchase of the offered notes. The actual performance of the ETF over the life of the offered notes, as well as the cash settlement amount at maturity may bear little relation to the historical prices shown below.

The graph below shows the daily historical prices of the shares of the ETF from January 23, 2009 through January 25, 2019. We obtained the closing prices shown in the graph below from Bloomberg Financial Services without independent verification.

Historical Performance of iShares® iBoxx \$ High Yield Corporate Bond ETF

“iShare®” is a registered trademark of BlackRock Institutional Trust Company, N.A. (“BITC”). The index is not sponsored, endorsed, sold, or promoted by BITC. BITC makes no representations or warranties to the owners of the index or any member of the public regarding the advisability of investing in the index. BITC has no obligation or liability in connection with the operation, marketing, trading or sale of the index.

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iShares® 7-10 Year Treasury Bond ETF

The shares of the iShares® 7-10 Year Treasury Bond ETF (the “ETF”) are issued by iShares® Trust, a registered investment company.

The ETF is a tracking ETF that seeks investment results which correspond generally to the price and yield performance, before fees and expenses, of the index.

The index it currently tracks is the ICE U.S. Treasury 7-10 Year Bond Index (the “index”). Prior to April 1, 2016, the ETF tracked the Barclays U.S. 7-10 Year Treasury Bond Index.

Investment Advisor: BlackRock Fund Advisors (“BFA”).

The ETF’s shares trade on the NASDAQ under the ticker symbol “IEF”.

The iShares® Trust’s SEC CIK Number is 0001100663.

The ETF’s inception date was July 22, 2002.

The ETF’s shares are issued or redeemed only in creation units of 100,000 shares or multiples thereof.

We obtained the following fee information from the iShares® website without independent verification. The investment advisor is paid a management fee from the ETF based on a percentage of the ETF’s average daily net assets, at an annual rate of 0.15%. BFA is responsible for substantially all expenses of the ETF, except interest expenses, taxes, brokerage expenses, future distribution fees or expenses and extraordinary expenses. As of September 30, 2018, the expense ratio of the ETF was 0.15% per annum.

For additional information regarding iShares® Trust or BFA, please consult the reports (including the Semi-Annual Report to Shareholders on Form N-CSRS for the period ended August 31, 2018) and other information iShares® Trust files with the SEC. In addition, information regarding the ETF, including its top portfolio holdings, may be obtained from other sources including, but not limited to, press releases, newspaper articles, other publicly available documents, and the iShares® website at us.ishares.com/product_info/fund/overview/IEF.htm. We are not incorporating by reference the website, the sources listed above or any material they include in this prospectus supplement.

Investment Objective and Strategy

The ETF seeks to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of the index. The ETF’s investment objective and the index that the ETF tracks may be changed without shareholder approval.

BFA uses a representative sampling indexing strategy to attempt to track the performance of the index. For the ETF, this strategy involves investing in a representative sample of securities that collectively have an investment profile similar to that of the index. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability, duration, maturity or credit ratings and yield) and liquidity measures similar to those of the index. The ETF may or may not hold all of the securities in the index.

The ETF generally invests at least 90% of its assets in the bonds in the index and at least 95% of its assets in U.S. government bonds. The ETF may invest up to 10% of its assets in U.S. government bonds not included in the index, but which BFA believes will help the ETF track the index. The ETF may also invest up to 5% of its assets in repurchase agreements collateralized by U.S. government obligations and in cash and cash equivalents, including shares of money market funds advised by BFA or its affiliates. The ETF may lend securities representing up to one-third of the value of the ETF’s total assets (including the value of the collateral received).

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The ETF's Holdings

The following table displays the top holdings of the ETF. We obtained the information in the tables below from the iShares® website without independent verification.

iShares® 7-10 Year Treasury Bond ETF Top Ten Holdings as of January 14, 2019*

U.S. Treasury Bond Percentage (%)

| | |
|----------------------|--------|
| 2.38% due 5/15/2027 | 20.49% |
| 2.25% due 8/15/2027 | 15.18% |
| 2.25% due 2/15/2027 | 13.84% |
| 2.75% due 2/15/2028 | 11.54% |
| 1.63% due 5/15/2026 | 10.81% |
| 2.88% due 5/15/2028 | 9.82% |
| 2.00% due 11/15/2026 | 8.77% |
| 2.25% due 11/15/2027 | 3.29% |
| 2.88% due 8/15/2028 | 2.56% |
| 1.50% due 8/15/2026 | 2.26% |
| Total | 98.56% |

The following table displays additional information about the bonds held by the ETF and the annualized performance difference, in each case as of January 14, 2019*. We obtained the information in the table below from the iShares® website without independent verification.

Weighted average maturity 8.38 years

Weighted average coupon 2.30%

Effective duration 7.49 years

Weighted average maturity is the length of time until the average security in the ETF will mature or be redeemed by its issuer. Weighted average coupon is the average coupon rate of the underlying bonds in the ETF, weighted by the relative size in the ETF. Effective duration is a measure of the potential responsiveness of a bond or portfolio price to small parallel shifts in interest rates, taking into account the possible changes in expected bond cash flows due to small parallel shifts in interest rates.

As of January 14, 2019*, the ETF's holdings were comprised of 14 U.S. Treasury bonds (99.65% of holdings) and cash and/or derivatives (0.35% of holdings). Of the ETF's U.S. Treasury bond holdings, all were AAA rated under the S&P major rating category. The S&P major rating categories are derived from the S&P, Moody's and Fitch ratings for a security.

*Prior to April 1, 2016, the ETF tracked the Barclays U.S. 7-10 Year Treasury Bond Index.

Tracking Error

The performance of the ETF and the index may vary due to a variety of factors, including differences between the securities held in the ETF's portfolio and those included in the index, pricing differences, differences in transaction costs, the ETF holding uninvested cash, differences in timing of the accrual of or the valuation of distributions, changes to the index or the costs to the ETF of complying with new or existing regulatory requirements. Tracking error also may result because the ETF incurs fees and expenses, while the index does not. BFA expects that, over time, the ETF's tracking error will not exceed 5%. The ETF's use of a representative sampling indexing strategy can be expected to produce a larger tracking error than would result if the ETF used a replication indexing strategy in which an ETF invests in substantially all of the securities in its index in approximately the same proportions as in the index. As of December 31, 2018, iShares® reported the following average annual returns on the market price of the ETF's shares and the index. The market price of the ETF's shares takes into account distributions on the shares and the returns shown account for changes in the mid-point of the bid and ask prices at 4:00 p.m., Eastern time on the relevant date. ETF shares: 1 year, 0.96%; 3 years, 1.49%; 5 years, 2.97%; 10 years, 2.93%; since inception, 4.54%; index: 1 year, 0.90%; 3 years, 1.50%; 5 years, 2.98%; 10 years, 3.02%; since ETF inception, 4.59%. Prior to April 1, 2016, the ETF tracked the Barclays U.S. 7-10 Year Treasury Bond Index.

The Index

The index is sponsored by ICE Data Indices, LLC ("IDI"). It is market value weighted and designed to measure the performance of U.S. dollar-denominated, fixed rate treasuries with a minimum term to maturity greater than seven

years and less than or equal to ten years.

The ICE Data Indices, LLC Index Governance Committee (the “governance committee”) is responsible for governance and oversight of the index along with oversight of the ICE Data Index Services team (the “IDIS”), which has the daily responsibility for the operation of the index. The governance committee will approve any necessary changes to the index

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methodology, and the IDIS is responsible for implementing the changes and notifying subscribers. Where a change is material, IDI will consult with stakeholders and subscribers in accordance with the IDI consultation process. For other changes, advance notice will be provided, where possible, to allow stakeholders and subscribers appropriate preparation to implement the change.

Eligibility Criteria and Inclusion Rules

In order to be included in the index, a security must be a U.S. dollar denominated, fixed rate U.S. Treasury issued debt security (“treasury”) with a minimum term to maturity greater than seven years and less than or equal to ten years. Inflation-linked securities, floating rate notes, cash management and treasury bills and government agency debt, whether issued with or without a government guarantee, are excluded from the index, as are zero coupon securities. The treasury is required to have a minimum amount outstanding of \$300 million U.S. dollars. Amount outstanding is defined as the par amount outstanding of each treasury, inclusive of any announced auctions or re-openings, less the par amount of that treasury held in the Federal Reserve System Open Market Account (“SOMA”) or bought at issuance (including by auction) by the Federal Reserve. Secondary market purchases by the Federal Reserve are reflected in the index in the month following the purchase.

Index Calculation

Index returns are calculated by aggregating the constituent level returns using market weights. The total market value of the index at any time is the sum of the market value of each constituent plus any intra-month cash from coupon payments or principal repayments. Calculations are performed daily, using bid prices at 3 p.m. Eastern Time.

Index Maintenance

The index is rebalanced on the last business day (a day that SIFMA declares the U.S. fixed income markets open) of each month. The index composition for the next month is published three business days before the end of the prior month, which will include all eligible treasuries, including any new auctions or re-openings which are announced on or before the third business day before the prior month end. Newly issued securities that are issued on or before the month-end rebalancing date that qualify for inclusion in the index will be included in the pro forma index with a price of \$100 until replaced with an evaluated price as soon as available after the auction day.

No adjustments are made for treasuries that become eligible or ineligible intra-month. Any such change will be incorporated in the index at the next month-end rebalancing and made effective from the first day of the following month.

Cash that has accrued intra-month from interest and principal payments earns no reinvestment return during the month. The accumulated intra-month cash is removed from the index at month-end, which implies that it is reinvested pro rata across the entire index.

Current Composition of the Index

As of January 14, 2019, the index’s holdings were comprised of 20 U.S. Treasury bonds. The following table displays additional information about the bonds held by the index as of January 14, 2019. We obtained the information in the table below from the ICE website without independent verification.

Weighted average maturity 8.49 years

Weighted average coupon 2.52%

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Historical Closing Prices of the ETF's Shares

The closing price of shares of the ETF has fluctuated in the past and may, in the future, experience significant fluctuations. Any historical upward or downward trend in the closing price of the shares during the period shown below is not an indication that the shares are more or less likely to increase or decrease at any time during the life of your notes. The period shown below will be approximately ten years, but may be shorter if Bloomberg Financial Services does not provide historical closing prices for the entirety of such period (whether due to the applicable inception date occurring less than ten years from the date hereof or otherwise).

You should not take the historical closing prices of the shares as an indication of the future performance of the shares. We cannot give you any assurance that the future performance of the shares will result in your receiving an amount greater than the outstanding face amount of your notes on the stated maturity date. Neither we nor any of our affiliates make any representation to you as to the performance of the shares. Before investing in the offered notes, you should consult publicly available information to determine the relevant ETF closing prices between the date of this prospectus supplement and the date of your purchase of the offered notes. The actual performance of the ETF over the life of the offered notes, as well as the cash settlement amount at maturity may bear little relation to the historical prices shown below.

The graph below shows the daily historical prices of the shares of the ETF from January 23, 2009 through January 25, 2019. We obtained the closing prices shown in the graph below from Bloomberg Financial Services without independent verification.

Historical Performance of iShares® 7-10 Year Treasury Bond ETF

*Prior to April 1, 2016, the ETF tracked the Barclays U.S. 7-10 Year Treasury Bond Index.

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Hypothetical and Historical Closing Levels of the ICE U.S. Treasury 7-10 Year Bond Index

The closing level of the ICE U.S. Treasury 7-10 Year Bond Index has fluctuated in the past and may, in the future, experience significant fluctuations. Any upward or downward trend in the historical or hypothetical closing level of the ICE U.S. Treasury 7-10 Year Bond Index during the period shown below is not an indication that the ICE U.S. Treasury 7-10 Year Bond Index is more or less likely to increase or decrease at any time during the life of your notes. You should not take the historical or hypothetical closing levels of the ICE U.S. Treasury 7-10 Year Bond Index as an indication of the future performance of the ICE U.S. Treasury 7-10 Year Bond Index or make any assumptions, based on the ICE U.S. Treasury 7-10 Year Bond Index's historical or hypothetical performance, about the performance of the ETF. We cannot give you any assurance that the future performance of the ETF's shares will be consistent with the historical or hypothetical performance of ICE U.S. Treasury 7-10 Year Bond Index.

The graph below shows the closing levels of the ICE U.S. Treasury 7-10 Year Bond Index from January 23, 2009 through January 25, 2019 (using hypothetical performance data and historical closing levels). Since the ICE U.S. Treasury 7-10 Year Bond Index was launched on December 31, 2015 and has a limited operating history, the graph includes hypothetical performance data for the underlier prior to its launch on December 31, 2015. The hypothetical performance data and historical closing levels were obtained from ICE's website, without independent verification. (In the graph, historical closing levels can be found to the right of the vertical solid line marker.)

Historical Performance of ICE U.S. Treasury 7-10 Year Bond Index

*The ETF began tracking the ICE U.S. Treasury 7-10 Year Bond Index on April 1, 2016.

“iShare®” is a registered trademark of BlackRock Institutional Trust Company, N.A. (“BITC”). The index is not sponsored, endorsed, sold, or promoted by BITC. BITC makes no representations or warranties to the owners of the index or any member of the public regarding the advisability of investing in the index. BITC has no obligation or liability in connection with the operation, marketing, trading or sale of the index.

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iShares® MSCI Emerging Markets ETF

The shares of the iShares® MSCI Emerging Markets ETF (the “ETF”) are issued by iShares, Inc. (the “company”). The Company was organized as a Maryland corporation on September 1, 1994 and is authorized to have multiple series or portfolios, of which the ETF is one. On July 1, 2013, the iShares® MSCI Emerging Markets Index Fund changed its name to the iShares® MSCI Emerging Markets ETF.

The ETF is a tracking ETF that seeks investment results which correspond generally to the price and yield performance, before fees and expenses, of the index.

The index it tracks is the MSCI Emerging Markets Index (the “index”).

Investment Advisor: BlackRock Fund Advisors (“BFA”).

The ETF’s shares trade on the NYSE Arca under the ticker symbol “EEM”.

The company’s SEC CIK Number is 0000930667.

The ETF’s inception date was April 7, 2003.

The ETF’s shares are issued or redeemed only in creation units of 450,000 shares or multiples thereof.

The index was launched on December 31, 1987 with an initial level of 100.

We obtained the following fee information from the iShares® website without independent verification. The investment advisor is entitled to receive a management fee from the ETF based on the ETF’s allocable portion of an aggregate management fee based on the aggregate average daily net assets of the ETF and a set of other specified iShares® funds (the “funds”) as follows: 0.75% per annum of the aggregate net assets of the funds less than or equal to U.S. \$14.0 billion, plus 0.68% per annum of the aggregate net assets of the funds on amounts in excess of U.S. \$14.0 billion up to and including U.S. \$28.0 billion, plus 0.61% per annum of the aggregate net assets of the funds on amounts in excess of U.S. \$28.0 billion up to and including U.S. \$42.0 billion, plus 0.54% per annum of the aggregate net assets of the funds on amounts in excess of U.S. \$42.0 billion up to and including U.S. \$56.0 billion, plus 0.47% per annum of the aggregate net assets of the funds on amounts in excess of U.S. \$56.0 billion up to and including U.S. \$70.0 billion, plus 0.41% per annum of the aggregate net assets of the funds on amounts in excess of U.S. \$70.0 billion up to and including U.S. \$84.0 billion, plus 0.35% per annum of the aggregate net assets of the funds in excess of U.S. \$84.0 billion. As of December 31, 2018, the aggregate expense ratio of the ETF was 0.67% per annum.

The investment advisory agreement of the ETF provides that BFA will pay all operating expenses of the ETF, except interest expenses, taxes, brokerage expenses, future distribution fees or expenses, and extraordinary expenses. The ETF may also pay “Acquired Fund Fees and Expenses”. Acquired Fund Fees and Expenses reflect the ETF’s pro rata share of the fees and expenses incurred by investing in other investment companies.

For additional information regarding the company or BFA, please consult the reports (including the Annual Report to Shareholders on Form N-CSR for the fiscal year ended August 31, 2018) and other information the company files with the SEC. In addition, information regarding the ETF, including its top portfolio holdings, may be obtained from other sources including, but not limited to, press releases, newspaper articles, other publicly available documents and the iShares® website at us.ishares.com/product_info/fund/overview/EEM.htm. We are not incorporating by reference the website, the sources listed above or any material they include in this prospectus supplement.

Investment Objective

The ETF seeks to track the investment results, before fees and expenses, of the index. The ETF’s investment objective may be changed without shareholder approval.

The following tables display the top holdings and weightings by industry sector of the ETF. (Sector designations are determined by the ETF sponsor using criteria it has selected or developed. ETF advisors and index sponsors may use very different standards for determining sector designations. In addition, many companies operate in a number of sectors, but are listed in only one sector and the basis on which that sector is selected may also differ. As a result, sector comparisons between ETFs or indices with different sponsors may reflect differences in methodology as well as actual differences in the sector composition of the indices or ETFs.) We obtained the information in the tables below from the ETF website without independent verification.

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iShares® MSCI Emerging Markets ETF Top Ten Holdings as of January 14, 2019

| <u>ETF Stock Issuer</u> | <u>Percentage (%)</u> |
|---------------------------------------|-----------------------|
| TENCENT HOLDINGS LTD | 4.73% |
| ALIBABA GROUP HOLDING ADR REPRESENTEN | 3.91% |
| TAIWAN SEMICONDUCTOR MANUFACTURING | 3.52% |
| SAMSUNG ELECTRONICS LTD | 3.46% |
| NASPERS LIMITED N LTD | 1.90% |
| CHINA CONSTRUCTION BANK CORP H | 1.60% |
| CHINA MOBILE LTD | 1.26% |
| ITAU UNIBANCO HOLDING PEF SA | 1.00% |
| INDUSTRIAL AND COMMERCIAL BANK OF | 1.00% |
| PING AN INSURANCE (GROUP) CO OF CH | 0.91% |
| Total | 23.29% |

iShares® MSCI Emerging Markets ETF Weighting by Sector as of January 14, 2019*

| <u>Sector</u> | <u>Percentage (%)</u> |
|-------------------------|-----------------------|
| Financials | 24.70% |
| Information Technology | 13.84% |
| Consumer Discretionary | 10.55% |
| Consumer Staples | 6.75% |
| Energy | 8.06% |
| Industrials | 5.50% |
| Communication | 14.13% |
| Materials | 7.55% |
| Utilities | 2.70% |
| Real Estate | 2.99% |
| Health Care | 2.73% |
| Cash and/or Derivatives | 0.50% |
| Total | 100.00% |

* Percentages may not sum to 100% due to rounding.

The Global Industry Classification Structure, which MSCI utilizes to classify the constituents of the index, was updated in September 2018. Please see “ The MSCI Emerging Markets Index” below for additional information about these updates.

iShares® MSCI Emerging Markets ETF Weighting by Country as of January 14, 2019*

| <u>Country</u> | <u>Percentage (%)</u> |
|--------------------|-----------------------|
| China | 30.20% |
| Korea (South) | 13.40% |
| Taiwan | 10.92% |
| India | 8.86% |
| Brazil | 8.07% |
| South Africa | 6.45% |
| Russian Federation | 3.82% |
| Mexico | 2.91% |
| Thailand | 2.43% |
| Malaysia | 2.37% |
| Indonesia | 2.35% |
| Poland | 1.25% |
| Philippines | 1.17% |
| Chile | 1.15% |
| Qatar | 1.09% |

| | |
|-------------------------|---------|
| Cash and/or Derivatives | 0.50% |
| Other | 3.06% |
| Total | 100.00% |

* Percentages may not sum to 100% due to rounding.

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Representative Sampling

BFA uses a representative sampling strategy to attempt to track the performance of the index. For the ETF, this strategy involves investing in a representative sample of securities that collectively have an investment profile similar to that of the index. The securities selected are expected to have aggregate investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability, earnings valuation and yield) and liquidity measures similar to those of the index.

The ETF generally invests at least 90% of its assets in the securities of the index and in depositary receipts representing securities of the index. The ETF may invest the remainder of its assets in securities not included in the index, but which BFA believes will help the ETF track the index. The ETF may also invest its other assets in futures contracts, options and swaps, as well as cash and cash equivalents, including shares of money market funds affiliated with BFA. Also, the ETF may lend securities representing up to one-third of the value of the ETF's total assets (including the value of the collateral received). The ETF invests all of its assets that are invested in India in a wholly owned subsidiary located in the Republic of Mauritius. BFA also serves as the investment advisor of the subsidiary.

Tracking Error

The performance of the ETF and the index may vary due to a variety of factors, including differences between the ETF's assets and the index, pricing differences (including differences between a security's price at the local market close and the ETF's valuation of a security at the time of calculation of the ETF's net asset value per share), differences in transaction costs, the ETF's holding of uninvested cash, differences in timing of the accrual of or the valuation of dividends or interest, tax gains or losses, changes to the index or the costs to the ETF of complying with various new or existing regulatory requirements. Tracking error also may result because the ETF incurs fees and expenses, while the index does not. BFA expects that, over time, the ETF's performance difference will not exceed 5%. The ETF's use of a representative sampling strategy can be expected to produce a greater tracking error over a period of time than would result if the ETF used an indexing strategy in which an exchange traded fund invests in substantially all of the securities in its index in approximately the same proportions as in the index.

