Kenneth Cole
New York

Kenneth Cole Productions, Inc.
603 West 50th Street
New York, NY 10019

April 18, 2008

To our Shareholders:

On behalf of the Board of Directors and management of Kenneth Cole Productions, Inc., I cordially invite you to the Annual Meeting of Shareholders to be held on Thursday, May 29, 2008 at 10:00 A.M. at the Company's principal administrative offices, 400 Plaza Drive, Secaucus, New Jersey 07094.

At the Annual Meeting, shareholders will be asked to elect six directors and approve the selection of the Company's independent registered public accounting firm. These matters are fully described in the accompanying notice of Annual Meeting and Proxy Statement.

It is important that your shares be represented whether or not you are able to be present at the Annual Meeting. I am gratified by our shareholders' continued interest in Kenneth Cole Productions, Inc. and urge you to vote promptly.

Sincerely,

Kenneth D. Cole
Chairman of the Board of Directors,
and Chief Executive Officer

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KENNETH COLE PRODUCTIONS, INC.
603 West 50th Street
New York, NY 10019

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

May 29, 2008

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders (the "Annual Meeting") of Kenneth Cole Productions, Inc. (the "Company"), a New York corporation, will be held on Thursday, May 29, 2008 at 10:00 A.M. at the Company's principal administrative offices, 400 Plaza Drive, Secaucus, NJ 07094 for the following purposes, or as more fully described in the Proxy Statement accompanying this Notice:

1. To elect six directors to serve for a term of one year;

2. To ratify the appointment of Ernst & Young LLP as independent registered public accounting firm of the Company to serve for the 2008 fiscal year; and

3. To transact such other business as may properly be brought before the Annual Meeting or any adjournment, postponement or rescheduling thereof in connection with the foregoing or otherwise.

Shareholders of record at the close of business on April 9, 2008 are entitled to notice of and to vote at the meeting and any adjournment thereof. It is important that your shares be represented at the meeting.

To assure your representation at the Annual Meeting, you are requested to fill in, date and sign the enclosed proxy card, which is solicited by the Company's Board of Directors, and to mail it promptly in the envelope provided. Any shareholder attending the Annual Meeting may vote in person even if he or she previously returned a proxy card.

Note that if you have received a Notice of Internet Availability of Proxy Materials, you will not receive a proxy card and should follow the instructions for voting provided in that notice.

We encourage you to read the attached Proxy Statement carefully. In addition, you may obtain information about the Company from the Annual Report on Form 10-K for the year ended December 31, 2007 included with this notice and from documents that we have filed with the Securities and Exchange Commission.

By Order of the Board of Directors,

Michael F. Colosi
Secretary

New York, New York
April 18, 2008

IMPORTANT
A self-addressed envelope is enclosed for your convenience. No postage is required if mailed within the United States.

KENNETH COLE PRODUCTIONS, INC.
603 West 50th Street
New York, NY 10019

PROXY STATEMENT FOR ANNUAL MEETING OF SHAREHOLDERS

May 29, 2008

This proxy statement (the "Proxy Statement") is furnished in connection with the solicitation by the Board of Directors of Kenneth Cole Productions, Inc., a New York corporation ("KCP" or the "Company"), of proxies to be used at the Annual Meeting of Shareholders (the "Annual Meeting"), to be held at the Company's principal administrative offices, located at 400 Plaza Drive, Secaucus, NJ 07094, on Thursday, May 29, 2008 at 10:00 A.M. and at any adjournment, postponement or rescheduling thereof. The approximate date on which the Notice of Annual Meeting of Shareholders was given to shareholders was on or about April 18, 2008.

General Information about the Meeting

Who may vote

Each shareholder of record at the close of business on April 9, 2008 will be entitled to vote.

On April 9, 2008, the Company had outstanding 10,788,789 shares of Class A Common Stock, par value $.01 per share (the "Class A Common Stock") and 8,010,497 shares of Class B Common Stock, par value $.01 per share (the "Class B Common Stock"). All of the issued and outstanding shares of Class B Common Stock are owned directly or indirectly by Kenneth D. Cole, Chairman of the Board and Chief Executive Officer of the Company.

Except as otherwise provided in the Company's Restated Certificate of Incorporation or By-laws, the holders of the Class A Common Stock and the Class B Common Stock vote together as a single class on all matters to be voted upon at the Annual Meeting and any adjournment, postponement or rescheduling thereof, with each record holder of Class A Common Stock entitled to one vote per share of Class A Common Stock, and each record holder of Class B Common Stock entitled to ten votes per share of Class B Common Stock. The Company's Restated Certificate of Incorporation provides that the holders of the Class A Common Stock vote separately as a class to elect 25% (not less than two directors) of the Company's Board of Directors.

Voting your proxy

If you have received a proxy card along with this document, you are requested to fill in, date and sign the proxy card and mail it promptly in the envelope provided.