As of December 31, 2018, iShares[®] reported the following average annual returns on the market price of the ETF's shares and the index. The market price of the ETF's shares takes into account distributions on the shares and the returns shown account for changes in the mid-point of the bid and ask prices at 4:00 p.m., Eastern time on the relevant date. ETF shares: 1 year, -15.26%; 3 years, 8.84%; 5 years, 0.75%; 10 years, 6.68%; since inception, 10.15%; index: 1 year, -14.58%; 3 years, 9.25%; 5 years, 1.65%; 10 years, 8.02%; since ETF inception, 10.64%.

Industry Concentration Policy

The ETF will concentrate its investments (i.e., hold 25% or more of its total assets) in a particular industry or group of industries to approximately the same extent that the index is concentrated in that industry or group of industries.

The MSCI[®] Emerging Markets Index

The MSCI Emerging Markets Index, (the "index") is a stock index calculated, published and disseminated daily by MSCI Inc. ("MSCI") through numerous data vendors, on the MSCI website and in real time on Bloomberg Financial Markets and Reuters Limited.

The index is a free float-adjusted market capitalization index and is one of the MSCI Global Investable Market Indices (the "MSCI Indices"), the methodology of which is described below. The index is considered a "standard" index, which means it consists of all eligible large capitalization and mid-capitalization stocks, as determined by MSCI, in the relevant emerging markets. Additional information about the MSCI Indices is available on the following website: msci.com/index-methodology. Daily closing price information for the index is available on the following website: msci.com. We are not incorporating by reference the website, the sources listed above or any material they include in this prospectus supplement.

The index is intended to provide performance benchmarks for the emerging equity markets in the Americas, Europe, the Middle East, Africa and Asia, which are, as of the date of this prospectus supplement, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and the United Arab Emirates. The constituent stocks of the MSCI Emerging Markets Index are derived from the constituent stocks in the 24 MSCI standard single country indices for the emerging market countries listed above. The index is calculated in U.S. dollars on a total return net basis. The index was launched on December 31, 1987 at an initial value of 100.

As of the close on May 31, 2018, MSCI began a multi-step process to include, in the MSCI Emerging Markets Index, large cap China A shares that are not in trading suspension. As part of the first step of the inclusion process, which resulted from the May 2018 quarterly index review, MSCI added such large cap China A shares to the MSCI Emerging Markets Index at 2.5% of their foreign inclusion factor-adjusted market capitalization (as defined below). In connection with the August 2018 quarterly index review, MSCI implemented the second step of the inclusion process by increasing the foreign inclusion factor-adjusted market capitalization of those existing China A share constituents from 2.5% to 5%. With

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the implementation of this second step, and the inclusion of additional China A shares in connection with the August 2018 quarterly index review, China A shares were initially expected to represent approximately 0.75% of the MSCI Emerging Markets Index.

MSCI has announced that, beginning in June 2019, it expects to include the MSCI Saudi Arabia Index in the MSCI Emerging Markets Index, representing on a pro forma basis a weight of approximately 2.6% of the MSCI Emerging Markets Index with 32 securities, following a two-step inclusion process. The first inclusion step is expected to coincide with the May 2019 semi-annual review and the second inclusion step is expected to take place as part of the August 2019 quarterly index review. In addition, MSCI has announced the reclassification of the MSCI Argentina Index from a “frontier market” to an “emerging market”, and the MSCI Argentina Index is expected to be included in the MSCI Emerging Markets Index coinciding with the May 2019 semi-annual index review. MSCI expects to continue to restrict the inclusion in the MSCI Argentina Index to only foreign listings of Argentinian companies, such as American depositary receipts.

MSCI divides the companies included in the index into eleven Global Industry Classification Sectors: Communication Services, Financials, Consumer Discretionary, Industrials, Information Technology, Consumer Staples, Materials, Real Estate, Health Care, Utilities and Energy. As of the close of business on September 21, 2018, MSCI and S&P Dow Jones Indices LLC updated the Global Industry Classification Sector structure. Among other things, the update broadened the Telecommunications Services sector and renamed it the Communication Services sector. The renamed sector includes the previously existing Telecommunication Services Industry group, as well as the Media Industry group, which was moved from the Consumer Discretionary sector and renamed the Media & Entertainment Industry group. The Media & Entertainment Industry group contains three industries: Media, Entertainment and Interactive Media & Services. The Media industry continues to consist of the Advertising, Broadcasting, Cable & Satellite and Publishing sub-industries. The Entertainment industry contains the Movies & Entertainment sub-industry (which includes online entertainment streaming companies in addition to companies previously classified in such industry prior to September 21, 2018) and the Interactive Home Entertainment sub-industry (which includes companies previously classified in the Home Entertainment Software sub-industry prior to September 21, 2018 (when the Home Entertainment Software sub-industry was a sub-industry in the Information Technology sector)), as well as producers of interactive gaming products, including mobile gaming applications). The Interactive Media & Services industry and sub-industry includes companies engaged in content and information creation or distribution through proprietary platforms, where revenues are derived primarily through pay-per-click advertisements, and includes search engines, social media and networking platforms, online classifieds and online review companies. The Global Classification Sector structure changes are effective for the MSCI Emerging Markets Index as of the open of business on December 3, 2018 to coincide with the November 2018 semi-annual index review.

For additional information about the construction, calculation methodology and maintenance of the index, please see “iShare® MSCI EAFE ETF — Construction of the MSCI Indices”, “iShare® MSCI EAFE ETF — Calculation Methodology for the MSCI Indices” and “iShare® MSCI EAFE ETF — Maintenance of the MSCI Indices”, respectively, on pages S-78, S-80 and S-81 of this prospectus supplement, respectively.

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Historical Closing Prices of the ETF's Shares

The closing price of shares of the ETF has fluctuated in the past and may, in the future, experience significant fluctuations. Any historical upward or downward trend in the closing price of the shares during the period shown below is not an indication that the shares are more or less likely to increase or decrease at any time during the life of your notes. The period shown below will be approximately ten years, but may be shorter if Bloomberg Financial Services does not provide historical closing prices for the entirety of such period (whether due to the applicable inception date occurring less than ten years from the date hereof or otherwise).

You should not take the historical closing prices of the shares as an indication of the future performance of the shares. We cannot give you any assurance that the future performance of the shares will result in your receiving an amount greater than the outstanding face amount of your notes on the stated maturity date. Neither we nor any of our affiliates make any representation to you as to the performance of the shares. Before investing in the offered notes, you should consult publicly available information to determine the relevant ETF closing prices between the date of this prospectus supplement and the date of your purchase of the offered notes. The actual performance of the ETF over the life of the offered notes, as well as the cash settlement amount at maturity may bear little relation to the historical prices shown below.

The graph below shows the daily historical prices of the shares of the ETF from January 23, 2009 through January 25, 2019. We obtained the closing prices shown in the graph below from Bloomberg Financial Services without independent verification.

Historical Performance of iShares® MSCI Emerging Markets ETF

“iShare®” is a registered trademark of BlackRock Institutional Trust Company, N.A. (“BITC”). The index is not sponsored, endorsed, sold, or promoted by BITC. BITC makes no representations or warranties to the owners of the index or any member of the public regarding the advisability of investing in the index. BITC has no obligation or liability in connection with the operation, marketing, trading or sale of the index.

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iShares® U.S. Real Estate ETF

The shares of the iShares® U.S. Real Estate ETF (the “ETF”) are issued by iShares® Trust, a registered investment company.

The ETF is a tracking ETF that seeks investment results which correspond generally to the price and yield performance, before fees and expenses, of the index.

The index it tracks is the Dow Jones U.S. Real Estate IndexSM (the “index”).

Investment Advisor: BlackRock Fund Advisors (“BFA”).

The ETF’s shares trade on the NYSE Arca under the ticker symbol “IYR”.

The ETF’s SEC CIK Number is 0001100663.

The ETF’s inception date was June 12, 2000.

The ETF’s shares are issued or redeemed only in creation units of 50,000 shares or multiples thereof.

We obtained the following fee information from the iShares® website without independent verification. The investment advisor is entitled to receive a management fee from the ETF corresponding to the ETF’s allocable portion of an aggregate management fee based on the aggregate average daily net assets of the ETF and a set of other iShares® funds (the “funds”) as follows: 0.48% per annum of the aggregate net assets of the combined funds less than or equal to \$10.0 billion; plus 0.43% per annum of the aggregate net assets of the combined funds over \$10.0 billion, up to and including \$20.0 billion; plus 0.38% per annum of the aggregate net assets of the combined funds in excess of \$20.0 billion, up to and including \$30.0 billion; plus 0.34% per annum of the aggregate net assets of the combined funds in excess of \$30.0 billion, up to and including \$40.0 billion; plus 0.33% per annum of the aggregate net assets of the combined funds in excess of \$40.0 billion, up to and including \$50.0 billion; plus 0.31% per annum of the aggregate net assets of the combined funds in excess of \$50.0 billion. As of December 31, 2018, the expense ratio of the ETF was 0.43%.

For additional information regarding iShares® Trust or BFA, please consult the reports (including the Semi-Annual Report to Shareholders on Form N-CSRS for the period ended September 30, 2018) and other information iShares® Trust files with the SEC. In addition, information regarding the ETF, including its top portfolio holdings, may be obtained from other sources including, but not limited to, press releases, newspaper articles, other publicly available documents, and the iShares® website at

us.ishares.com/product_info/fund/overview/IYR.htm?fundSearch=true&qt=IYR. We are not incorporating by reference the website, the sources listed above or any material they include in this prospectus supplement.

Investment Objective

The ETF seeks to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of the index. The ETF’s investment objective and the index may be changed at any time, without the approval of BFA’s shareholders.

The following tables display the top holdings and weightings by industry sector of the ETF. (Sector designations are determined by the ETF sponsor using criteria it has selected or developed. Index and ETF sponsors may use very different standards for determining sector designations. In addition, many companies operate in a number of sectors, but are listed in only one sector and the basis on which that sector is selected may also differ. As a result, sector comparisons between indices or ETFs with different sponsors may reflect differences in methodology as well as actual differences in the sector composition of the indices or ETFs.) We obtained the information in the tables below from the ETF’s website without independent verification.

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iShares® U.S. Real Estate ETF Top Ten Holdings as of January 14, 2019

| <u>ETF Stock Issuer</u> | <u>Percentage (%)</u> |
|------------------------------------|-----------------------|
| AMERICAN TOWER REIT CORP | 7.02% |
| SIMON PROPERTY GROUP REIT INC | 5.22% |
| CROWN CASTLE INTERNATIONAL REIT CO | 4.36% |
| PROLOGIS REIT INC | 3.88% |
| EQUINIX REIT INC | 2.99% |
| PUBLIC STORAGE REIT | 2.98% |
| WELLTOWER INC | 2.64% |
| EQUITY RESIDENTIAL REIT | 2.46% |
| AVALONBAY COMMUNITIES REIT INC | 2.43% |
| DIGITAL REALTY TRUST REIT INC | 2.17% |
| Total | 36.15% |

iShares® U.S. Real Estate ETF by Sector as of January 14, 2019*

| <u>Sector</u> | <u>Percentage (%)</u> |
|--------------------------------|-----------------------|
| SPECIALIZED REITS | 31.34% |
| RETAIL REITS | 13.34% |
| RESIDENTIAL REITS | 13.66% |
| OFFICE REITS | 9.52% |
| HEALTH CARE REITS | 9.57% |
| HOTEL & RESORT REITS | 4.38% |
| MORTGAGE REITS | 4.94% |
| DIVERSIFIED REITS | 3.64% |
| INDUSTRIAL REITS | 5.58% |
| REAL ESTATE SERVICES | 2.14% |
| RESEARCH & CONSULTING SERVICES | 1.29% |
| REAL ESTATE DEVELOPMENT | 0.39% |
| CASH AND/OR DERIVATIVES | 0.21% |
| Total | 100.00% |

* Percentages may not sum to 100% due to rounding.

Representative Sampling

The ETF uses a representative sampling indexing strategy to attempt to track the performance of the index before fees and expenses. For the ETF, this strategy involves investing in a representative sample of securities that collectively have an investment profile similar to that of the index. The securities selected are expected to have aggregate investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability and yield) and liquidity measures similar to those of the index. The ETF may or may not hold all of the securities that are included in the index.

The ETF generally invests at least 90% of its assets in the securities of the index and in depositary receipts representing securities thereof. The ETF may invest the remainder of its assets in securities not included in the index, but which BFA believes will help the ETF track the index. The ETF may also invest its other assets in certain futures, options and swaps contracts, as well as cash and cash equivalents, including shares of money market funds advised by BFA or its affiliates.

Tracking Error

The performance of the ETF and of the index may vary due to a variety of factors, including differences between the securities and other instruments held in the ETF's portfolio and those included in the index, pricing differences, transaction costs, the ETF holding uninvested cash, differences in the timing of the accrual of dividends or interest, tax gains or losses, changes to the index or the costs of complying with various new or existing regulatory requirements. Tracking error also may result because the ETF incurs fees and expenses, while the index does not. BFA expects that, over time, the ETF's tracking error will not exceed 5%. The ETF's use of a representative sampling indexing strategy

can be expected to produce a larger tracking error than would result if the ETF used a replication indexing strategy in which an ETF invests in substantially all of the securities in its index in approximately the same proportions as in the index.

As of December 31, 2018, iShares® reported the following average annual returns on the market price of the ETF's shares and the index. The market price of the ETF's shares takes into account distributions on the shares and the returns shown account for changes in the mid-point of the bid and ask prices at 4:00 p.m., Eastern time on the relevant date. ETF shares: 1 year, -4.32%; 3 years, 3.83%; 5 years, 7.58%; 10 years, 11.60%; since inception, 9.05%; index: 1 year, -4.03%; 3 years, 4.28%; 5 years, 8.06%; 10 years, 12.12%; since ETF inception, 9.52%.

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Industry Concentration Policy

The ETF will concentrate its investments (i.e., hold 25% or more of its total assets) in a particular industry or group of industries to approximately the same extent that the index is concentrated in that industry or group of industries.

The Index

The index is a float-adjusted market capitalization total return index that is calculated, published and disseminated by the index sponsor, S&P Dow Jones Indices (“Dow Jones”). It is a subset of the Dow Jones U.S. Index, and is designed to represent real estate investment trusts (“REITs”) and other companies that invest directly or indirectly in real estate through development, management or ownership, including property agencies. Stocks are selected for the index if they are contained in the index universe and if, based on their revenues, they have been classified into the Real Estate Supersector (8600) as defined by the proprietary classification system used by Dow Jones. Because the index is comprised primarily of REITs, the prices of the component stocks reflect changes in lease rates, vacancies, property development and transactions. The index is calculated in U.S. dollars on a total return (gross) basis. As of December 31, 2018, the index had 114 constituents.

Current Composition of the Index

As of December 31, 2018, the top ten constituents of the index and their relative weights in the index were as follows: American Tower Corp. A (7.04%), Simon Property Group A (5.23%), Crown Castle Intl Corp. (4.37%), ProLogis Inc. (3.89%), Equinix Inc. (3.00%), Public Storage (2.98%), Welltower Inc. (2.65%), Equity Residential (2.47%), AvalonBay Communities Inc. (2.44%) and Digital Realty Trust Inc. (2.18%).

Calculation and Dissemination

The closing values of the index are calculated on a 24-hour day that ends at 5:30 p.m. New York time and, following the determination of the previous day’s closing price, the index values for the current day are updated and disseminated on a real-time basis beginning at 5:30 p.m. whenever any of the exchanges represented in the index are open.

If trading in a stock is suspended while its market is open, the last traded price for that stock is used for all subsequent index computations until trading resumes. If trading is suspended before the opening, the stock’s adjusted closing price from the previous day is used to calculate the index. Until a particular stock opens, its adjusted closing price from the previous day is used in the index computation.

If a market is closed due to an exchange holiday, the previous adjusted closing price for each of its index underlying assets, coupled with the most-recent intraday currency bid price, is used to determine the index’s current U.S. dollar value.

To be included in the index, a stock must be part of the index universe, defined as all stocks traded on major U.S. stock exchanges minus any non-common issues and illiquid stocks. Index candidates must be common shares or other securities that have the characteristics of common equities. All classes of common shares, both fully and partially paid, are eligible. Fixed-dividend shares and securities such as convertible notes, warrants, rights, mutual funds, unit investment trusts, closed-end fund shares, shares in limited partnerships and shares in business development companies (“BDCs”) are not eligible. Temporary issues arising from corporate actions, such as “when-issued shares,” are considered on a case-by-case basis when necessary to maintain continuity in a company’s index membership. REITs, listed property trusts, and similar real-property-owning pass-through structures taxed as REITs by their domiciles also are eligible.

Each stock must also meet two separate liquidity criteria to be considered eligible for inclusion in the index. Stocks must have a 12-month median value traded ratio (MVTR) of at least 20% to be eligible, or at least 14% for current constituents to remain eligible. The MVTR for a stock is calculated by taking the median daily value traded amount for each of the 12 months preceding the rebalancing reference date, multiplying the amount by the number of days that the stock traded during that month, and then dividing the result by its end-of-month float-adjusted market capitalization. The sum of the 12 monthly values is the MVTR for such stock. If a stock has traded for less than 12 months, the average of the available monthly values is taken and multiplied by 12 to obtain the MVTR. In addition, stock must have a 6-month median daily traded value (MDVT) over the 6 months prior to the rebalancing reference date of at least \$250,000 to be eligible, or at least \$175,000 for current constituents to remain eligible. If a stock has traded for less than 6 months, the MDVT amount for as long as the stock has been trading is used.

After determination of the index universe, the index universe is then sorted by float-adjusted market capitalization and stocks in the top 95% of the index universe are categorized into 10 Industries, 19 Supersectors, 41 Sectors and 114

Subsectors as defined by a proprietary classification system used by Dow Jones. Segments are designed to capture the risk characteristics of a specific market by grouping together constituents that respond in similar ways to economic, political and environmental factors.

The index level is calculated using a fraction, the numerator of which is the price of each stock in the index multiplied by the number of shares used in the index calculation (total shares outstanding times the IWF), and summed across all the stocks in the index. The denominator is the index divisor.

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The Index Divisor

To assure that the index's value, or level, does not change when stocks are added or deleted, the divisor is adjusted to offset the change in market value of the index. Thus, the divisor plays a critical role in the index's ability to provide a continuous measure of market valuation when faced with changes to the stocks included in the index. In a similar manner, some corporate actions that cause changes in the market value of the stocks in an index should not be reflected in the index level. Adjustments are made to the divisor to eliminate the impact of these corporate actions. Any change to the stocks in the index that alters the total market value of the index while holding stock prices constant will require a divisor adjustment.

Divisor adjustments are made "after the close" meaning that after the close of trading the closing prices are used to calculate the new divisor based on whatever changes are being made. It is, then, possible to provide two complete descriptions of the index – one as it existed at the close of trading and one as it will exist at the next opening of trading. If the same stock prices are used to calculate the index level for these two descriptions, the index levels are the same. With prices constant, any change that changes the total market value included in the index will require a divisor change. For cataloging changes, it is useful to separate changes caused by the management of the index from those stemming from corporate actions of the constituent companies. Among those changes driven by index management are adding or deleting companies, adjusting share counts and changes to IWFs and other factors affecting share counts or stock prices.

When a company is added to or deleted from the index, the net change in the market value of the index is calculated and this is used to calculate the new divisor. The market values of stocks being added or deleted are based on the prices, shares outstanding, IWFs and any other share count adjustments.

There are a large range of different corporate actions ranging from routine share issuances or buy backs to unusual events like spin-offs or mergers. These are listed on the table below with a description of the adjustments, if any.

| Corporate Action | Effects | Divisor Adjustments? |
|------------------------------|--|----------------------|
| Company added/deleted | Net change in market value determines the divisor adjustment. | Yes |
| Change in shares outstanding | Any combination of secondary issuance, share repurchase or buy back – share counts revised to reflect change. | Yes |
| Stock split | Share count revised to reflect new count. Divisor adjustment is not required since the share count and price changes are offsetting. | No |
| Spin-off | If the spun-off company is not being added to the index, the divisor adjustment reflects the decline in index market value (i.e., the value of the spun-off unit). | Yes |
| Spin-off | Spun-off company added to the index, no company removed from the index. | No |
| Spin-off | Spun-off company added to the index, another company removed to keep number of names fixed. Divisor adjustment reflects deletion. | Yes |
| Change in IWF | Increasing (decreasing) the IWF increases (decreases) the total market value of the index. The divisor change reflects the change in market value caused by the change to an IWF. | Yes |
| Special Dividend | When a company pays a special dividend the share price is assumed to drop by the amount of the dividend; the divisor adjustment reflects this drop in index market value. | Yes |
| Rights offering | Each shareholder receives the right to buy a proportional number of additional shares at a set (often discounted) price. The calculation assumes that the offering is fully subscribed. Divisor adjustment reflects increase in market cap measured as the shares issued multiplied by the price paid. | Yes |

Annual Reconstitution, Quarterly Reviews and Index Maintenance

The index is reconstituted annually in September. The process includes the review of all stocks in their respective markets to determine eligibility according to the existing criteria. The reference date for data used in the annual

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reconstitution is the last business day in July. In addition, the investable weight factor (“IWF”), for each stock is reviewed and updated as needed. Changes are implemented at the opening of trading on the Monday following the third Friday of September. Changes in IWFs resulting from corporate actions which exceed 5% are implemented as soon as possible; changes of less than 5% are implemented at the next annual review.

Generally, no companies are added to an index between annual reconstitutions except for initial public offerings and spinoffs. Any exceptions to this rule are announced with ample lead time. Any stocks considered for addition at the quarterly rebalance must have a float market cap larger than the smallest stock included in the index at the time of the previous reconstitution.

Changes in shares outstanding of less than 5% are accumulated and made quarterly in March, June, September and December. These changes, as well as any weight adjustments, are implemented at the opening of trading on the Monday following the third Friday of the quarterly update month.

The indices are also reviewed on an ongoing basis to account for corporate actions such as mergers, acquisitions, takeovers, delistings or bankruptcies. Changes to index composition and related weight adjustments are made as soon as they are effective. Corporate actions (such as stock splits, stock dividends, spin-offs and rights offerings) are applied after the close of trading on the day prior to the ex-date. Share changes resulting from exchange offers are applied on the ex-date.

Initial public offerings and new listings on eligible exchanges are added to at the next quarterly update if the new listing occurs on or before the final trading day of February, May, August or November and meets all other eligibility requirements. Spinoffs of index constituents are added to the index at a zero price at the market close on the day before the ex-date (with no divisor adjustment). If a spun-off company is determined not to be eligible to remain in the index, it will be removed after at least one day of regular way trading (with a divisor adjustment). Spinoffs are assigned the same size and style as the parent company at the time of the action. All spinoff sizes are evaluated at the next quarterly update.

Whenever possible, Dow Jones will announce changes in the index at least two business days prior to their implementation date.

If an index constituent is suspended by its primary market, it may be removed from the index at the discretion of the Index Committee. When this occurs, S&P Dow Jones Indices will use the best-available alternate pricing source to determine the value at which the company should be removed from the index.

Float Adjustment

A company’s outstanding shares are adjusted to exclude shares held by certain shareholders concerned with the control of a company, a group that generally includes the following: officers and directors, private equity, venture capital, special equity firms, publicly traded companies that hold shares in another company, strategic partners, holders of restricted shares, employee stock ownership plans, employee and family trusts, foundations associated with the company, holders of unlisted share classes of stock, government entities at all levels (except government retirement or pension funds) and any individual person who controls a 5% or greater stake in a company as reported in regulatory filings. However, holdings by depositary banks, mutual funds, exchange-traded fund providers, asset managers, pension plans and other institutional investors, even if greater than 5% of the outstanding shares of a company, are generally included in the float-adjusted share count to be used in the index calculations, as they are deemed to be acting as investors and not involved with control of a company.

The index adjustment to reflect control holders is accomplished by calculating the IWF for each stock that is part of the numerator of the float-adjusted index fraction described above:

$$\text{IWF} = (\text{available float shares}) / (\text{total shares outstanding})$$

where available float shares are defined as total shares outstanding less shares held by control holders. In most cases, IWFs are reported to the nearest one percentage point.

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Historical Closing Prices of the ETF's Shares

The closing price of shares of the ETF has fluctuated in the past and may, in the future, experience significant fluctuations. Any historical upward or downward trend in the closing price of the shares during the period shown below is not an indication that the shares are more or less likely to increase or decrease at any time during the life of your notes. The period shown below will be approximately ten years, but may be shorter if Bloomberg Financial Services does not provide historical closing prices for the entirety of such period (whether due to the applicable inception date occurring less than ten years from the date hereof or otherwise).

You should not take the historical closing prices of the shares as an indication of the future performance of the shares. We cannot give you any assurance that the future performance of the shares will result in your receiving an amount greater than the outstanding face amount of your notes on the stated maturity date. Neither we nor any of our affiliates make any representation to you as to the performance of the shares. Before investing in the offered notes, you should consult publicly available information to determine the relevant ETF closing prices between the date of this prospectus supplement and the date of your purchase of the offered notes. The actual performance of the ETF over the life of the offered notes, as well as the cash settlement amount at maturity may bear little relation to the historical prices shown below.

The graph below shows the daily historical prices of the shares of the ETF from January 23, 2009 through January 25, 2019. We obtained the closing prices shown in the graph below from Bloomberg Financial Services without independent verification.

Historical Performance of iShares® U.S. Real Estate ETF

“iShare®” is a registered trademark of BlackRock Institutional Trust Company, N.A. (“BITC”). The index is not sponsored, endorsed, sold, or promoted by BITC. BITC makes no representations or warranties to the owners of the index or any member of the public regarding the advisability of investing in the index. BITC has no obligation or liability in connection with the operation, marketing, trading or sale of the index.

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iShares® U.S. Preferred Stock ETF

The shares of the iShares® U.S. Preferred Stock ETF (the “ETF”) are issued by iShares® Trust, a registered investment company.

The ETF is a tracking ETF that seeks investment results which correspond generally to the price and yield performance, before fees and expenses, of the index it seeks to track.

It is expected that, effective as of February 1, 2019, the ETF will change its name to “the iShare® Preferred and Income Securities ETF”.

The ETF currently tracks the S&P U.S. Preferred Stock Index™ (the “current index”). During the period from February 1, 2019 to October 31, 2019, the ETF is expected to track the ICE Exchange-Listed Preferred & Hybrid Securities Transition Index (the “transition index”). On and after November 1, 2019, the ETF is expected to track the ICE Exchange-Listed Preferred & Hybrid Securities Index (the “new index”).

Investment Advisor: BlackRock Fund Advisors (“BFA”).

The ETF’s shares trade on the NASDAQ under the ticker symbol “PFF”.

The iShares® Trust’s SEC CIK Number is 0001100663.

The ETF’s inception date was March 26, 2007.

The ETF’s shares are issued or redeemed only in creation units of 50,000 shares or multiples thereof.

We obtained the following fee information from the iShares® website without independent verification. The investment advisor is entitled to receive a management fee from the ETF based on the ETF’s allocable portion of an aggregate management fee based on the aggregate average daily net assets of the ETF and a set of other specified iShares® funds (the “funds”) as follows: 0.48% per annum of the average daily net assets of the funds less than or equal to \$46.0 billion, plus 0.456% per annum of the average daily net assets of the funds on amounts in excess of \$46.0 billion, up to and including \$81.0 billion, plus 0.4332% per annum of the average daily net assets of the funds on amounts in excess of \$81.0 billion, up to and including \$111.0 billion, plus 0.4116% per annum of the average daily net assets of the funds on amounts in excess of \$111.0 billion, up to and including \$141.0 billion, plus 0.391% per annum of the average daily net assets of the funds on amounts in excess of \$141.0 billion. As of December 31, 2018, the average daily expense ratio of the ETF was 0.46% per annum. For additional information regarding iShares® Trust or BFA, please consult the reports (including the Semi-Annual Report to Shareholders on Form N-CSRS for the period ended September 30, 2018) and other information iShares® Trust files with the SEC. In addition, information regarding the ETF, including its top portfolio holdings, may be obtained from other sources including, but not limited to, press releases, newspaper articles, other publicly available documents, and the iShares® website at us.ishares.com/product_info/fund/overview/PFF.htm. We are not incorporating by reference the website, the sources listed above or any material they include in this prospectus supplement.

Investment Objective

The ETF seeks to achieve a return that corresponds generally to the price and yield performance, before fees and expenses, of the index. The ETF’s investment objective and the index may be changed without shareholder approval. During the period from February 1, 2019 to October 31, 2019, the ETF is expected to track the transition index, which measures the performance of a select group of exchange-listed, U.S. dollar denominated preferred securities, hybrid securities and convertible preferred securities listed on the New York Stock Exchange or NASDAQ Capital Market. The transition index includes issuances of preferred stock with amounts outstanding over \$100 million, convertible preferred stock with at least \$50 million face amount outstanding and hybrid securities with at least \$250 million face amount outstanding, in each case, that meet minimum pricing, liquidity, trading volume, maturity and other requirements, as applicable, as determined by the index sponsor of the transition index, ICE Data Indices. The transition index will gradually increase exposure to other securities based on their weightings in the new index while proportionately reducing exposure to the current index. During such period, and after October 31, 2019, the ETF will invest by sampling the applicable index, meaning that it will hold a broadly diversified collection of securities that, in the aggregate, approximates the applicable full index in terms of key characteristics.

The following table displays the top holdings and weightings by industry sector of the ETF. (Sector designations are determined by the ETF sponsor using criteria it has selected or developed. Index and ETF sponsors may use very different standards for determining sector designations. In addition, many companies operate in a number of sectors, but are listed in only one sector and the basis on which that sector is selected may also differ. As a result, sector

comparisons between indices or ETFs with different sponsors may reflect differences in methodology as well as actual differences in the sector composition of the indices or ETFs.) We obtained the information in the tables below from the ETF website without independent verification.

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iShares® U.S. Preferred Stock ETF Top Ten Holdings as of January 14, 2019

| <u>ETF Stock Issuer</u> | <u>Percentage (%)</u> |
|----------------------------------|-----------------------|
| BECTON DICKINSON AND COMPANY | 2.13% |
| GMAC CAPITAL TRUST I | 2.04% |
| CITIGROUP CAPITAL XIII | 1.96% |
| BLK CSH FND TREASURY SL AGENCY | 1.73% |
| WELLS FARGO DEPOSITARY SHARES CO | 1.33% |
| CITIGROUP DEPOSITARY INC | 1.31% |
| SEMPRA ENERGY | 1.26% |
| BANK OF AMERICA CORP | 1.19% |
| PNC FINANCIAL SERVICES GROUP INC | 1.18% |
| JPMORGAN CHASE & CO | 1.15% |
| Total | 15.28% |

iShares® U.S. Preferred Stock ETF Weighting by Sector as of January 14, 2019*

| <u>Sector</u> | <u>Percentage (%)</u> |
|------------------------------------|-----------------------|
| Banks | 35.84% |
| Diversified Financials | 24.62% |
| Real Estate | 12.91% |
| Insurance | 9.97% |
| Telecommunications | 0.82% |
| Utilities | 3.66% |
| Energy | 3.01% |
| Food Bevg Tobacco | 1.87% |
| Capital Goods | 1.95% |
| Commercial & Professional Services | 0.31% |
| Transportation | 0.76% |
| Tech Hardware & Equip | 0.28% |
| Health Care Equipment & Services | 2.13% |
| Media & Entertainment | 0.14% |
| Cash and/or Derivatives | 1.75% |
| Total | 100.02% |

* Percentages may not sum to 100% due to rounding.

iShares® U.S. Preferred Stock ETF Weighting by Country as of January 14, 2019*

| <u>Country</u> | <u>Percentage (%)</u> |
|-------------------------|-----------------------|
| United States | 92.22% |
| Netherlands | 2.64% |
| United Kingdom | 1.72% |
| Cash and/or Derivatives | 1.75% |
| Other | 1.67% |
| Total | 100.00% |

* Percentages may not sum to 100% due to rounding and the holding of cash and/or derivatives.

Representative Sampling

BFA uses a representative sampling indexing strategy to manage the ETF. This strategy involves investing in a representative sample of securities that collectively has an investment profile similar to that of the index it tracks. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability and yield) and liquidity measures similar to those of the index.

The ETF generally will invest at least 90% of its assets in the component securities of the index it tracks and may invest up to 10% of its assets in certain futures, options and swap contracts, cash and cash equivalents, including shares of money market funds advised by BFA or its affiliates, as well as in securities not included in the index it

tracks, but which BFA believes will help the ETF track the index it tracks. From time to time when conditions warrant, however, the ETF may invest at least 80% of its assets in the component securities of the index it tracks and may invest up to 20% of its assets in certain futures, options and swap contracts, cash and cash equivalents, including shares of BlackRock Cash Funds, as well as in securities not included in the index it tracks, but which BFA believes will help the ETF track the index it tracks. Also, the ETF may lend securities representing up to one-third of the value of the ETF's total assets (including the value of the collateral received).

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Tracking Error

The performance of the ETF and the index it tracks may vary due to a variety of factors, including differences between the securities or other instruments held in the ETF's portfolio and those included in the index it tracks, pricing differences, transaction costs, the ETF's holding of uninvested cash, differences in timing of the accrual of dividends or interest, tax gains or losses, changes to the index it tracks or the need to meet with various new or existing regulatory requirements. Tracking error also may result because the ETF incurs fees and expenses, while the index it tracks does not. BFA expects that, over time, the ETF's tracking error will not exceed 5%. The ETF's use of a representative sampling indexing strategy can be expected to produce a larger tracking error than would result if the ETF used a replication indexing strategy in which an ETF invests in substantially all of the securities in the index it tracks in approximately the same proportions as in such index.

In the weeks leading up to February 1, 2019, the ETF may seek to increase holdings of component securities in the transition index and/or decrease holdings of component securities in the current index that are not included in the transition index in preparation for the index change. In connection with such positioning, the ETF may or may not participate in any changes made to the current index, including the rebalance of the current index. As a result, the ETF may deviate from its investment strategy to a limited extent and the tracking error for the ETF with respect to its current index may widen in the weeks preceding February 1, 2019.

As of December 31, 2018, iShares® reported the following average annual returns on the market price of the ETF's shares and the current index. The market price of the ETF's shares takes into account distributions on the shares and the returns shown account for changes in the mid-point of the bid and ask prices at 4:00 p.m., Eastern time on the relevant date. ETF shares: 1 year, -4.63%; 3 years, 1.44%; 5 years, 4.45%; 10 years, 8.46%; since inception, 3.51%; current index: 1 year, -4.25%; 3 years, 2.12%; 5 years, 5.08%; 10 years, 9.60%; since ETF inception, 4.02%.

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Industry Concentration Policy

The ETF will concentrate its investments (i.e., hold 25% or more of its total assets) in a particular industry or group of industries to approximately the same extent that the index is concentrated.

The S&P U.S. Preferred Stock Index

The S&P U.S. Preferred Stock Index (Bloomberg ticker SPPREF) (the “current index”) is managed by S&P Dow Jones Indices LLC (“S&P”) and is an index that represents the U.S. preferred stock market and is calculated with a float-adjusted market capitalization scheme, subject to a single issuer weight cap of 10%. Preferred stocks are a class of capital stock that pays dividends at a specified rate and has a preference over common stock in the payment of dividends and the liquidation of assets. In a float-adjusted market capitalization weighted index, constituents are weighted based on market capitalization, but the share counts used in calculating the index reflect only those shares available to investors rather than all of a company’s outstanding shares. Float adjustment excludes shares that are closely held by control groups, other publicly traded companies or government agencies. The S&P U.S. Preferred Stock Index is calculated, maintained and published by S&P and is part of the S&P Dow Jones Indices family of indices. Additional information is available on the following websites: us.spindices.com/indices/fixed-income/sp-us-preferred-stock-index and spdji.com/. We are not incorporating by reference the websites or any material they include in this prospectus supplement.

Eligibility for Inclusion in the Current Index

Selection for the current index is comprised of U.S. traded preferred stocks that meet criteria relating to minimum size, liquidity, exchange listing and time to maturity. Preferred stocks trading on the NYSE (including NYSE Arca and NYSE Amex), the NASDAQ Global Select Market, the NASDAQ Select Market and the NASDAQ Capital Market are eligible to be included in the current index. Over-the-counter bulletin board and unregistered securities are excluded. Preferred stocks issued by a company to meet its capital or financing requirements are eligible. These include floating, variable and fixed-rate preferreds, cumulative and non-cumulative preferreds, preferred stocks with a callable or conversion feature and trust preferreds. Some trust preferreds issued by a company to meet its capital requirements carry a brand name or moniker, which are included. However, structured products and brand name products issued by financial institutions that are packaged securities linked to indices, baskets of stocks or another company’s stock are excluded. Special ventures such as toll roads or dam operators may issue preferred-like securities, which are also excluded.

The following preferred stocks are eligible to be in the index: preferred stocks that do not have a mandatory conversion or scheduled maturity within the next 12 months; preferred stocks with market capitalization of greater than or equal to \$100 million; preferred stocks that have traded more than 250,000 shares per month in each of the previous six months as of the rebalancing reference date (as defined below) (issues with fewer than six months of trading history will be evaluated over the available period and may be included should size and available trading history infer the issue will satisfy this requirement). Preferred stocks for which S&P cannot determine an indicated dividend yield are not eligible. There is no limit to the number of preferred stocks issued by a single company, however, a maximum weight of 10% is set per issuer. All eligible securities for an issuer are included in the index, with the aggregate weight capped on a pro rata basis to a maximum of 10% of the index market capitalization.

Current components meeting the following criteria will continue to be eligible for inclusion in the index: current components with market capitalization of greater than or equal to \$75 million as of the rebalancing reference date (as defined below); current components that have traded more than 125,000 shares per month over each of the previous six months as of the rebalancing reference date (however, no current component is removed from the index for violating this volume requirement during the first 12 months following its addition to the index).

Preferred stocks for which S&P cannot determine an indicated dividend yield as of the rebalancing reference date are not eligible for inclusion in the index.

Current Composition of the Current Index

As of January 14, 2019, the current index held stocks of companies in the following sub-industries (with their corresponding weights in the fund): financials (71.90%), real estate (11.77%), utilities (4.45%), communication services (0.93%), energy (3.37%), health care (2.21%), industrials (3.04%), consumer staples (1.89%), information technology (0.28%) and consumer discretionary (0.16%).

As of January 14, 2019, the top ten constituents of the current index and their relative weights in the current index were as follows: Becton Dickinson & Co. Deposit Shs Repr 1/20th Cum Conv Pfd Registered Shs Series A (2.21%), GMAC CAP TR I GTD TR PFD-2 (2.13%), Citigroup Cap XIII 7.875% TruPS (1.86%), Wells Fargo & Co Deposit Shs Repr 1/1000th 5.85 % Non-Cum Perp Pfd Shs A Series Q (1.34%), Sempra Energy 6 % Cum Conv Red Pfd Registered Shs 2017-15.01.21 Series A (1.32%), JP Morgan Chase & Co-Depositary Shs Repr 1/400th Non-Cum Red Pfd Registered Shs Series -DD (1.32%), Citigroup Inc Deposit Shs Repr 1/1000th 6 7/8 % Non-Cum Perp Pfd Shs Series K (1.23%), PNC Financial Services Group Inc DR (1.22%), Hsbc Hldgs Plc Adr A 1/40Pf A (1.17%) and JPMorgan Chase & Co Deposit Shs Repr 1/400th Non-Cum Pfd Shs Series Y (1.15%).

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As of January 14, 2019, the countries of domicile included in the current index and their relative weights were: United States (92.03%), Netherlands (2.73%), Germany (1.84%), United Kingdom (1.61%), China (0.62%), Greece (0.43%), Bermuda (0.37%), Norway (0.20%) and Canada (0.18%).

Calculation of the Total Return of the Current Index

The current index uses a float-adjusted market capitalization weighting subject to a single issuer weight cap of 10%, meaning that the share counts used in calculating the current index reflect only those shares available to investors rather than all of a company's outstanding shares. The constituents are weighted by float-adjusted market capitalization and at each rebalancing, all eligible securities for an issuer are included in the current index, with the issuer's aggregate weight capped on a pro rata basis to a maximum of 10% of the index market capitalization.

The ETF tracks the performance of the "total return" version of the current index. The total return calculation begins with the price return of the current index. The price return index value is derived from dividing the index market value by the index divisor.

The index market value is the sum of the product of the number of then-outstanding index shares for each index constituent multiplied by the price of such constituent's shares. The number of index shares for each constituent is equal to the float-adjusted outstanding shares number for such constituent. In calculating the float adjustment, S&P seeks to exclude shares held by certain shareholders concerned with the control of a company, a group that generally includes the following: officers and directors and related individuals whose holdings are publicly disclosed, private equity, venture capital, special equity firms, publicly traded companies that hold shares for control in another company, strategic partners, holders of restricted shares, employee stock ownership plans, employee and family trusts, foundations associated with the company, holders of unlisted share classes of stock, government entities at all levels (except government retirement or pension funds) and any individual person listed as a 5% or greater stakeholder in a company as reported in regulatory filings (collectively, "control holders"). To this end, S&P excludes all share-holdings (other than depositary banks, pension funds, mutual funds, exchange traded fund providers, 401(k) plans of the company, government retirement and pension funds, investment funds of insurance companies, asset managers and investment funds, independent foundations, savings plans and investment plans) with a position greater than 5% of the outstanding shares of a company from the float-adjusted share count to be used in index calculations.

The exclusion is accomplished by calculating an investable weight factor (IWF) for each stock that is part of the numerator of the float-adjusted index fraction described above:

$$\text{IWF} = (\text{available float shares}) / (\text{total shares outstanding})$$

where available float shares is defined as total shares outstanding less shares held by control holders. For companies with multiple share class lines, a separate IWF is calculated for each share class line.

For issuers where the combined weight of all issues included in the current index is greater than 10% of the current index, such issuer's combined initial weight in the current index (and therefore float-adjusted outstanding shares) will be adjusted to equal 10% of the current index. All other issuer weights (and therefore float-adjusted outstanding shares) are increased proportionally.

The initial divisor was set to have a base index value of 1,000 on September 19, 2003 and has been adjusted from time to time, as described below, to minimize distortions introduced by the addition and removal of constituents.

In order to maintain index series continuity, it is also necessary to adjust the divisor at each rebalancing. Therefore, the divisor (after rebalancing) equals the index market value (after rebalancing) divided by the index value before rebalancing. The divisor keeps the index comparable over time and is one manipulation point for adjustments to the current index, which we refer to as maintenance of the current index.

Once the price return index has been calculated, the total return index is calculated. First, the total daily dividend for each stock in the current index is calculated by multiplying the per share dividend by the number of shares included in the current index. Dividends are reinvested in the current index after the close on the ex-date for such dividend. Then the index dividend is calculated by aggregating the total daily dividends for each of the index stocks (which may be zero for some stocks) and dividing by the divisor for that day. Next, the daily total return of the current index is calculated as a fraction minus 1, the numerator of which is the sum of the index level plus the index dividend and the denominator of which is the index level on the previous day. Finally, the total return index for that day is calculated as the product of the value of the total return index on the previous day times the sum of 1 plus the index daily total return for that day.

Maintenance of the Index

The composition of the current index is reviewed quarterly on each rebalancing date, which is the third Friday in January, April, July and October. Rebalancing occurs after the close of the rebalancing date. The reference date for additions and deletions is five business days prior to the first Friday of the rebalancing month (the rebalancing reference date). Additions occur only at the quarterly rebalancing. There are no intra-quarter additions. A constituent is deleted intra-quarter if it is called or undergoes mandatory conversion. Subject to market conditions, S&P will provide five days'

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advance notice of a deletion. Should an existing constituent delist during the five-day notification period, it is removed at the closing price from its last day of trading. The quarterly rebalancing also results in deletions, if one or more constituents no longer meets continued eligibility requirements.

Adjustments are made to the current index in the event of certain corporate actions relating to the stocks included in the current index, such as rights offerings, stock splits and delisting from the primary exchange, as specified below.

The table below summarizes the types of index maintenance adjustments:

| <u>Type of Corporate Action</u> | <u>Adjustment Factor</u> | <u>Divisor Adjustment Required</u> |
|--|--|------------------------------------|
| Shares called for cash or par value | If the issuer calls a constituent, it is removed from the current index with a minimum of two days' notice. | Yes |
| Shares called for conversion or automatically converted | The constituent is removed from the current index at the time of the conversion with a minimum of two days' notice. | Yes |
| Delisting from primary exchange | The constituent is removed from the current index with a minimum of two days' notice. If no primary exchange price is available, it is removed at the OTC or pink sheet price. If no OTC or pink sheet price is available, the security can be removed at a zero price at the discretion of the S&P Index Committee. | Yes |
| Special cash distribution | The price of the stock making the special payment is reduced by the per share special payment. | Yes |
| Rights offering on preferred share class | The price is adjusted to the Price of Parent shares minus (Price of Rights shares/Rights Ratio). | Yes |
| Preferred Stock Split | Index Shares are multiplied by and the price is divided by the split factor. | No |
| Issuance of additional shares for the preferred share class in the current index | None. Shares are revised semiannually. | No |
| Partial call for cash or par value | On the redemption date, the constituent shares outstanding are reduced by the number of shares called and the constituent is adjusted to the call prices plus accrued interest. | Yes |

Recalculation Policy

S&P reserves the right to recalculate and republish the current index at its discretion in the event one of the following issues has occurred: (1) incorrect or revised closing price of one or more constituent securities; (2) missed corporate event; (3) incorrect application of corporate action or index methodology; (4) late announcement of a corporate event; or (5) incorrect calculation or data entry error. The decision to recalculate the current index is made at the discretion of the index manager and/or index committee, as further discussed below. The potential market impact or disruption resulting from the potential recalculation is considered when making any such decision. In the event of an incorrect closing price, a missed corporate event or a misapplied corporate action, a late announcement of a corporate event, or an incorrect calculation or data entry error that is discovered within two trading days of its occurrence, the index manager may, at his or her discretion, recalculate the index without involving the index committee. In the event any such event is discovered beyond the two trading day period, the index committee shall decide whether the index should be recalculated. In the event of an incorrect application of the methodology that results in the incorrect composition and/or weighting of index constituents, the index committee shall determine whether or not to recalculate the current index following specified guidelines. In the event that the current index is recalculated, it shall be done within a reasonable timeframe following the detection and review of the issue.

Calculations and Pricing Disruptions

Closing levels for the current index are calculated by S&P based on the closing price of the individual constituents of the current index as set by their primary exchange. Closing prices are received by S&P from one of its third party vendors and verified by comparing them with prices from an alternative vendor. The vendors receive the closing price from the primary exchanges. Real-time intraday prices are calculated similarly without a second verification. Prices used for the calculation

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of real time index values are based on the “Consolidated Tape”. The Consolidated Tape is an aggregation of trades for each constituent over all regional exchanges and trading venues and includes the primary exchange. If there is a failure or interruption on one or more exchanges, real-time calculations will continue as long as the “Consolidated Tape” is operational.

If an interruption is not resolved prior to the market close, official closing prices will be determined by following the hierarchy set out in NYSE Rule 123C. A notice is published on the S&P website at spdji.com indicating any changes to the prices used in index calculations. In extreme circumstances, S&P may decide to delay index adjustments or not publish the current index. Real-time indices are not restated.

Unscheduled Exchange Closures

An unexpected market/exchange closure occurs when a market/exchange fully or partially fails to open or trading is temporarily halted. This can apply to a single exchange or to a market as a whole, when all of the primary exchanges are closed and/or not trading. Unexpected market/exchange closures are usually due to unforeseen circumstances, such as natural disasters, inclement weather, outages, or other events.

To a large degree, S&P is dependent on the exchanges to provide guidance in the event of an unexpected exchange closure. S&P’s decision making is dependent on exchange guidance regarding pricing and mandatory corporate actions.

NYSE Rule 123C provides closing contingency procedures for determining an official closing price for listed securities if the exchange is unable to conduct a closing transaction in one or more securities due to a system or technical issue.

3:00 PM ET is the deadline for an exchange to determine its plan of action regarding an outage scenario. As such, S&P also uses 3:00 PM ET as the cutoff.

If all major exchanges fail to open or unexpectedly halt trading intraday due to unforeseen circumstances, S&P will take the following actions:

Market Disruption Prior to Open of Trading:

If all exchanges indicate that trading will not open for a given day, S&P will treat the day as an unscheduled market holiday. The decision will be communicated to clients as soon as possible through the normal channels. Indices (i) containing multiple markets will be calculated as normal, provided that at least one market is open that day. Indices which only contain closed markets will not be calculated.

(ii) If exchanges indicate that trading, although delayed, will open for a given day, S&P will begin index calculation when the exchanges open.

Market Disruption Intraday:

If exchanges indicate that trading will not resume for a given day, the index level will be calculated using prices (i) determined by the exchanges based on NYSE Rule 123C. Intraday index values will continue to use the last traded composite price until the primary exchange publishes official closing prices.

The ICE Exchange-Listed Preferred & Hybrid Securities Transition Index

In preparing the description of the transition index, we have relied exclusively on information about the transition index contained in the ETF’s prospectus and other reports, including the Statement of Additional Information, iShares® Trust files with the SEC. iShares® Trust does not have an obligation to continually update information about the transition index. See “Additional Risk Factors Specific to Your Notes — Limited or No Public Disclosure About an Underlying Index That an ETF Tracks May Result in the ETF Behaving in Unexpected Ways, Which Could Adversely Affect the Index Level”

The ICE Exchange-Listed Preferred & Hybrid Securities Transition Index (the “transition index”) measures the performance of exchange-listed U.S. dollar-denominated hybrid securities, preferred stock and convertible preferred stock.

Index Methodology

The transition index consists of exchange-listed U.S. dollar-denominated hybrid securities, preferred stock and convertible preferred stock. Qualifying securities must be exchange listed and have either the NASDAQ or NYSE as their primary exchange in order to be included in the transition index. The transition index constituents must also meet minimum price, liquidity, trading volume, maturity and other requirements relating to continuous listing standards of the listing exchange.

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The transition index is market capitalization-weighted subject to certain constraints, and the securities in the transition index are updated on the last business date of each month.

Component Selection Criteria

Hybrid corporate debt issued in \$1,000 or greater par amounts must have a coupon deferral feature, at least \$250 million face amount outstanding and at least 18 months to final maturity at the time of issuance to qualify.

Fixed-to-floating rate securities are included provided they are callable within the fixed rate period and are at least one month from the last call prior to the date the bond transitions from a fixed to a floating rate security. Contingent capital securities (“cocos”) are excluded, but capital securities where conversion can be mandated by a regulatory authority, but which have no specified trigger, are included. Other hybrid capital securities, such as those issues that potentially convert into preference shares, those with both cumulative and noncumulative coupon deferral provisions, and those with alternative coupon satisfaction mechanisms, are also included in the transition index. 144A securities (both with and without registration rights) and corporate pay-in-kind securities (including toggle notes) are included. Securities in legal default, securitized debt and eurodollar bonds (USD securities not issued in the U.S. domestic market) are excluded.

Preferred stock and notes issued in \$25, \$50 or \$100 par/liquidation preference increments must have a minimum amount outstanding of \$100 million. In addition, qualifying securities must have an investment grade rated country of risk (based on an average of Moody’s, S&P and Fitch foreign currency long-term sovereign debt ratings). Both fixed and adjustable rate preferred stock and notes are included in the transition index. Preference shares (perpetual preferred securities), American Depositary Shares/Receipts (ADS/R), domestic and Yankee trust preferreds, are included. Auction market securities, purchase units, purchase contracts, securities issued by closed end funds and derivative instruments such as repackaged securities and credit default swaps are excluded.

Convertible preferred stock must have at least \$50 million face amount outstanding. The underlying equity of qualifying securities must be publicly listed and actively trading. Convertible securities where the underlying is a basket of equities, and mandatory convertibles are included in the transition index. Securities in legal default, synthetic and reverse convertibles, pay-in-kind convertibles, and convertibles with suspended or inactive underlying equities are excluded from the transition index.

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Historical Closing Prices of the ETF's Shares

The closing price of shares of the ETF has fluctuated in the past and may, in the future, experience significant fluctuations. Any historical upward or downward trend in the closing price of the shares during the period shown below is not an indication that the shares are more or less likely to increase or decrease at any time during the life of your notes. The period shown below will be approximately ten years, but may be shorter if Bloomberg Financial Services does not provide historical closing prices for the entirety of such period (whether due to the applicable inception date occurring less than ten years from the date hereof or otherwise).

You should not take the historical closing prices of the shares as an indication of the future performance of the shares. We cannot give you any assurance that the future performance of the shares will result in your receiving an amount greater than the outstanding face amount of your notes on the stated maturity date. Neither we nor any of our affiliates make any representation to you as to the performance of the shares. Before investing in the offered notes, you should consult publicly available information to determine the relevant ETF closing prices between the date of this prospectus supplement and the date of your purchase of the offered notes. The actual performance of the ETF over the life of the offered notes, as well as the cash settlement amount at maturity may bear little relation to the historical prices shown below.

The graph below shows the daily historical prices of the shares of the ETF from January 23, 2009 through January 25, 2019. We obtained the closing prices shown in the graph below from Bloomberg Financial Services without independent verification.

Historical Performance of iShares® U.S. Preferred Stock ETF

* During the period from February 1, 2019 to October 31, 2019, the ETF is expected to track the ICE Exchange-Listed Preferred & Hybrid Securities Transition Index. On and after November 1, 2019, the ETF is expected to track the ICE Exchange-Listed Preferred & Hybrid Securities Index. Any historical information about the performance of the ETF for any period before February 1, 2019 will be during a period in which the ETF tracked a different underlying index, and therefore should not be considered information relevant to how the ETF will perform tracking the ICE Exchange-Listed Preferred & Hybrid Securities Transition Index or the ICE Exchange-Listed Preferred & Hybrid Securities Index.

“iShare®” is a registered trademark of BlackRock Institutional Trust Company, N.A. (“BITC”). The index is not sponsored, endorsed, sold, or promoted by BITC. BITC makes no representations or warranties to the owners of the index or any member of the public regarding the advisability of investing in the index. BITC has no obligation or

liability in connection with the operation, marketing, trading or sale of the index.

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The iShares® Nasdaq Biotechnology ETF

The shares of the iShares® Nasdaq Biotechnology ETF (the “ETF”) are issued by iShares, Inc. (the “company”). The company was organized as a Maryland corporation on September 1, 1994 and is authorized to have multiple series or portfolios, of which the ETF is one.

The ETF is a tracking ETF that seeks investment results which correspond generally to the price and yield performance, before fees and expenses, of the index.

The index it tracks is the NASDAQ Biotechnology Index (the “index”).

Investment Advisor: BlackRock Fund Advisors (“BFA”).

The ETF’s shares trade on the NASDAQ under the ticker symbol “IBB”.

The company’s SEC CIK Number is 0000930667.

The ETF’s inception date was February 5, 2001.

The ETF’s shares are issued or redeemed only in creation units of 50,000 shares or multiples thereof.

We obtained the following fee information from the iShares® website without independent verification. The investment advisor is entitled to receive a management fee from the fund corresponding to the ETF’s allocable portion of an aggregate management fee based on the aggregate average daily net assets of the ETF and a set of other specified iShares® funds (the “funds”) as follows: 0.48% per annum of the aggregate net assets of the funds less than or equal to \$121 billion, plus 0.456% per annum of the aggregate net assets of the funds on amounts in excess of \$121 billion, up to and including \$181 billion, plus 0.4332% per annum of the aggregate net assets of the funds on amounts in excess of \$181 billion, up to and including \$231 billion, plus 0.4116% per annum of the aggregate net assets of the funds on amounts in excess of \$231 billion, up to and including \$281 billion, plus 0.3910% per annum of the aggregate net assets in excess of \$281 billion. As of December 31, 2018, the expense ratio of the ETF was 0.47% per annum.

For additional information regarding the company or BFA, please consult the reports (including the Semi-Annual Report to Shareholders on Form N-CSRS for the period ended September 30, 2018) and other information the company files with the SEC. In addition, information regarding the ETF, including its top portfolio holdings, may be obtained from other sources including, but not limited to, press releases, newspaper articles, other publicly available documents and the iShares® website at us.ishares.com/product_info/fund/overview/IBB.htm. We are not incorporating by reference the website, the sources listed above or any material they include in this prospectus supplement.

Investment Objective

The ETF seeks to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of the index. The ETF’s investment objective and the index may be changed without the approval of BFA’s shareholders.

The following table displays the top holdings and weightings by industry sector of the ETF. (Sector designations are determined by the ETF sponsor using criteria it has selected or developed. Index and ETF sponsors may use very different standards for determining sector designations. In addition, many companies operate in a number of sectors, but are listed in only one sector and the basis on which that sector is selected may also differ. As a result, sector comparisons between indices or ETFs with different sponsors may reflect differences in methodology as well as actual differences in the sector composition of the indices or ETFs.) We obtained the information in the tables below from the ETF website without independent verification.

iShares® Nasdaq Biotechnology ETF Top Ten Holdings as of January 14, 2019

| <u>ETF Stock Issuer</u> | <u>Percentage (%)</u> |
|-------------------------------|-----------------------|
| BIOMARIN PHARMACEUTICAL INC | 2.28% |
| ALEXION PHARMACEUTICALS INC | 3.29% |
| VERTEX PHARMACEUTICALS INC | 4.17% |
| REGENERON PHARMACEUTICALS INC | 4.49% |
| ILLUMINA INC | 5.73% |
| GILEAD SCIENCES INC | 7.66% |
| AMGEN INC | 7.74% |
| CELGENE CORP | 7.93% |
| BIOMARIN PHARMACEUTICAL INC | 8.11% |

| | |
|-------------|--------|
| INCYTE CORP | 2.15% |
| Total | 53.55% |
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iShares® Nasdaq Biotechnology ETF Weighting by Sector as of January 14, 2019*

| <u>Sector</u> | <u>Percentage (%)</u> |
|--------------------------------|-----------------------|
| Biotechnology | 80.48% |
| Pharmaceuticals | 9.87% |
| Life Sciences Tools & Services | 8.81% |
| Health Care Equipment | 0.59% |
| Health Care Supplies | 0.11% |
| Health Care Distributors | 0.07% |
| Specialty Chemicals | 0.04% |
| Cash and/or Derivatives | 0.04% |
| Total | 100.01% |

* Percentages may not sum to 100% due to rounding.

Representative Sampling

BFA uses a representative sampling indexing strategy to manage the ETF. For the ETF, this strategy involves investing in a representative sample of securities that collectively have an investment profile similar to that of the index. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability and yield) and liquidity measures similar to those of the index.

The ETF generally invests at least 90% of its assets in the securities of the index and in depositary receipts representing securities of the index. The ETF may invest the remainder of its assets in other securities, including securities not in the index, but which BFA believes will help the ETF track the index. The ETF may also invest its other assets in futures contracts, options on futures contracts, other types of options and swaps related to the index, as well as cash and cash equivalents, including shares of money market funds advised by BFA or its affiliates. Also, the ETF may lend securities representing up to one-third of the value of the ETF's total assets (including the value of the collateral received).

Tracking Error

The performance of the ETF and the index may vary due to a variety of factors, including differences between the securities held in the ETF's portfolio and those included in the index, pricing differences (including, as applicable, differences between a security's price at the local market close and the ETF's value of a security at the time of calculation of the ETF's net asset value), differences in transaction costs, the ETF holding uninvested cash, differences in timing of the accrual of or the valuation of dividends or interest, tax gains or losses, changes to the index or the costs to the ETF of complying with various new or existing regulatory requirements. Tracking error also may result because the ETF incurs fees and expenses, while the index does not. BFA expects that, over time, the ETF's tracking error will not exceed 5%. The ETF's use of a representative sampling indexing strategy can be expected to produce a larger tracking error than would result if the ETF used a replication indexing strategy in which an ETF invests in substantially all of the securities in its index in approximately the same proportions as in the index.

As of December 31, 2018, iShares® reported the following average annual returns on the market price of the ETF's shares and the index. The market price of the ETF's shares takes into account distributions on the shares and the returns shown account for changes in the mid-point of the bid and ask prices at 4:00 p.m., Eastern time on the relevant date. ETF shares: 1 year, -9.14%; 3 years, -4.75%; 5 years, 5.25%; 10 years, 15.45%; since inception, 6.30%; index: 1 year, -8.86%; 3 years, -4.47%; 5 years, 5.54%; 10 years, 15.71%; since ETF inception, 6.64%.

Industry Concentration Policy

The ETF will concentrate its investments (i.e., hold 25% or more of its total assets) in a particular industry or group of industries to approximately the same extent that the index is concentrated.

The NASDAQ Biotechnology Index

The NASDAQ Biotechnology Index® (the "index") is designed to track the performance of a set of securities listed on The NASDAQ Stock Market that are classified as either biotechnology or pharmaceutical according to the Industry Classification Benchmark ("ICB"). The index is calculated using a modified market capitalization-weighted methodology. The index is calculated, maintained and published by The NASDAQ OMX Group, Inc. ("index sponsor"). The base date for the index is November 1, 1993, with a base value of 200.00, as adjusted. We have derived all

information contained in this document regarding the index from publicly available information. Additional information about the index is available on the following website: indexes.nasdaqomx.com/Index/Overview/NBI. We are not incorporating by reference the website or any material it includes in this prospectus supplement.

As of January 14, 2019, 89.31% of the securities included in the index were classified into the Biotechnology sector and 10.69% of the securities included in the index were classified into the Pharmaceuticals sector. (Sector designations are determined by the index sponsor using criteria it has selected or developed. Index sponsors may use very different

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standards for determining sector designations. In addition, many companies operate in a number of sectors, but are listed in only one sector and the basis on which that sector is selected may also differ. As a result, sector comparisons between indices with different index sponsors may reflect differences in methodology as well as actual differences in the sector composition of the indices.)

The top ten constituent stocks of the index as of January 14, 2019, by weight, are: Biogen Inc. (8.11%), Celgene Corp. (7.93%), Amgen Inc. (7.74%), Gilead Sciences, Inc. (7.66%), Illumina, Inc. (5.73%), Regeneron Pharmaceuticals Inc. (4.49%), Vertex Pharmaceuticals Inc. (4.17%), Alexion Pharmaceuticals Inc. (3.30%), BioMarin Pharmaceutical Inc. (2.28%) and Incyte Corporation (2.15%).

Construction of the NASDAQ Biotechnology Index

The index is a modified market capitalization-weighted index. Index composition is reviewed on an annual basis in December. First, the index sponsor determines which stocks meet the applicable eligibility criteria. The eligibility criteria is applied using market data through the end of October and is updated for total shares outstanding submitted in publicly filed documents via EDGAR through the end of November to determine security market capitalization.

Eligibility Criteria for Inclusion in the Index

To be eligible for inclusion in the index, a security must meet the following criteria:

the security's U.S. listing must be exclusively listed on the NASDAQ Global Select Market or the NASDAQ Global Market (unless the stock was dually listed on another U.S. market prior to January 1, 2004 and has continuously maintained such listing);

the issuer of the security must be classified according to the Industry Classification Benchmark (ICB) as either biotechnology or pharmaceutical;

the security may not be issued by an issuer currently in bankruptcy proceedings;

the security must have a market capitalization of at least \$200 million. Market capitalization is determined by multiplying a stock's last sale price by its total number of shares outstanding;

the security must have an average daily trading volume ("ADTV") of at least 100,000 shares;

the issuer of the security may not have entered into a definitive agreement or other arrangement which would likely result in the security no longer being eligible for inclusion in the index;

the issuer of the security may not have annual financial statements with an audit opinion that is currently withdrawn.

This will be determined based upon a security issuer's public filings with the SEC; and

the security must have "seasoned" on NASDAQ, NYSE or NYSE Amex. Generally, a company is considered to be seasoned if it has been listed on a market for at least three full months (excluding the first month of initial listing) as of the last trading day in October.

Index eligibility is limited to specific security types only. The security types eligible for the index include common stocks, ordinary shares, ADRs and shares of beneficial interest or limited partnership interests. For purposes of index eligibility criteria, if the security is a depositary receipt representing a security of a non-U.S. issuer, then references to the "issuer" are references to the issuer of the underlying security.

All securities meeting the above criteria are included in the index. Generally, the list of additions and deletions is publicly announced via a press release in the early part of December. Security additions and deletions are made effective after the close of trading on the third Friday in December. The final list of constituents included in the index, including any replacements made during the annual review, is made effective after the close of trading on the third Friday in December. Generally, the list of annual additions and deletions as a result of the annual review is publicly announced by the index sponsor via a press release in the early part of December, in conjunction with an announcement on the index sponsor's website.

Calculation of the Total Return of the Index

The ETF tracks the performance of the "total return" version of the index. The index is a modified market capitalization-weighted index. The value of the index equals the index market value divided by the index divisor. The overall index market value is the aggregate of each index security's market value, as may be adjusted for any corporate actions. An index security's market value is determined by multiplying the last sale price by its index share weight, also known as "index shares". In other words, the value of the index is equal to (i) the sum of the products of (a) the index shares of each of the index securities multiplied by (b) each such security's last sale price (adjusted for corporate actions, if any), divided by (ii) the divisor of the index.

In calculating the index, the divisor serves the purpose of scaling the aggregate value of each index share weight multiplied by such stock's last sale price to a lower order of magnitude which is more desirable for index reporting purposes. The index divisor is calculated as the ratio of (i) the start of day market value of the index divided by (ii) the previous day index value.

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The total return index reinvests cash dividends on the ex-date. The total return index was synchronized to the value of the price return index at the close on September 24, 2003.

The index is calculated in U.S. dollars during the U.S. market trading day based on the last sale price and are disseminated once per second from 09:30:01 until 17:16:00 ET. The closing value of the index may change up until 17:15:00 ET due to corrections to the last sale price of the index stocks. The official closing value of the index is ordinarily disseminated at 17:16:00 ET.

Index Maintenance

Changes to Index Constituents

Changes to the index constituents may be made during the annual evaluation. In addition, if at any time during the year other than the annual evaluation it is determined that an index security no longer meets the index eligibility criteria, or is otherwise determined to have become ineligible for continued inclusion in the index, the security is removed from the index and will not be replaced.

Ordinarily, a security will be removed from the index at its last sale price. The last sale price refers to the price at which a security last traded during regular market hours as reported on such security's index market, which may be the NASDAQ Official Closing Price (NOCP). The index market is the index eligible stock market for which the security's prices are received and used by the index sponsor for purposes of calculating the index.

If, however, at the time of its removal the security is halted from trading on its primary listing market and an official closing price cannot readily be determined, the index security may, in the index sponsor's discretion, be removed at a price of \$0.00000001 ("zero price"). This zero price will be applied to the index security after the close of the market but prior to the time the official closing value of the index is disseminated, which is ordinarily 17:16:00 ET.

Divisor Adjustments

Ordinarily, whenever there is a change in index shares, a change in an index security or a change to the price of an index security due to certain corporate actions, including spin-offs, rights issuances or special cash dividends, the divisor is adjusted to ensure that there is no discontinuity in the value of the index which might otherwise be caused by any such change. All changes are announced in advance and are reflected in the index prior to market open on the index effective date.

Quarterly Index Rebalancing

On a quarterly basis, the index is rebalanced such that the maximum weight of any index security does not exceed 8% and no more than five securities are at that cap. The excess weight of any capped security is distributed proportionally across the remaining index securities. If after redistribution, any of the five highest ranked index securities are weighted below the 8% cap, these securities are not capped. Next, any remaining index securities in excess of 4% are capped at 4% and the excess weight is redistributed proportionally across the remaining index securities. This process is repeated, if necessary, to derive the final weights.

Finally, to complete the rebalancing process, once the final weighting percentages for each index security have been set, the modified market capitalization weighting methodology is applied to the capitalization of each index security, using the last sale price of the security at the close of trading on the last day in February, May, August and November and after applying quarterly changes to the total shares outstanding. Index shares are then calculated by multiplying the weight of the security derived above by the new market value of the index, and dividing the modified market capitalization for each index security by its corresponding last sale price. Changes to the index shares will be made effective after the close of trading on the third Friday in March, June, September and December.

Corporate Actions and Index Adjustments

Aside from changes resulting from quarterly rebalancing, intra-quarter changes in index shares can also result from a change in an index security's total shares outstanding that is greater than 10.0%. Changes in total shares outstanding are determined by an index stock issuer's public filings with the SEC. Changes in the price and/or index shares driven by corporate events such as stock dividends, stock splits and certain spin-offs and rights issuances are adjusted on the ex-date. If the change in total shares outstanding arising from other corporate actions is greater than or equal to 10.0%, the change is made as soon as practicable. Otherwise, if the change in total shares outstanding is less than 10.0%, then all such changes are accumulated and made effective at one time on a quarterly basis after the close of trading on the third Friday in each of March, June, September and December. The index shares are then adjusted by the same percentage amount by which the total shares outstanding have changed.

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Special Cash Dividends. A dividend is considered “special” if the information provided by the listing exchange in their announcement of the ex-date indicates that the dividend is special. Other nomenclature for a special dividend may include, but is not limited to, “extra”, “extraordinary”, “non-recurring”, “one-time” and “unusual”. The price of the index stock the index is adjusted for the amount of the special cash dividend.

As discussed above, ordinarily whenever there is a change in index shares, a change in an index security or a change to the price of an index security due to spin-offs, rights issuances or special cash dividends, the divisor is adjusted.

Discretionary Adjustments

In addition to the above, the index sponsor may, from time to time, exercise reasonable discretion as it deems appropriate in order to ensure index integrity.

Market Disruption Events

If trading in an index security is halted on its primary listing market, the most recent last sale price for that security is used for all index computations until trading on such market resumes. Likewise, the most recent last sale price is used if trading in a security is halted on its primary listing market before the market is open.

Corrections and Calculations

The closing value of the index may change up until 17:15:00 ET due to corrections to the last sale price of the index securities. In the event that a change has been made to the index intraday, the index sponsor will make an announcement describing such change. In the event an index calculation has been corrected retroactively, an announcement will be provided.

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Historical Closing Prices of the ETF's Shares

The closing price of shares of the ETF has fluctuated in the past and may, in the future, experience significant fluctuations. Any historical upward or downward trend in the closing price of the shares during the period shown below is not an indication that the shares are more or less likely to increase or decrease at any time during the life of your notes. The period shown below will be approximately ten years, but may be shorter if Bloomberg Financial Services does not provide historical closing prices for the entirety of such period (whether due to the applicable inception date occurring less than ten years from the date hereof or otherwise).

You should not take the historical closing prices of the shares as an indication of the future performance of the shares. We cannot give you any assurance that the future performance of the shares will result in your receiving an amount greater than the outstanding face amount of your notes on the stated maturity date. Neither we nor any of our affiliates make any representation to you as to the performance of the shares. Before investing in the offered notes, you should consult publicly available information to determine the relevant ETF closing prices between the date of this prospectus supplement and the date of your purchase of the offered notes. The actual performance of the ETF over the life of the offered notes, as well as the cash settlement amount at maturity may bear little relation to the historical prices shown below.

The graph below shows the daily historical prices of the shares of the ETF from January 23, 2009 through January 25, 2019. The daily historical closing prices in the graph below have been adjusted for a 3-for-1 stock split that became effective after the market close on November 30, 2017. We obtained the closing prices shown in the graph below from Bloomberg Financial Services without independent verification.

Historical Performance of iShares® Nasdaq Biotechnology ETF

“iShare®” is a registered trademark of BlackRock Institutional Trust Company, N.A. (“BITC”). The index is not sponsored, endorsed, sold, or promoted by BITC. BITC makes no representations or warranties to the owners of the index or any member of the public regarding the advisability of investing in the index. BITC has no obligation or liability in connection with the operation, marketing, trading or sale of the index.

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The SPDR[®] S&P[®] Oil & Gas Exploration & Production ETF

The shares of the SPDR[®] S&P[®] Oil & Gas Exploration & Production ETF (the “ETF”) are issued by the SPDR[®] Series Trust (the “trust”), a registered investment company.

The ETF seeks investment results which correspond generally to the total return performance, before fees and expenses, of the index.

The index it tracks is the S&P Oil & Gas Exploration & Production Index (the “index”).

Investment Advisor: SSGA Funds Management, Inc. (“SSGA”).

The ETF’s shares trade on the NYSE Arca under the ticker symbol “XOP”.

The trust’s SEC CIK Number is 0001064642.

The inception date was June 19, 2006.

The ETF’s shares are issued or redeemed only in creation units of 50,000 shares or multiples thereof.

We obtained the following fee information from the SPDR[®] website, without independent verification. SSGA is entitled to receive a management fee from the ETF based on a percentage of the ETF’s average daily net assets at an annual rate of 0.35% of the average daily net assets of the ETF. From time to time, SSGA may waive all or a portion of its fee, although it does not currently intend to do so. SSGA pays all expenses of the ETF other than the management fee, brokerage expenses, taxes, interest, fees and expenses of the independent trustees (including any trustee’s counsel fees), litigation expenses, acquired fund fees and expenses and other extraordinary expenses. As of December 31, 2018, the gross expense ratio of the ETF was 0.35% per annum.

For additional information regarding the trust or SSGA, please consult the reports (including the Annual Report to Shareholders on Form N-CSR for the fiscal year ended June 30, 2018) and other information the trust files with the SEC. Information provided to or filed with the SEC can be inspected and copied at the public reference facilities maintained by the SEC or through the SEC’s website at sec.gov. In addition, information regarding the ETF, including its top portfolio holdings, may be obtained from other sources including, but not limited to, press releases, newspaper articles, other publicly available documents, and the SPDR[®] website at spdrs.com/product/fund.seam?ticker=XOP. We are not incorporating by reference the website, the sources listed above or any material they include in this prospectus supplement.

Investment Objective and Strategy

The ETF seeks to provide investment results that correspond generally to the total return performance, before fees and expenses, of the index. The ETF uses a representative sampling strategy to try to achieve its investment objective, which means that the ETF is not required to purchase all of the securities represented in the index. Instead, the ETF may purchase a subset of the securities in the index in an effort to hold a portfolio of securities with generally the same risk and return characteristics of the index. Under normal market conditions, the ETF generally invests substantially all, but at least 80%, of its total assets in the securities comprising the index. The ETF will provide shareholders with at least 60 days’ notice prior to any change in this 80% investment policy. In addition, the ETF may invest in equity securities not included in the index, cash and cash equivalents or money market instruments, such as repurchase agreements and money market funds (including money market funds advised by SSGA).

In certain situations or market conditions, the ETF may temporarily depart from its normal investment policies and strategies provided that the alternative is consistent with the ETF’s investment objective and is in the best interest of the ETF. For example, the ETF may make larger than normal investments in derivatives to maintain exposure to the index if it is unable to invest directly in a component security.

The board may change the ETF’s investment strategy, index and other policies without shareholder approval. The board may also change the ETF’s investment objective without shareholder approval.

The ETF’s Holdings and Industrial Sector Classifications

The ETF holds stocks of companies in the oil and gas exploration and production segment of the S&P Total Market Index. As of January 14, 2019, the ETF held stocks of companies in the following sub-industries (with their corresponding weights in the ETF): oil & gas exploration & production (80.51%); oil & gas refining & marketing (14.35%) and integrated oil & gas (5.14%).

As of January 14, 2019, the top ten constituents of the ETF and their relative weights in the ETF were as follows: QEP Resources Inc. (2.14%), Newfield Exploration Company (2.12%), Callon Petroleum Company (2.07%), Chesapeake Energy Corporation (2.05%), SM Energy Company (2.02%), Southwestern Energy Company (2.01%), Diamondback

Energy Inc (1.97%), Parsley Energy Inc. Class A (1.96%), Matador Resources Company (1.91%) and PBF Energy Inc. Class A (1.90%).

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Correlation

Although SSGA seeks to track the performance of the index (i.e., achieve a high degree of correlation with the index), the ETF's return may not match the return of the index. The ETF incurs a number of operating expenses not applicable to the index, and incurs costs in buying and selling securities. In addition, the ETF may not be fully invested at times, generally as a result of cash flows into or out of the ETF or reserves of cash held by the ETF to meet redemptions. SSGA may attempt to replicate the index return by investing in fewer than all of the securities in the index, or in some securities not included in the index, potentially increasing the risk of divergence between the ETF's return and that of the index.

As of December 31, 2018, the SPDR[®] website gave the following performance figures for the market value return of the ETF's shares (which is based on the midpoint between the highest bid and the lowest offer on the exchange on which the shares of the ETF are listed for trading, as of the time that the ETF's NAV is calculated, and is before tax) and the index return (in each case on an annualized basis):

| Period | 1 year | 3 years | 5 years | 10 years | Since inception* |
|--------------|---------|---------|---------|----------|------------------|
| ETF's shares | -28.23% | -3.46% | -16.41% | -0.14% | -1.08% |
| Index | -28.02% | -3.14% | -16.33% | 0.01% | -0.91% |

*June 19, 2006.

Industry Concentration Policy

The ETF's assets will generally be concentrated in an industry or group of industries to the extent that the index concentrates in a particular industry or group of industries. By focusing its investments in a particular industry or sector, financial, economic, business, and other developments affecting issuers in that industry, market, or economic sector will have a greater effect on the ETF than if it had not focused its assets in that industry, market, or economic sector, which may increase the volatility of the ETF.

Share Prices and the Secondary Market

The trading prices of shares of the ETF will fluctuate continuously throughout trading hours based on market supply and demand rather than the ETF's net asset value, which is calculated at the end of each business day. The trading prices of the ETF's shares may differ (and may deviate significantly during periods of market volatility) from the ETF's daily net asset value. The indicative optimized portfolio value ("IOPV") of the shares of the ETF is disseminated every fifteen seconds throughout the trading day by NYSE Arca. The IOPV calculations are based on estimates of the value of the ETF's net asset value per share using market data converted into U.S. dollars at the current currency rates and is based on quotes and closing prices from the securities' local market and may not reflect events that occur subsequent to the local market's close. Premiums and discounts between the IOPV and the market price may occur. This should not be viewed as a "real-time" update of the net asset value per share of the ETF, which is calculated only once a day. In addition, the issuance or redemption of ETF shares to or from certain institutional investors, which are done only in large blocks of at least 50,000, may cause temporary dislocations in the market price of the shares.

The Underlying Index

The S&P Oil & Gas Exploration & Production Select Industry Index (Bloomberg ticker SPSIOPTR) is managed by S&P Dow Jones Indices LLC ("S&P") and is a modified equal-weighted index that is designed to measure the performance of stocks in the S&P Total Market Index that both (i) are classified under the Global Industry Classification Standard ("GICS[®]") in the integrated oil & gas, oil & gas exploration & production and oil & gas refining & marketing sub-industries and (ii) satisfy certain liquidity and market capitalization requirements. The S&P Total Market Index tracks all eligible U.S. common stocks listed on the NYSE, NYSE Arca, NYSE American (formerly NYSE MKT), NASDAQ Global Select Market, NASDAQ Select Market, NASDAQ Capital Market, Bats BZX, Bats BYX, Bats EDGA, Bats EDGX and IEX. The index is one of the 21 sub-industry sector indices S&P maintains that are derived from a portion of the stocks comprising the S&P Total Market Index. An equal-weighted index is one where every stock, or company, has the same weight in the index. As such, the index must be rebalanced from time to time to re-establish the proper weighting.

Eligibility for Inclusion in the Index

Selection for the index is based on a company's GICS[®] classification, as well as liquidity and market capitalization requirements. In addition, only U.S. companies are eligible for inclusion in the index. GICS[®] classifications are

determined by S&P using criteria it has selected or developed. Index and classification system sponsors may use very different standards for determining sector designations. In addition, many companies operate in a number of sectors, but are listed only in one sector. As a result, sector comparisons between indices with different sponsors may reflect differences in methodology as well as actual differences in the sector composition of the indices.

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To qualify for membership in the index, at each quarterly rebalancing a stock must satisfy the following criteria: (i) be a member of the S&P Total Market Index; (ii) be assigned to the integrated oil & gas, oil & gas exploration & production or oil & gas refining and marketing sub-industry; and (iii) meet one of the following float-adjusted market capitalization (FAMC) and float-adjusted liquidity ratio (FALR) requirements: (a) be a current constituent of the index and have a FAMC greater than or equal to \$300 million and have a FALR greater than or equal to 50%; (b) have an FAMC greater than or equal to \$500 million and a FALR greater than or equal to 90%; or (c) have an FAMC greater than or equal to \$400 million and a FALR greater than or equal to 150%. The FALR is defined as the dollar value traded over the previous 12 months divided by the FAMC as of the index's rebalancing reference date.

All stocks in the related GICS[®] sub-industries satisfying the above requirements are included in the index and the total number of stocks in the index should be at least 35. If there are fewer than 35 stocks in the index, the market capitalization requirements may be relaxed to reach at least 22 stocks.

With respect to liquidity, the length of time to evaluate liquidity is reduced to the available trading period for companies that recently became public or companies that were spun-off from other companies, the stocks of which therefore do not have 12 months of trading history.

Current Composition of the Index

As of January 14, 2019, the index held stocks of companies in the following sub-industries (with their corresponding weights in the ETF): oil & gas exploration & production (80.51%), oil & gas refining & marketing (14.35%) and integrated oil & gas (5.14%).

As of January 14, 2019, the top ten constituents of the index and their relative weights in the index were as follows: QEP Resources Inc. (2.14%), Newfield Exploration Company (2.12%), Callon Petroleum Company (2.07%), Chesapeake Energy Corporation (2.05%), SM Energy Company (2.03%), Southwestern Energy Company (2.02%), Diamondback Energy Inc. (1.97%), Parsley Energy Inc. Class A (1.97%), PBF Energy Inc. Class A (1.91%) and Matador Resources Company (1.91%).

Calculation of the Total Return of the Index

The ETF tracks the performance of the "total return" version of the index. The total return calculation begins with the price return of the index. The price return index is calculated as the index market value divided by the divisor. In an equal-weighted index like the index, the market capitalization of each stock used in the calculation of the index market value is redefined so that each stock has an equal weight in the index on each rebalancing date. The adjusted market capitalization for each stock in the index is calculated as the product of the stock price, the number of shares outstanding, the stock's float factor and the adjustment factor.

A stock's float factor refers to the number of shares outstanding that are available to investors. S&P indices exclude shares closely held by control groups from the index calculation because such shares are not available to investors. For each stock, S&P calculates an Investable Weight Factor (IWF) which is the percentage of total shares outstanding that are included in the index calculation.

The adjustment factor for each stock is assigned at each rebalancing date and is calculated by dividing a specific constant set for the purpose of deriving the adjustment factor (often referred to as modified index shares) by the number of stocks in the index multiplied by the float adjusted market value of such stock on such rebalancing date. Adjustments are also made to ensure that no stock in the index will have a weight that exceeds the value that can be traded in a single day for a theoretical portfolio of \$2 billion. Theoretical portfolio values are reviewed annually and any updates are made at the discretion of the index committee, as defined below. The maximum basket liquidity weight for each stock in the index will be calculated using the ratio of its three-month median daily value traded to the theoretical portfolio value of \$2 billion. Each stock's weight in the index is then compared to its maximum basket liquidity weight and is set to the lesser of (1) its maximum basket liquidity weight or (2) its initial equal weight. All excess weight is redistributed across the index to the uncapped stocks. If necessary, a final adjustment is made to ensure that no stock in the index has a weight greater than 4.5%. No further adjustments are made if the latter step would force the weight of those stocks limited to their maximum basket liquidity weight to exceed that weight. If the index contains exactly 22 stocks as of the rebalancing effective date, the index will be equally weighted without basket liquidity constraints.

If a company has more than one share class line in the S&P Total Market Index, such company will be represented once by the designated listing (generally the share class with both (i) the highest one-year trading liquidity as defined

by median daily value traded and (ii) the largest FAMC). S&P reviews designated listings on an annual basis and any changes are implemented after the close of the third Friday in September. The last trading day in July is used as the reference date for the liquidity and market capitalization data in such determination. Once a listed share class line is added to the index, it may be retained in the index even though it may appear to violate certain constituent addition criteria. For companies that issue a second publicly traded share class to index share class holders, the newly issued share class line will be considered for inclusion if the event is mandatory and the market capitalization of the distributed class is not considered to be de minimis.

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The index is calculated by using the divisor methodology used in all S&P equity indices. The initial divisor was set to have a base value of 1,000 on December 17, 1999. The index level is the index market value divided by the index divisor. In order to maintain index series continuity, it is also necessary to adjust the divisor at each rebalancing. Therefore, the divisor (after rebalancing) equals the index market value (after rebalancing) divided by the index value before rebalancing. The divisor keeps the index comparable over time and is one manipulation point for adjustments to the index, which we refer to as maintenance of the index.

Once the price return index has been calculated, the total return index is calculated. First, the total daily dividend for each stock in the index is calculated by multiplying the per share dividend by the number of shares included in the index. Dividends are reinvested in the index after the close on the ex-date for such dividend. Then the index dividend is calculated by aggregating the total daily dividends for each of the index stocks (which may be zero for some stocks) and dividing by the divisor for that day. Next, the daily total return of the index is calculated as a fraction minus 1, the numerator of which is the sum of the index level plus the index dividend and the denominator of which is the index level on the previous day. Finally, the total return index for that day is calculated as the product of the value of the total return index on the previous day times the sum of 1 plus the index daily total return for that day.

Maintenance of the Index

The composition of the index is reviewed quarterly. Rebalancing occurs after the closing of the relevant U.S. trading markets on the third Friday of the month ending that quarter. The reference date for additions and deletions is after the closing of the last trading day of the previous month. Closing prices as of the second Friday of the last month of the quarter are used for setting index weights. Existing stocks in the index are removed at the quarterly rebalancing if either their FAMC falls below \$300 million or their FALR falls below 50%. A stock will also be deleted from the index if the S&P Total Market Index deletes that stock. Stocks are added between rebalancings only if a company deletion causes the number of stocks in the index to fall below 22. The newly added stock will be added to the index at the weight of the deleted stock. If the stock was deleted at \$0.00, the newly added stock will be added at the deleted stock's previous day's closing value (or the most immediate prior business day that the deleted stock was not valued at \$0.00) and an adjustment to the divisor will be made (only in the case of stocks removed at \$0.00). At the next rebalancing, the index will be rebalanced based on the eligibility requirements and equal-weight methodology discussed above.

In the case of GICS® changes, where a stock does not belong to the oil & gas exploration & production sub-industry or another qualifying sub-industry after the classification change, it is removed from the index on the next rebalancing date. In the case of a spin-off, the spin-off company will be added to the index at a zero price after the close of trading on the day before the ex-date. In general and subject to certain exceptions, both the parent company and spin-off companies will remain in the index until the next index rebalancing. In the case of a merger involving two index constituents, the merged entity will remain in the index provided that it meets all general eligibility requirements. The merged entity will be added to the index at the weight of the stock deemed to be the surviving stock in the transaction. The surviving stock will not experience a weight change and its subsequent weight will not be equal to that of the pre-merger weight of the merged entities.

Adjustments are made to the index in the event of certain corporate actions relating to the stocks included in the index, such as spin-offs, rights offerings, stock splits and special dividends, as specified below.

The table below summarizes the types of index maintenance adjustments:

| Type of Corporate Action | Adjustment Factor | Divisor Adjustment Required |
|--------------------------|---|-----------------------------|
| Spin-Off | In general and subject to certain exceptions, both the parent stock and spin-off stocks will remain in the index until the next index rebalancing, regardless of whether they conform to the theme of the index. | No |
| Rights Offering | Price is adjusted to equal (i) price of parent company minus (ii) price of rights subscription divided by the rights ratio. Index shares change so that the company's weight remains the same as its weight before the rights offering. | No |
| | | No |

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| | | |
|--|---|-----|
| Stock split (e.g., 2-for-1), stock dividend or reverse stock split | Index shares multiplied by split factor (i.e., 2); stock price divided by split factor (i.e., 2). | |
| Share issuance or share repurchase | None. | No |
| Special dividends | Price of the stock making the special dividend payment is reduced by the per share special dividend amount after the close of trading on the day before the dividend ex-date. | Yes |

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Index Committee

The Americas Thematic and Strategy Index Committee (the “index committee”) maintains the index and consists of full-time professional members of S&P staff. At regular meetings, the index committee reviews pending corporate actions that may affect index constituents, statistics comparing the composition of the indices to the market, companies that are being considered as candidates for additions to the index and any significant market events. The index committee may also revise index policy, such as the rules for selecting constituents, the treatment of dividends, share counts or other matters.

Unexpected Exchange Closures

An unexpected market/exchange closure occurs when a market/exchange fully or partially fails to open or trading is temporarily halted. This can apply to a single exchange or to a market as a whole, when all of the primary exchanges are closed and/or not trading. Unexpected market/exchange closures are usually due to unforeseen circumstances, such as natural disasters, inclement weather, outages, or other events.

To a large degree, S&P is dependent on the exchanges to provide guidance in the event of an unexpected exchange closure. S&P’s decision making is dependent on exchange guidance regarding pricing and mandatory corporate actions.

NYSE Rule 123C provides closing contingency procedures for determining an official closing price for listed securities if the exchange is unable to conduct a closing transaction in one or more securities due to a system or technical issue.

3:00 PM ET is the deadline for an exchange to determine its plan of action regarding an outage scenario. As such, S&P also uses 3:00 PM ET as the cutoff.

If all major exchanges fail to open or unexpectedly halt trading intraday due to unforeseen circumstances, S&P will take the following actions:

Market Disruption Prior to Open of Trading:

If all exchanges indicate that trading will not open for a given day, S&P will treat the day as an unscheduled market holiday. The decision will be communicated to clients as soon as possible through the normal channels. Indices (i) containing multiple markets will be calculated as normal, provided that at least one market is open that day. Indices which only contain closed markets will not be calculated.

(ii) If exchanges indicate that trading, although delayed, will open for a given day, S&P will begin index calculation when the exchanges open.

Market Disruption Intraday:

If exchanges indicate that trading will not resume for a given day, the index level will be calculated using prices (i) determined by the exchanges based on NYSE Rule 123C. Intraday index values will continue to use the last traded composite price until the primary exchange publishes official closing prices.

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Historical Closing Prices of the ETF's Shares

The closing price of shares of the ETF has fluctuated in the past and may, in the future, experience significant fluctuations. Any historical upward or downward trend in the closing price of the shares during the period shown below is not an indication that the shares are more or less likely to increase or decrease at any time during the life of your notes. The period shown below will be approximately ten years, but may be shorter if Bloomberg Financial Services does not provide historical closing prices for the entirety of such period (whether due to the applicable inception date occurring less than ten years from the date hereof or otherwise).

You should not take the historical closing prices of the shares as an indication of the future performance of the shares. We cannot give you any assurance that the future performance of the shares will result in your receiving an amount greater than the outstanding face amount of your notes on the stated maturity date. Neither we nor any of our affiliates make any representation to you as to the performance of the shares. Before investing in the offered notes, you should consult publicly available information to determine the relevant ETF closing prices between the date of this prospectus supplement and the date of your purchase of the offered notes. The actual performance of the ETF over the life of the offered notes, as well as the cash settlement amount at maturity may bear little relation to the historical prices shown below.

The graph below shows the daily historical prices of the shares of the ETF from January 23, 2009 through January 25, 2019. We obtained the closing prices shown in the graph below from Bloomberg Financial Services without independent verification.

Historical Performance of SPDR[®] S&P[®] Oil and Gas Exploration & Production ETF

“SPDR[®]” is a registered trademark of Standard & Poor’s Financial Services LLC (“S&P”) and Dow Jones is a registered trademark of Dow Jones Trademark Holdings LLC (“Dow Jones”) and have been licensed for use by S&P Dow Jones Indices LLC. The offered notes are not sponsored, endorsed, sold or promoted by S&P Dow Jones Indices LLC, Dow Jones, S&P or their respective affiliates, and neither S&P Dow Jones Indices LLC, Dow Jones, S&P or their respective affiliates make any representation regarding the advisability of investing in the offered notes.

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SPDR[®] Gold Trust

The SPDR[®] Gold Trust (the “trust”) issues SPDR[®] Gold Shares, which represent units of fractional undivided beneficial interest in and ownership of the trust (the “shares”). The trust holds gold bars and intends for its shares to reflect the performance of the price of gold bullion minus the trust’s expenses and fees. The shares trade under the ticker symbol “GLD” on the NYSE Arca.

We have derived all information regarding the trust and the shares contained in this prospectus supplement from publicly available information without independent verification. For additional information regarding the trust, please consult the reports (including the annual report on Form 10-K for the fiscal year ended September 30, 2018) and other information the trust files with the SEC. Information provided to or filed with the SEC can be inspected and copied at the public reference facilities maintained by the SEC or through the SEC’s website at sec.gov and can be located by reference to SEC CIK number 0001222333. Additional information regarding the trust may be obtained from other sources including, but not limited to, press releases, newspaper articles, other publicly available documents, and the SPDR[®] Gold Shares website at spdrgoldshares.com. We are not incorporating by reference the website, the sources listed above or any material they include in this prospectus supplement.

The Trust

The SPDR[®] Gold Trust is an investment trust, formed on November 12, 2004, that holds gold bars and is expected from time to time to issue blocks of 100,000 trust shares (called baskets) in exchange for deposits of gold and to distribute gold in connection with redemptions of baskets.

The trust’s sponsor is World Gold Trust Services, LLC, a Delaware limited liability company, which is wholly-owned by the World Gold Council, a not-for-profit association registered under Swiss law. The sponsor established the trust and generally oversees the performance of the trustee and the trust’s principal service providers, but does not exercise day-to-day oversight. The sponsor may remove the trustee and appoint a successor in certain circumstances.

The trustee is BNY Mellon Asset Servicing, a division of The Bank of New York Mellon. The trustee is generally responsible for the day-to-day administration of the trust. This includes selling the trust’s gold as needed to pay the trust’s expenses (gold sales are expected to occur approximately monthly in the ordinary course), calculating the net asset value (“NAV”) of the trust and the NAV per trust share, receiving and processing orders from authorized participants to create and redeem baskets and coordinating the processing of such orders with the custodian and The Depository Trust Company and monitoring the custodian. The trustee determines the NAV of the trust on each day that the NYSE Arca is open for regular trading, at the earlier of (i) the afternoon session of the twice daily determination of the price of an ounce of gold through an auction by the London Bullion Market Association (the “LBMA”), administered by the ICE Benchmark Administration, which starts at 3:00 PM London, England time (known as the “LBMA Gold Price PM”), or (ii) 12:00 PM New York time. The LBMA Gold Price is determined by participants in a physically settled, electronic and tradable auction. The LBMA Gold Price replaced the previously established London PM Gold Fix on March 20, 2015. The NAV of the trust is the aggregate value of the trust’s assets less its estimated accrued but unpaid liabilities (which include accrued expenses). In determining the trust’s NAV, the trustee values the gold held by the trust based on the LBMA Gold Price PM for an ounce of gold. The trustee also determines the NAV per trust share.

The custodian is HSBC Bank plc. The custodian is responsible for the safekeeping of the trust’s gold bars transferred to it in connection with the creation of baskets. The custodian also facilitates the transfer of gold in and out of the trust through gold accounts it maintains for authorized participants and the trust. The custodian is a market maker, clearer and approved weigher under the rules of the LBMA.

Shareholders of the trust have no voting rights, except in limited circumstances. Shareholders holding at least 66 2/3% of the shares outstanding may vote to remove the trustee. The trustee may terminate the trust upon the agreement of shareholders owning at least 66 2/3% of the outstanding shares. In addition, certain amendments to the trust indenture require 51% or unanimous consent of the shareholders.

The trust is not registered as an investment company under the Investment Company Act of 1940 and is not required to register under that act. The trust will not hold or trade in commodity futures contracts regulated by the Commodity Exchange Act of 1936 (the “CEA”), as administered by the Commodity Futures Trading Commission (the “CFTC”). The trust is not a commodity pool for purposes of the CEA, and none of the sponsor, the trustee or the marketing agent, State Street Global Advisors Funds Distributors, LLC, is subject to regulation by the CFTC as a commodity pool

operator or a commodity trading advisor in connection with the shares.

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Investment Objective

The investment objective of the trust is for the shares to reflect the performance of the price of gold bullion, less the trust's expenses. The sponsor believes that, for many investors, the shares represent a cost-effective investment in gold. The sponsor intends the shares to offer investors an opportunity to participate in the gold market through an investment in securities without the logistics of buying, storing and insuring gold. The trust has no fixed termination date and will terminate upon the occurrence of a termination event listed in the trust indenture.

The trust indenture provides for distributions to shareholders in only two circumstances. First, if the trustee and the sponsor determine that the trust's cash account balance exceeds the anticipated expenses of the trust for the next 12 months and the excess amount is more than \$0.01 per share outstanding, they shall direct the excess amount to be distributed to the shareholders. Second, if the trust is terminated and liquidated, the trustee will distribute to the shareholders any amounts remaining after the satisfaction of all outstanding liabilities of the trust and the establishment of such reserves for applicable taxes, other governmental charges and contingent or future liabilities as the trustee shall determine. Shareholders of record on the record date fixed by the trustee for a distribution will be entitled to receive their pro rata portion of any distribution.

Creation and Redemption of the Shares of the Trust

The trust creates and redeems its shares from time to time, but only in one or more baskets (a basket equals a block of 100,000 trust shares). The creation and redemption of baskets requires the delivery to the trust or the distribution by the trust of the amount of gold and any cash represented by the baskets being created or redeemed, the amount of which is based on the combined NAV of the number of trust shares included in the baskets being created or redeemed. The initial amount of gold required for deposit with the trust to create shares for the period from the formation of the trust to the first day of trading of the trust shares on the NYSE was 10,000 ounces per basket. The number of ounces of gold required to create a basket or to be delivered upon the redemption of a basket gradually decreases over time, due to the accrual of the trust's expenses and the sale of the trust's gold to pay the trust's expenses. Baskets may be created or redeemed only by an authorized participant, which is a person who is a registered broker-dealer or other securities market participant such as a bank or other financial institution which is not required to register as a broker-dealer to engage in securities transactions, is a participant in the Depository Trust Company system, has entered into an agreement with the sponsor and the trustee which provides the procedures for the creation and redemption of baskets and for the delivery of the gold and any cash required for such creations and redemptions and has established an unallocated gold account with the custodian. Authorized participants pay a transaction fee for each order to create or redeem baskets and may sell the shares included in the baskets they create to other investors.

Termination Events

The sponsor may, and it is anticipated that the sponsor will, direct the trustee to terminate and liquidate the trust at any time if the NAV of the trust is less than \$350 million (as adjusted over time for inflation). The sponsor may also direct the trustee to terminate the trust if the CFTC determines that the trust is a commodity pool under the CEA. The trustee may also terminate the trust upon the agreement of trust shareholders owning at least 66 % of the outstanding trust shares.

In addition, the trustee will terminate and liquidate the trust if one of the following events occurs:

The Depository Trust Company, the securities depository for the shares of the trust, is unwilling or unable to perform its functions under the trust indenture and no suitable replacement is available;

The shares of the trust are de-listed from the NYSE Arca and are not listed for trading on another U.S. national securities exchange or through the NASDAQ Stock Market within five business days from the date the shares of the trust are de-listed;

The NAV of the trust remains less than \$50 million for a period of 50 consecutive business days;

The sponsor resigns or is unable to perform its duties or becomes bankrupt or insolvent and the trustee has not appointed a successor and has not itself agreed to act as sponsor;

The trustee resigns or is removed and no successor trustee is appointed within 60 days;

The custodian resigns and no successor custodian is appointed within 60 days;

The sale of all of the trust's assets;

The trust fails to qualify for treatment, or ceases to be treated, for U.S. federal income tax purposes, as a grantor trust;

or

The maximum period for which the trust is allowed to exist under New York law ends.

Upon the termination of the trust, the trustee will, within a reasonable time after the termination of the trust, sell the trust's gold bars and, after paying or making provision for the trust's liabilities, distribute the proceeds to the shareholders of the trust.

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Valuation of Gold and NAV

As of 3:00 PM London time on each day that the NYSE Arca is open for regular trading or, if no LBMA Gold Price PM is determined at 3:00 PM London time on such day or the LBMA Gold Price PM has not been announced by 12:00 PM New York time on such day, as of 12:00 PM New York time on such day, the trustee values the gold held by the trust and determines both the adjusted NAV and the NAV of the trust. The trustee values the trust's gold on the basis of that day's LBMA Gold Price PM or, if no LBMA Gold Price PM is determined on such day or has not been announced by the valuation time, the next most recent LBMA Gold Price (AM or PM) determined prior to that time is used, unless the trustee, in consultation with the sponsor, determines that such price is inappropriate as a basis for valuation. In the event the trustee and the sponsor determine that the LBMA Gold Price PM or last prior LBMA Gold Price (AM or PM) is not an appropriate basis for valuation of the trust's gold, they shall identify an alternative basis for such valuation to be employed by the trustee. Once the value of the gold has been determined, the trustee subtracts all estimated accrued fees (other than the fees accruing for the evaluation day which are computed by reference to the adjusted NAV of the trust or the custody fees accruing for the evaluation day which are based on the value of the gold held by the trust), expenses and other liabilities of the trust from the total value of the gold and all other assets of the trust (other than any amounts credited to the trust's reserve account, if established). The resulting figure is the adjusted NAV of the trust. The adjusted NAV of the trust is used to compute the fees of the sponsor, the trustee and the marketing agent. To determine the trust's NAV, the trustee subtracts the amount of estimated accrued fees accruing for the evaluation day which are computed by reference to the adjusted NAV of the trust and to the value of the gold held by the trust from the adjusted NAV of the trust. The resulting figure is the NAV of the trust. The trustee also determines the NAV per trust share by dividing the NAV of the trust by the number of the trust shares outstanding as of the close of trading on NYSE Arca (which includes the net number of any trust shares created or redeemed on such evaluation day).

The shares may trade at, above or below the NAV per share. The NAV per share fluctuates with changes in the market value of the trust's assets. The trading price of the shares fluctuates in accordance with changes in the NAV per share as well as market supply and demand.

Expenses and Fees

The trust's only recurring fixed expense is the sponsor's fees which accrue daily at an annual rate equal to 0.40% of the daily NAV. In exchange for the sponsor's fee, the sponsor has agreed to pay all ordinary fees and expenses of the trust (which include the fees and expenses of the trustee and the fees and expenses of the custodian for the custody of the trust's gold bars), the fees and expenses of the sponsor, certain taxes, the fees of the marketing agent, printing and mailing costs, legal and audit fees, registration fees, NYSE Arca listing fees and other marketing costs and expenses. In order to pay the trust's expenses, the trustee sells gold held by the trust on an as needed basis. Each sale of gold by the trust is a taxable event to shareholders of the trust.

Additionally, if the trust incurs unforeseen expenses that cause the total ordinary expenses of the trust to exceed 0.70% per year of the daily adjusted NAV of the trust, the ordinary expenses will accrue at a rate greater than 0.40% per year of the daily adjusted NAV of the trust, even after the sponsor and the marketing agent have completely waived their combined fees of 0.30% per year of the daily adjusted NAV of the trust.

The trustee's fee is payable monthly in arrears and is accrued daily at an annual rate equal to 0.02% of the adjusted NAV of the trust, subject to a minimum fee of \$500,000 and a maximum fee of \$2,000,000 per year. The custodian's fee is computed at an annual rate equal to 0.10% of the average daily aggregate value of the first 4.5 million ounces of gold held in the trust and 0.06% of the average daily aggregate value of all gold held in the trust in excess of 4.5 million ounces.

Understanding the LBMA Gold Price

Although the market for physical gold is global, most over the counter market trades are cleared through London. In addition to coordinating market activities, the LBMA acts as the principal point of contact between the market and its regulators. A primary function of the LBMA is its involvement in the promotion of refining standards by maintenance of the "London Good Delivery Lists," which are the lists of LBMA accredited melters and assayers of gold. The LBMA also coordinates market clearing and vaulting, promotes good trading practices and develops standard documentation. ICE Benchmark Administration ("IBA"), on behalf of the LBMA, has assumed responsibility for establishing the LBMA Gold Price as of March 20, 2015. In April 2017, the IBA introduced central clearing to the gold auction.

Central clearing removes the need for firms to have large bilateral credit lines in place with each other in order to become a direct participant. This opens up the auction to a broader cross section of the market and also facilitates greater volume in the auction.

IBA operates electronic auctions for spot, unallocated Loco London gold (gold bullion that is physically held in London), providing a market-based platform for buyers and sellers to trade. The auctions are run at 10:30am and 3:00pm London time. The final auction price is published to the market as LBMA Gold Price AM and LBMA Gold Price PM.

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The price formation for the gold auction is in USD only. The final price is converted into the benchmark in other currencies including: Australian Dollars; British Pounds, Canadian Dollars, Euros, Onshore and Offshore Yuan, Indian Rupees, Japanese Yen, Malaysian Ringgit, Russian Rubles, Singapore Dollars, South African Rand, Swiss Francs, New Taiwan Dollars, Thai Baht and Turkish Lira. The benchmarks in other currencies are not tradeable directly through the auction.

The methodology is reviewed by the Precious Metals Oversight Committee as documented in its Terms of Reference. The frequency of reviews is set by the Oversight Committee through its Calendar of Agenda Items.

The auctions run in rounds of 30 seconds. At the start of each round, IBA publishes a price for that round. Participants then have 30 seconds to enter, change or cancel their orders (how much gold they want to buy or sell at that price). At the end of each round, order entry is frozen and the system checks to see if the difference between buying and selling (the imbalance) is within the imbalance threshold (normally 10,000 oz. for gold).

If the imbalance is outside of the threshold at the end of a round, then the auction is not balanced, the price is adjusted and a new round starts. If the imbalance is within the threshold then the auction is finished and the price is set. Any imbalance is shared equally between all direct participants (even if they did not place orders or did not log in) and the net volume for each participant trades at the final price. The final price is then published as the LBMA Gold Price in US Dollars and also converted into the benchmarks in other currencies using foreign exchange rates from when the final round ended.

The prices during the auction are determined by an algorithm that takes into account current market conditions and the activity in the auction. Each auction is actively supervised by IBA staff.

If the IBA discovers an error during an auction round, the auction round could be stopped and restarted. If the IBA makes an error in an auction which is discovered after an auction is finished, the auction could not be rerun, but the IBA could replace the published auction price with a No Publication. If a participant makes an error which is discovered after an auction is finished, the auction could not be rerun. If fewer than three direct participants are present for the auction and the IBA therefore publishes a price without conducting an auction but the IBA publishes an incorrect price, the incorrect price could be amended if the error were discovered within 30 minutes after publication. If the IBA publishes an incorrect non-USD price, the incorrect non-USD price could be amended if the error were discovered within 30 minutes after publication.

As of December 31, 2018, the SPDR[®] website reported the following annual returns on the market price of the trust's shares and the price of gold (determined by the London PM Fix through March 19, 2015). The market price returns shown account for changes in the mid-point of the bid and ask prices at the time the NAV of the trust is calculated on the relevant date. Trust shares: 1 year, -1.94%; 3 years, 6.11%; 5 years, 0.86%; 10 years, 3.43%; since ETF inception, 7.31%; gold: 1 year, -0.93%; 3 years, 6.45%; 5 years, 1.21%; 10 years, 3.93%; since ETF inception, 7.81%.

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Historical Closing Prices of the Trust's Shares

The closing price of shares of the trust has fluctuated in the past and may, in the future, experience significant fluctuations. Any historical upward or downward trend in the closing price of the shares during the period shown below is not an indication that the shares are more or less likely to increase or decrease at any time during the life of your notes. The period shown below will be approximately ten years, but may be shorter if Bloomberg Financial Services does not provide historical closing prices for the entirety of such period (whether due to the applicable inception date occurring less than ten years from the date hereof or otherwise).

You should not take the historical closing prices of the shares as an indication of the future performance of the shares. We cannot give you any assurance that the future performance of the shares will result in your receiving an amount greater than the outstanding face amount of your notes on the stated maturity date. Neither we nor any of our affiliates make any representation to you as to the performance of the shares. Before investing in the offered notes, you should consult publicly available information to determine the relevant trust closing prices between the date of this prospectus supplement and the date of your purchase of the offered notes. The actual performance of the trust over the life of the offered notes, as well as the cash settlement amount at maturity may bear little relation to the historical prices shown below.

The graph below shows the daily historical prices of the shares of the trust from January 23, 2009 through January 25, 2019. We obtained the closing prices shown in the graph below from Bloomberg Financial Services without independent verification.

Historical Performance of SPDR[®] Gold Trust

“SPDR[®]” is a registered trademark of Standard & Poor’s Financial Services LLC (“S&P”) and Dow Jones is a registered trademark of Dow Jones Trademark Holdings LLC (“Dow Jones”) and have been licensed for use by S&P Dow Jones Indices LLC. The index is not sponsored, endorsed, sold or promoted by S&P Dow Jones Indices LLC, Dow Jones, S&P or their respective affiliates, and neither S&P Dow Jones Indices LLC, Dow Jones, S&P or their respective affiliates make any representation regarding the advisability of investing in the index.

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iShares® TIPS Bond ETF

The shares of the iShares® TIPS Bond ETF (the “ETF”) are issued by iShares®Trust, a registered investment company. The ETF is a tracking ETF that seeks investment results which correspond generally to the price and yield performance, before fees and expenses, of the index.

The index it tracks is the Bloomberg Barclays U.S. Treasury Inflation Protected Securities (TIPS) Index (Series-L) (the “index”).

Investment Advisor: BlackRock ETF Advisors (“BFA”).

The ETF’s shares trade on the NYSE Arca under the ticker symbol “TIP”.

The iShares® Trust’s SEC CIK Number is 0001100663.

The ETF’s launch date was December 4, 2003.

The ETF’s shares are issued or redeemed only in creation units of 100,000 shares or multiples thereof.

We obtained the following fee information from the iShares® website without independent verification. The investment advisor is paid a management fee from the ETF calculated based on the aggregate average daily net assets of the ETF and a set of other specified iShares® funds (the “funds”). The management fee for the ETF equals the ratio of the ETF’s net assets over the aggregate net assets of the ETF multiplied by the amount calculated as follows: 0.2000% per annum of the aggregate net assets less than or equal to \$121.0 billion; plus 0.1900% per annum of the aggregate net assets over \$121.0 billion up to and including \$181.0 billion; plus 0.1805% per annum of the aggregate net assets over \$181.0 billion up to and including \$231.0 billion; plus 0.1715% per annum of the aggregate net assets over \$231.0 billion up to and including \$281.0 billion; plus 0.1630% per annum of the aggregate net assets in excess of \$281.0 billion. As of December 31, 2018, the expense ratio of the ETF was 0.20% per annum.

For additional information regarding iShares® Trust or BFA, please consult the reports (including the Annual Report to Shareholders on Form N-CSR for the fiscal year ended October 31, 2018) and other information iShares® Trust files with the SEC. In addition, information regarding the ETF, including its top portfolio holdings, may be obtained from other sources including, but not limited to, press releases, newspaper articles, other publicly available documents, and the iShares® website at us.ishares.com/product_info/fund/overview/TIP.htm. We are not incorporating by reference the website, the sources listed above or any material they include in this prospectus supplement.

Investment Objective and Strategy

The ETF seeks to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of the index. The ETF’s investment objective and the index that the ETF tracks may be changed without shareholder approval.

BFA uses a representative sampling indexing strategy to attempt to track the performance of the index. For the ETF, this strategy involves investing in a representative sample of securities that collectively have an investment profile similar to that of the index. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability, duration, maturity or credit ratings and yield) and liquidity measures similar to those of the index. The ETF may or may not hold all of the securities in the index.

The ETF generally invests at least 90% of its assets in the bonds in the index and at least 95% of its assets in U.S. government bonds. The ETF may invest up to 10% of its assets in U.S. government bonds not included in the index, but which BFA believes will help the ETF track the index. The ETF may also invest up to 5% of its assets in repurchase agreements collateralized by U.S. government obligations and in cash and cash equivalents, including shares of money market funds advised by BFA or its affiliates. The ETF may lend securities representing up to one-third of the value of the ETF’s total assets (including the value of the collateral received).

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The ETF's Holdings

The following table displays the top holdings of the ETF. We obtained the information in the tables below from the iShares® website without independent verification.

iShares® TIPS Bond ETF Top Ten Holdings as of January 14, 2019

Treasury Inflation-Protected Note Percentage (%)

| | |
|---------------------|--------|
| 0.13% due 4/15/2021 | 9.52% |
| 0.13% due 4/15/2020 | 8.67% |
| 0.63% due 1/15/2026 | 7.18% |
| 0.38% due 7/15/2025 | 5.78% |
| 0.13% due 7/15/2024 | 5.68% |
| 0.13% due 7/15/2026 | 4.83% |
| 0.13% due 1/15/2023 | 4.14% |
| 0.25% due 1/15/2025 | 4.06% |
| 0.13% due 1/15/2022 | 3.81% |
| 0.38% due 1/15/2027 | 3.59% |
| Total | 57.26% |

The following table displays additional information about the bonds held by the ETF as of January 14, 2019. We obtained the information in the table below from the iShares® website without independent verification.

Weighted average maturity 7.85 years

Weighted average coupon 0.62%

Effective duration 7.20 years

Weighted average maturity is the length of time until the average security in the ETF will mature or be redeemed by its issuer. Weighted average coupon is the average coupon rate of the underlying bonds in the ETF, weighted by the relative size in the ETF. Effective duration is a measure of the potential responsiveness of a bond or portfolio price to small parallel shifts in interest rates, taking into account the possible changes in expected bond cash flows due to small parallel shifts in interest rates. Real modified duration is a measure of the potential responsiveness of an inflation-linked bond or portfolio price to small parallel shifts in real interest rates (as opposed to nominal interest rates).

As of January 14, 2019, the ETF's holdings were comprised of 38 U.S. Treasury bonds (99.82% of holdings) and cash and/or derivatives (0.18% of holdings). Of the ETF's U.S. Treasury bond holdings, all were AAA rated under the S&P major rating category. The S&P major rating categories are derived from the S&P, Moody's and Fitch ratings for a security.

Tracking Error

The performance of the ETF and the index may vary due to a variety of factors, including differences between the securities and other instruments held in the ETF's portfolio and those included in the index, pricing differences, transaction costs, the ETF holding uninvested cash, differences in timing of the accrual of distributions, tax gains or losses, changes to the index or the costs of complying with various new or existing regulatory requirements. Tracking error also may result because the ETF incurs fees and expenses, while the index does not. BFA expects that, over time, the ETF's tracking error will not exceed 5%. The ETF's use of a representative sampling indexing strategy can be expected to produce a larger tracking error than would result if the ETF used a replication indexing strategy in which an ETF invests in substantially all of the securities in its index in approximately the same proportions as in the index. As of December 31, 2018, iShares® reported the following average annual returns on the market price of the ETF's shares and the index. The market price of the ETF's shares takes into account distributions on the shares and the returns shown account for changes in the mid-point of the bid and ask prices at 4:00 p.m., Eastern time on the relevant date. ETF shares: 1 year, -1.40%; 3 years, 2.02%; 5 years, 1.57%; 10 years, 3.27%; since inception, 3.67%; index: 1 year, -1.26%; 3 years, 2.11%; 5 years, 1.69%; 10 years, 3.64%; since ETF inception, 3.82%.

The Index

The index is administered by Bloomberg Index Services Limited (the "index administrator"), which determines the composition and relative weightings of the securities in the index and publishes information regarding its market value. The index measures the performance of the inflation-protected public obligations of the U.S. Treasury,

commonly known as “TIPS.” TIPS are securities issued by the U.S. Treasury that are designed to provide inflation protection to investors. TIPS are income-generating instruments whose interest and principal payments are adjusted for inflation — a sustained increase in prices that erodes the purchasing power of money. The inflation adjustment, which is typically applied monthly to the principal of the bond, follows a designated inflation index, the Consumer Price Index (the “CPI”), and TIPS’ principal payments are adjusted according to changes in the CPI. A fixed coupon rate is applied to the inflation-adjusted principal so that as inflation rises, both the principal value and the interest payments increase. This can provide investors with a

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hedge against inflation, as it helps preserve the purchasing power of an investment. Because of this inflation adjustment feature, inflation-protected bonds typically have lower yields than conventional fixed-rate bonds. The index is calculated in U.S. dollars on a total return (gross) basis.

The index includes all publicly-issued U.S. Treasury inflation-protected securities that have at least one year remaining to maturity, are rated investment grade using the middle rating of Moody's, S&P and Fitch, and have \$500 million or more par amount outstanding. In determining index eligibility, Federal Reserve purchases and sales in open market operations of U.S. Treasuries are deducted from the total amount outstanding using data made publicly available on the Federal Reserve Bank of New York website. New issuances bought at auction by the Federal Reserve do not enter the index, and net secondary market purchases/sales are adjusted at each month-end with a one-month lag.

In addition, the securities must be denominated in U.S. dollars and bear interest at a fixed rate. The index does not include certain issues, such as Treasury bills, bellwether securities, or coupon issues that have been stripped from bonds. The securities in the index are updated on the last calendar day of each month.

Rebalancing the Index. The index is rebalanced at each month-end, and this represents the fixed set of bonds on which index returns are calculated for the ensuing month, which is referred to as the "returns universe". While intra-month changes are not made to the returns universe, there is a second universe of stocks kept for the index, the "projected universe", where indicative intra-month changes to securities (credit rating change, sector reclassification, amount outstanding changes, corporate actions, ticker changes) are reflected on a daily basis. These changes will affect the composition of the returns universe at month-end when the index is rebalanced, and the projected universe becomes the returns universe. Eligible securities issued, but not necessarily settled, on or before the month-end rebalancing date qualify for immediate inclusion in the projected universe and inclusion in the returns universe the following month, so long as required security reference information and pricing are readily available.

Intra-month cash flows. Intra-month cash flows from interest and principal payments contribute to monthly index returns, but the cash itself does not generate its own partial month return. However, at each rebalancing, accumulated cash is stripped out of the index and is effectively reinvested into the index for the following month, so that index results over two or more months reflect monthly compounding.

Calculation. The amount outstanding reported for the TIPS is equal to the notional par value of each TIP. The notional amount is adjusted on a monthly basis in the projected universe for government purchases and sales for Federal Reserve SOMA account conducted in the previous month, and the adjustments are reflected in the returns universe in the following month. When a new TIPS is issued or an existing issue is reopened, the initial par amount outstanding is reduced for any issuance bought by the Federal Reserve at auction.

The "index ratio" is used as a multiplier to adjust the nominal principal and coupon payments of the security, so that their real values remain unchanged. The index ratio is generally the ratio of the CPI to the base CPI. Each security has its own unique base CPI, depending on when it was issued. Therefore, the index ratio differs for each bond.

The index ratio is used to calculate the inflated price and the inflated accrued interest of the securities held in the index. The market value of the index is equal to $(\text{inflated price} + \text{inflated accrued interest}) / 100$ * amount outstanding.

Additional information regarding the index may be obtained from other sources including, but not limited to, press releases, newspaper articles, other publicly available documents, and the US TIPS (Series-L) Index factsheet available at bloombergindices.com/bloomberg-barclays-indices-resources/. We are not incorporating by reference the website, the sources listed above or any material they include in this prospectus supplement.

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Historical Closing Prices of the ETF's Shares

The closing price of shares of the ETF has fluctuated in the past and may, in the future, experience significant fluctuations. Any historical upward or downward trend in the closing price of the shares during the period shown below is not an indication that the shares are more or less likely to increase or decrease at any time during the life of your notes. The period shown below will be approximately ten years, but may be shorter if Bloomberg Financial Services does not provide historical closing prices for the entirety of such period (whether due to the applicable inception date occurring less than ten years from the date hereof or otherwise).

You should not take the historical closing prices of the shares as an indication of the future performance of the shares. We cannot give you any assurance that the future performance of the shares will result in your receiving an amount greater than the outstanding face amount of your notes on the stated maturity date. Neither we nor any of our affiliates make any representation to you as to the performance of the shares. Before investing in the offered notes, you should consult publicly available information to determine the relevant ETF closing prices between the date of this prospectus supplement and the date of your purchase of the offered notes. The actual performance of the ETF over the life of the offered notes, as well as the cash settlement amount at maturity may bear little relation to the historical prices shown below.

The graph below shows the daily historical prices of the shares of the ETF from January 23, 2009 through January 25, 2019. We obtained the closing prices shown in the graph below from Bloomberg Financial Services without independent verification.

Historical Performance of iShares® TIPS Bond ETF

“iShare®” is a registered trademark of BlackRock Institutional Trust Company, N.A. (“BITC”). The index is not sponsored, endorsed, sold, or promoted by BITC. BITC makes no representations or warranties to the owners of the index or any member of the public regarding the advisability of investing in the index. BITC has no obligation or liability in connection with the operation, marketing, trading or sale of the index.

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THE NOTIONAL INTEREST RATE

The money market position is included in the cash equivalent asset class and reflects the notional return accruing to a hypothetical investor from an investment in a money market account denominated in U.S. dollars that accrues interest at a rate determined by reference to the notional interest rate, which is the notional interest rate.

The graph below illustrates the historical levels of the 3-month USD LIBOR rate for the period shown below. The level of the 3-month USD LIBOR rate has fluctuated in the past and may, in the future, experience significant fluctuations. Any historical upward or downward trend in the level of the 3-month USD LIBOR rate during the period shown below is not an indication that the level of the 3-month USD LIBOR rate is more or less likely to increase or decrease at any time during the life of the notes. See “U.K. Regulators Will No Longer Persuade or Compel Banks to Submit Rates for Calculation of LIBOR After 2021; Interest Rate Benchmark May Be Discontinued” and “Additional Risk Factors Specific to Your Notes — Regulation and Reform of “Benchmarks”, Including LIBOR and Other Types of Benchmarks, May Cause such “Benchmarks” to Perform Differently Than in the Past, or to Disappear Entirely, or Have Other Consequences Which Cannot be Predicted” for more information about 3-month USD LIBOR.

You should not take the historical level of the 3-month USD LIBOR rate as an indication of future levels of the 3-month USD LIBOR rate.

Neither we nor any of our affiliates make any representation to you as to the performance of the 3-month USD LIBOR rate. The actual levels of the 3-month USD LIBOR rate during the term of the notes may bear little relation to the historical levels of the 3-month USD LIBOR rate shown below.

The graph below shows the daily historical levels of the 3-month USD LIBOR rate from January 23, 2009 through January 25, 2019. We obtained the 3-month USD LIBOR rates shown in the graph below from Reuters, without independent verification.

Historical Performance of 3 Month USD LIBOR

The notes are not sponsored, endorsed, sold or promoted by ICE Benchmark Administration and ICE Benchmark Administration makes no representation regarding the advisability of investing in the notes.

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SUPPLEMENTAL DISCUSSION OF FEDERAL INCOME TAX CONSEQUENCES

The following section supplements the discussion of U.S. federal income taxation in the accompanying prospectus.

The following section is the opinion of Sidley Austin LLP, counsel to GS Finance Corp. and The Goldman Sachs Group, Inc. It applies to you only if you hold your notes as a capital asset for tax purposes. This section does not apply to you if you are a member of a class of holders subject to special rules, such as:

a dealer in securities or currencies;

a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings;

a bank;

a regulated investment company;

a life insurance company;

a tax-exempt organization;

a partnership;

a person that owns the notes as a hedge or that is hedged against interest rate risks;

a person that owns the notes as part of a straddle or conversion transaction for tax purposes; or

a United States holder (as defined below) whose functional currency for tax purposes is not the U.S. dollar.

This section is based on the U.S. Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations under the Internal Revenue Code, published rulings and court decisions, all as currently in effect.

These laws are subject to change, possibly on a retroactive basis.

You should consult your tax advisor concerning the U.S. federal income tax and other tax consequences of your investment in the notes, including the application of state, local or other tax laws and the possible effects of changes in federal or other tax laws.

United States Holders

This subsection describes the tax consequences to a United States holder. You are a United States holder if you are a beneficial owner of notes and you are:

a citizen or resident of the United States;

a domestic corporation;

an estate whose income is subject to U.S. federal income tax regardless of its source; or

a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

If you are not a United States holder, this section does not apply to you and you should refer to "— United States Alien Holders" below.

Your notes will be treated as debt instruments subject to special rules governing contingent payment debt instruments for U.S. federal income tax purposes. Under those rules, the amount of interest you are required to take into account for each accrual period will be determined by constructing a projected payment schedule for your notes and applying rules similar to those for accruing original issue discount on a hypothetical noncontingent debt instrument with that projected payment schedule. This method is applied by first determining the yield at which we would issue a noncontingent fixed rate debt instrument with terms and conditions similar to your notes (the "comparable yield") and then determining as of the issue date a payment schedule that would produce the comparable yield. These rules will generally have the effect of requiring you to include amounts in income in respect of your notes, even though you will not receive any payments from us until maturity.

We have determined that the comparable yield for the notes is equal to 3.8088% per annum, compounded semi-annually with a projected payment at maturity of \$1,196.58 based on an investment of \$1,000.

Based on this comparable yield, if you are an initial holder that holds a note until maturity and you pay your taxes on a calendar year basis, we have determined that you would be required to report the following amounts as ordinary income, not taking into account any positive or negative adjustments you may be required to take into account based on the actual payments on the notes, from the note each year:

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| Accrual Period | Interest Deemed to Accrue During Accrual Period (per \$1,000 note) | Total Interest Deemed to Have Accrued from Original Issue Date (per \$1,000 note) as of End of Accrual Period |
|--|--|---|
| January 31, 2019 through December 31, 2019 | \$35.27 | \$35.27 |
| January 1, 2020 through December 31, 2020 | \$39.81 | \$75.08 |
| January 1, 2021 through December 31, 2021 | \$41.34 | \$116.42 |
| January 1, 2022 through December 31, 2022 | \$42.92 | \$159.34 |
| January 1, 2023 through November 2, 2023 | \$37.24 | \$196.58 |

You are required to use the comparable yield and projected payment schedule that we compute in determining your interest accruals in respect of your notes, unless you timely disclose and justify on your U.S. federal income tax return the use of a different comparable yield and projected payment schedule.

The comparable yield and projected payment schedule are not provided to you for any purpose other than the determination of your interest accruals in respect of your notes, and we make no representation regarding the amount of contingent payments with respect to your notes.

If you purchase your notes at a price other than their adjusted issue price determined for tax purposes, you must determine the extent to which the difference between the price you paid for your notes and their adjusted issue price is attributable to a change in expectations as to the projected payment schedule, a change in interest rates, or both, and reasonably allocate the difference accordingly. The adjusted issue price of your notes will equal your notes' original issue price plus any interest deemed to be accrued on your notes (under the rules governing contingent payment debt instruments) as of the time you purchase your notes. The original issue price of your notes will be the first price at which a substantial amount of the notes is sold to persons other than bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. Therefore, you may be required to make the adjustments described above even if you purchase your notes in the initial offering if you purchase your notes at a price other than the issue price.

If the adjusted issue price of your notes is greater than the price you paid for your notes, you must make positive adjustments increasing (i) the amount of interest that you would otherwise accrue and include in income each year, and (ii) the amount of ordinary income (or decreasing the amount of ordinary loss) recognized upon maturity by the amounts allocated under the previous paragraph to each of interest and the projected payment schedule; if the adjusted issue price of your notes is less than the price you paid for your notes, you must make negative adjustments, decreasing (i) the amount of interest that you must include in income each year, and (ii) the amount of ordinary income (or increasing the amount of ordinary loss) recognized upon maturity by the amounts allocated under the previous paragraph to each of interest and the projected payment schedule. Adjustments allocated to the interest amount are not made until the date the daily portion of interest accrues.

Because any Form 1099-OID that you receive will not reflect the effects of positive or negative adjustments resulting from your purchase of notes at a price other than the adjusted issue price determined for tax purposes, you are urged to consult with your tax advisor as to whether and how adjustments should be made to the amounts reported on any Form 1099-OID.

You will recognize income or loss upon the sale, exchange or maturity of your notes in an amount equal to the difference, if any, between the cash amount you receive at such time and your adjusted basis in your notes. In general, your adjusted basis in your notes will equal the amount you paid for your notes, increased by the amount of interest you previously accrued with respect to your notes (in accordance with the comparable yield and the projected payment schedule for your notes), and increased or decreased by the amount of any positive or negative adjustment, respectively, that you are required to make if you purchase your notes at a price other than the adjusted issue price determined for tax purposes.

Any income you recognize upon the sale, exchange or maturity of your notes will be ordinary interest income. Any loss you recognize at such time will be ordinary loss to the extent of interest you included as income in the current or

previous taxable years in respect of your notes, and, thereafter, capital loss. If you are a noncorporate holder, you would generally be able to use such ordinary loss to offset your income only in the taxable year in which you recognize the ordinary loss and would generally not be able to carry such ordinary loss forward or back to offset income in other taxable years.

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Pursuant to recently enacted legislation, for taxable years beginning after December 31, 2018, with respect to a debt instrument issued with original issue discount, such as the notes, an accrual method taxpayer that reports revenues on an applicable financial statement generally must recognize income for U.S. federal income tax purposes no later than the taxable year in which such income is taken into account as revenue in an applicable financial statement of the taxpayer. For this purpose, an “applicable financial statement” generally means a financial statement certified as having been prepared in accordance with generally accepted accounting principles or that is made on the basis of international financial reporting standards and which is used by the taxpayer for various specified purposes. This rule could potentially require such a taxpayer to recognize income for U.S. federal income tax purposes with respect to the notes prior to the time such income would be recognized pursuant to the rules described above. Potential investors in the notes should consult their tax advisors regarding the potential applicability of these rules to their investment in the notes.

United States Alien Holders

If you are a United States alien holder, please see the discussion under “United States Taxation — Taxation of Debt Securities — United States Alien Holders” in the accompanying prospectus for a description of the tax consequences relevant to you. You are a United States alien holder if you are the beneficial owner of the notes and are, for U.S. federal income tax purposes:

a nonresident alien individual;

a foreign corporation; or

an estate or trust that in either case is not subject to U.S. federal income tax on a net income basis on income or gain from the notes.

The Treasury Department has issued regulations under which amounts paid or deemed paid on certain financial instruments (“871(m) financial instruments”) that are treated as attributable to U.S.-source dividends could be treated, in whole or in part depending on the circumstances, as a “dividend equivalent” payment that is subject to tax at a rate of 30% (or a lower rate under an applicable treaty), which in the case of amounts you receive upon the sale, exchange or maturity of your notes, could be collected via withholding. If these regulations were to apply to the notes, we may be required to withhold such taxes if any U.S.-source dividends are paid on any ETFs included in the index during the term of the notes. We could also require you to make certifications (e.g., an applicable Internal Revenue Service Form W-8) prior to the maturity of the notes in order to avoid or minimize withholding obligations, and we could withhold accordingly (subject to your potential right to claim a refund from the Internal Revenue Service) if such certifications were not received or were not satisfactory. If withholding was required, we would not be required to pay any additional amounts with respect to amounts so withheld. These regulations generally will apply to 871(m) financial instruments (or a combination of financial instruments treated as having been entered into in connection with each other) issued (or significantly modified and treated as retired and reissued) on or after January 1, 2021, but will also apply to certain 871(m) financial instruments (or a combination of financial instruments treated as having been entered into in connection with each other) that have a delta (as defined in the applicable Treasury regulations) of one and are issued (or significantly modified and treated as retired and reissued) on or after January 1, 2017. In addition, these regulations will not apply to financial instruments that reference a “qualified index” (as defined in the regulations). We have determined that, as of the issue date of your notes, your notes will not be subject to withholding under these rules. In certain limited circumstances, however, you should be aware that it is possible for United States alien holders to be liable for tax under these rules with respect to a combination of transactions treated as having been entered into in connection with each other even when no withholding is required. You should consult your tax advisor concerning these regulations, subsequent official guidance and regarding any other possible alternative characterizations of your notes for U.S. federal income tax purposes.

Foreign Account Tax Compliance Act (FATCA) Withholding

Pursuant to Treasury regulations, Foreign Account Tax Compliance Act (FATCA) withholding (as described in “United States Taxation—Taxation of Debt Securities—Foreign Account Tax Compliance Act (FATCA) Withholding” in the accompanying prospectus) will generally apply to obligations that are issued on or after July 1, 2014; therefore, the notes will generally be subject to the FATCA withholding rules. Pursuant to recently proposed regulations, the Treasury Department has indicated its intent to eliminate the requirements under FATCA of withholding on gross proceeds from the sale, exchange, maturity or other disposition of relevant financial instruments. The Treasury

Department has indicated that taxpayers may rely on these proposed regulations pending their finalization.
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EMPLOYEE RETIREMENT INCOME SECURITY ACT

This section is only relevant to you if you are an insurance company or the fiduciary of a pension plan or an employee benefit plan (including a governmental plan, an IRA or a Keogh Plan) proposing to invest in the notes.

The U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”) and the U.S. Internal Revenue Code of 1986, as amended (the “Code”), prohibit certain transactions (“prohibited transactions”) involving the assets of an employee benefit plan that is subject to the fiduciary responsibility provisions of ERISA or Section 4975 of the Code (including individual retirement accounts, Keogh plans and other plans described in Section 4975(e)(1) of the Code) (a “Plan”) and certain persons who are “parties in interest” (within the meaning of ERISA) or “disqualified persons” (within the meaning of the Code) with respect to the Plan; governmental plans may be subject to similar prohibitions unless an exemption applies to the transaction. The assets of a Plan may include assets held in the general account of an insurance company that are deemed “plan assets” under ERISA or assets of certain investment vehicles in which the Plan invests. Each of The Goldman Sachs Group, Inc. and certain of its affiliates may be considered a “party in interest” or a “disqualified person” with respect to many Plans, and, accordingly, prohibited transactions may arise if the notes are acquired by or on behalf of a Plan unless those notes are acquired and held pursuant to an available exemption. In general, available exemptions are: transactions effected on behalf of that Plan by a “qualified professional asset manager” (prohibited transaction exemption 84-14) or an “in-house asset manager” (prohibited transaction exemption 96-23), transactions involving insurance company general accounts (prohibited transaction exemption 95-60), transactions involving insurance company pooled separate accounts (prohibited transaction exemption 90-1), transactions involving bank collective investment funds (prohibited transaction exemption 91-38) and transactions with service providers under Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code where the Plan receives no less and pays no more than “adequate consideration” (within the meaning of Section 408(b)(17) of ERISA and Section 4975(f)(10) of the Code). The person making the decision on behalf of a Plan or a governmental plan shall be deemed, on behalf of itself and the plan, by purchasing and holding the notes, or exercising any rights related thereto, to represent that (a) the plan will receive no less and pay no more than “adequate consideration” (within the meaning of Section 408(b)(17) of ERISA and Section 4975(f)(10) of the Code) in connection with the purchase and holding of the notes, (b) none of the purchase, holding or disposition of the notes or the exercise of any rights related to the notes will result in a nonexempt prohibited transaction under ERISA or the Code (or, with respect to a governmental plan, under any similar applicable law or regulation), and (c) neither The Goldman Sachs Group, Inc. nor any of its affiliates is a “fiduciary” (within the meaning of Section 3(21) of ERISA or, with respect to a governmental plan, under any similar applicable law or regulation) with respect to the purchaser or holder in connection with such person’s acquisition, disposition or holding of the notes, or as a result of any exercise by The Goldman Sachs Group, Inc. or any of its affiliates of any rights in connection with the notes, and neither The Goldman Sachs Group, Inc. nor any of its affiliates has provided investment advice in connection with such person’s acquisition, disposition or holding of the notes.

If you are an insurance company or the fiduciary of a pension plan or an employee benefit plan (including a government plan, an IRA or a Keogh plan) and propose to invest in the notes, you should consult your legal counsel.

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DEFAULT AMOUNT ON ACCELERATION

If an event of default occurs and the maturity of your notes is accelerated, the company will pay the default amount in respect of the principal of your notes at the maturity, instead of the amount payable on the stated maturity date as described earlier. We describe the default amount under “Terms and Conditions” above.

For the purpose of determining whether the holders of our Series E medium-term notes, which include your notes, are entitled to take any action under the indenture, we will treat the outstanding face amount of your notes as the outstanding principal amount of that note. Although the terms of the offered notes differ from those of the other Series E medium-term notes, holders of specified percentages in principal amount of all Series E medium-term notes, together in some cases with other series of our debt securities, will be able to take action affecting all the Series E medium-term notes, including your notes, except with respect to certain Series E medium-term notes if the terms of such notes specify that the holders of specified percentages in principal amount of all of such notes must also consent to such action. This action may involve changing some of the terms that apply to the Series E medium-term notes, accelerating the maturity of the Series E medium-term notes after a default or waiving some of our obligations under the indenture. In addition, certain changes to the indenture and the notes that only affect certain debt securities may be made with the approval of holders of a majority in principal amount of such affected debt securities. We discuss these matters in the accompanying prospectus under “Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default” and “Description of Debt Securities We May Offer — Modification of the Debt Indentures and Waiver of Covenants”.

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SUPPLEMENTAL PLAN OF DISTRIBUTION

GS Finance Corp. has agreed to sell to GS&Co., and GS&Co. has agreed to purchase from GS Finance Corp., the aggregate face amount of the offered notes specified on the front cover of this prospectus supplement. GS&Co. proposes initially to offer the notes to the public at the original issue price set forth on the cover page of this prospectus supplement, and to certain securities dealers at such price less a concession not in excess of 3.6% of the face amount.

In the future, GS&Co. or other affiliates of GS Finance Corp. may repurchase and resell the offered notes in market-making transactions, with resales being made at prices related to prevailing market prices at the time of resale or at negotiated prices. GS Finance Corp. estimates that its share of the total offering expenses, excluding underwriting discounts and commissions, will be approximately \$20,000. For more information about the plan of distribution and possible market-making activities, see “Plan of Distribution” in the accompanying prospectus. GS&Co. will also pay a fee in connection with the distribution of the notes SIMON Markets LLC, a broker-dealer affiliated with GS Finance Corp.

We will deliver the notes against payment therefor in New York, New York on January 31, 2019. Under Rule 15c6-1 of the Securities Exchange Act of 1934, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes on any date prior to two business days before delivery will be required to specify alternative settlement arrangements to prevent a failed settlement.

We have been advised by GS&Co. that it intends to make a market in the notes. However, neither GS&Co. nor any of our other affiliates that makes a market is obligated to do so and any of them may stop doing so at any time without notice. No assurance can be given as to the liquidity or trading market for the notes.

Any notes which are the subject of the offering contemplated by this prospectus supplement, the accompanying prospectus and the accompanying prospectus supplement may not be offered, sold or otherwise made available to any retail investor in the European Economic Area. Consequently no key information document required by Regulation (EU) No 1286/2014 (the “PRIIPs Regulation”) for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation. For the purposes of this provision:

(a) the expression “retail investor” means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or

(ii) a customer within the meaning of Directive 2002/92/EC (as amended, the “Insurance Mediation Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the “Prospectus Directive”); and the expression an “offer” includes the communication in any form and by any means of sufficient information on the (b) terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), GS&Co. has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of notes which are the subject of the offering contemplated by this prospectus supplement, the accompanying prospectus and the accompanying prospectus supplement to the public in that Relevant Member State except that, with effect from and including the Relevant Implementation Date, an offer of such notes may be made to the public in that Relevant Member State:

a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant dealer or dealers nominated by the issuer for any such offer; or

c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of notes referred to above shall require us or any dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of notes to the public” in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the

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expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of the notes may only be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not apply to GS Finance Corp. or The Goldman Sachs Group, Inc.

All applicable provisions of the FSMA must be complied with in respect to anything done by any person in relation to the notes in, from or otherwise involving the United Kingdom.

The notes may not be offered or sold in Hong Kong by means of any document other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and any rules made thereunder, or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance; and no advertisement, invitation or document relating to the notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere) which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made thereunder.

This prospectus supplement, along with the accompanying prospectus supplement and the accompanying prospectus have not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus supplement, along with the accompanying prospectus supplement and the accompanying prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”)) under Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to conditions set forth in the SFA.

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, the securities (as defined in Section 239(1) of the SFA) of that corporation shall not be transferable for six months after that corporation has acquired the notes under Section 275 of the SFA except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA), (2) where such transfer arises from an offer in that corporation’s securities pursuant to Section 275(1A) of the SFA, (3) where no consideration is or will be given for the transfer, (4) where the transfer is by operation of law, (5) as specified in Section 276(7) of the SFA, or (6) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore (“Regulation 32”).

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is a trust (where the trustee is not an accredited investor (as defined in Section 4A of the SFA)) whose sole purpose is to hold investments and each beneficiary of the trust is an accredited investor, the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferable for six months after that trust has acquired the notes under Section 275 of the SFA except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA), (2) where such transfer arises from an offer that is made on terms that such rights or interest are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction (whether such amount is to be paid for in cash or by exchange of securities or other assets), (3) where no consideration is or will be given for the transfer, (4) where the transfer is by operation of law, (5) as specified in Section 276(7) of the SFA, or (6) as specified in Regulation 32.

The notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended), or the FIEA. The notes may not be offered or sold, directly or indirectly, in Japan or to or for the benefit of any resident of Japan (including any person resident in Japan or any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to or for the benefit of any resident of Japan, except pursuant to an exemption from the registration requirements of the FIEA and otherwise in compliance with any relevant laws and regulations of Japan.

The notes are not offered, sold or advertised, directly or indirectly, in, into or from Switzerland on the basis of a public offering and will not be listed on the SIX Swiss Exchange or any other offering or regulated trading facility in Switzerland. Accordingly, neither this prospectus supplement nor any accompanying prospectus supplement, prospectus or other

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marketing material constitute a prospectus as defined in article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus as defined in article 32 of the Listing Rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland. Any resales of the notes by the underwriters thereof may only be undertaken on a private basis to selected individual investors in compliance with Swiss law. This prospectus supplement and accompanying prospectus and prospectus supplement may not be copied, reproduced, distributed or passed on to others or otherwise made available in Switzerland without our prior written consent. By accepting this prospectus supplement and accompanying prospectus and prospectus supplement or by subscribing to the notes, investors are deemed to have acknowledged and agreed to abide by these restrictions. Investors are advised to consult with their financial, legal or tax advisers before investing in the notes.

The notes will not be listed on any securities exchange or interdealer quotation system.

Conflicts of Interest

GS&Co. is an affiliate of GS Finance Corp. and The Goldman Sachs Group, Inc. and, as such, will have a “conflict of interest” in this offering of notes within the meaning of Financial Industry Regulatory Authority, Inc. (FINRA) Rule 5121. Consequently, this offering of notes will be conducted in compliance with the provisions of FINRA Rule 5121. GS&Co. will not be permitted to sell notes in this offering to an account over which it exercises discretionary authority without the prior specific written approval of the account holder.

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VALIDITY OF THE NOTES AND GUARANTEE

In the opinion of Sidley Austin LLP, as counsel to GS Finance Corp. and The Goldman Sachs Group, Inc., when the notes offered by this prospectus supplement have been executed and issued by GS Finance Corp., the related guarantee offered by this prospectus supplement has been executed and issued by The Goldman Sachs Group, Inc., and such notes have been authenticated by the trustee pursuant to the indenture, and such notes and the guarantee have been delivered against payment as contemplated herein, (a) such notes will be valid and binding obligations of GS Finance Corp., enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, concepts of reasonableness and equitable principles of general applicability (including, without limitation, concepts of good faith, fair dealing and the lack of bad faith), provided that such counsel expresses no opinion as to the effect of fraudulent conveyance, fraudulent transfer or similar provision of applicable law on the conclusions expressed above and (b) such related guarantee will be a valid and binding obligation of The Goldman Sachs Group, Inc., enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, concepts of reasonableness and equitable principles of general applicability (including, without limitation, concepts of good faith, fair dealing and the lack of bad faith), provided that such counsel expresses no opinion as to the effect of fraudulent conveyance, fraudulent transfer or similar provision of applicable law on the conclusions expressed above. This opinion is given as of the date hereof and is limited to the laws of the State of New York and the General Corporation Law of the State of Delaware as in effect on the date hereof. In addition, this opinion is subject to customary assumptions about the trustee's authorization, execution and delivery of the indenture and the genuineness of signatures and certain factual matters, all as stated in the letter of such counsel dated July 10, 2017, which has been filed as Exhibit 5.6 to the registration statement on Form S-3 filed with the Securities and Exchange Commission by GS Finance Corp. and The Goldman Sachs Group, Inc. on July 10, 2017.

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We have not authorized anyone to provide any information or to make any representations other than those contained or incorporated by reference in this prospectus supplement, the accompanying prospectus supplement or the accompanying prospectus. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus supplement, the accompanying prospectus supplement and the accompanying prospectus is an offer to sell only the notes offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus supplement, the accompanying prospectus supplement and the accompanying prospectus is current only as of the respective dates of such documents.

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\$1,223,000

GS Finance Corp.

GS Momentum Builder[®] Multi-Asset 5S ER Index-Linked Notes due 2023

guaranteed by

The Goldman Sachs Group, Inc.