If you have received a Notice of Internet Availability of Proxy Materials, you will not receive a proxy card and should follow the instructions for voting provided in that notice. These instructions allow for online voting at www.proxyvote.com.

Whether you hold shares in your name or through a broker, bank or other nominee, you may vote without attending the Annual Meeting. You may vote by granting a proxy or, for shares held through a broker, bank or other nominee, by submitting voting instructions to that nominee.

See "Delivery of Voting Materials," "Counting the votes" and "Vote required" below for further information.

Votes needed to hold the meeting

In accordance with New York law and the Company's By-laws, the Annual Meeting will be held if a majority of the Company's outstanding shares entitled to vote is present or represented by proxy at the meeting. This is called a quorum. Your shares will be counted for purposes of determining if there is a quorum, even if you wish to abstain from voting on some or all matters introduced at the Annual Meeting (an "abstention"), if you:

- are present and vote in person at the Annual Meeting; or
- have properly voted by proxy based on the instructions provided to you.

In addition, shares that are present or represented by proxy at the Annual Meeting will be counted for purposes of determining if there is a quorum regardless of whether a broker with authority fails to exercise its authority to vote on some or all of the proposals at the Annual Meeting (a "broker non-vote").

Counting the votes

In the election of Directors, you may vote "FOR" all of the nominees or your vote may be "WITHHELD" with respect to one or more of the nominees. For ratification of Ernst & Young LLP as the Company's independent registered public accounting firm, you may vote "FOR," "AGAINST" or "ABSTAIN." Abstentions and broker non-votes will not be included in the tabulation of the votes cast on any of the proposals at the Annual Meeting.

Vote required

In the election of Directors, the affirmative vote of a plurality of the shares voting, in person or by proxy, at the Annual Meeting is required to elect each nominee director. All other proposals require the affirmative vote of a majority of the shares voting, in person or by proxy, at the Annual Meeting.

Matters to be voted on at the Annual Meeting

There are two proposals that will be presented for your consideration at the meeting:

- Election of the Board of Directors
- Ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm

Our voting recommendations

Our Board of Directors recommends that you vote:

- "FOR" each of management's nominees to the Board of Directors
- "FOR" ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm

Cost of this proxy solicitation

The Company has hired Georgeson, Inc. to assist in the solicitation of beneficial owners for a fee not to exceed $1,500, plus out-of-pocket expenses. The Company may also reimburse brokerage firms and other persons representing beneficial owners, such as banks and trustees, of shares for their reasonable expenses in forwarding the voting materials to their customers who are beneficial owners of shares of Class A Common Stock and obtaining their voting instructions. The cost of this proxy solicitation will be borne by the Company.

Attending the Annual Meeting

You may vote shares held directly in your name in person at the Annual Meeting. If you choose to attend the Annual Meeting, please bring the enclosed proxy card or proof of identification for entrance to the Annual Meeting. If you want to vote shares that you hold in street name at the Annual Meeting, you must request a legal proxy from your broker, bank or other nominee that holds your shares.

Changing your vote

You may revoke your proxy and change your vote at any time before the final vote at the Annual Meeting. You may do this by signing a new proxy card with a later date or by attending the Annual Meeting and voting in person. However, your attendance at the Annual Meeting will not automatically revoke your proxy; you must specifically revoke your proxy. In addition, you can also change your vote prior to the meeting by resubmitting instructions via telephone or internet with your unique control number located in your Notice of Internet Availability of Proxy Materials or by contacting your broker to request a new vote instruction form. See "Voting your proxy" above for further instructions.

Voting results

The preliminary voting results will be announced at the Annual Meeting. The final voting results will be published in our quarterly report on Form 10-Q for the second quarter of fiscal year 2008.

Delivery of voting materials

In 2007, the Securities and Exchange Commission adopted amendments to the proxy rules under the Securities Exchange Act of 1934 to provide shareholders with the ability to choose the means by which they access proxy materials. As such, the Company is choosing to follow the "notice only" option for certain shareholders, which requires that only a "Notice of Internet Availability of Proxy Materials" be mailed to some shareholders, and the "full set delivery" option for the remaining shareholders. Shareholders who receive the Notice of Internet Availability of Proxy Materials and wish to receive hard copies of the proxy materials may receive such copies by making a request on-line at www.investorEconnect.com. To reduce the expenses of delivering duplicate voting materials to our shareholders who may have more than one Company stock account, we are taking advantage of rules that permit us to deliver only one set of voting materials, meaning the Proxy Statement, proxy card and the 2007 annual report to shareholders, to shareholders who share an address unless otherwise requested.

How to obtain a separate set of voting materials

If you share an address with another shareholder and have received only one set of voting materials, you may write, e-mail or call us using the contact information set forth below to request a separate copy of these materials at no cost to you. The Company undertakes to deliver promptly to you, upon your request, a separate copy of these materials. For future annual meetings, you may request separate voting materials, or request that the Company send only one set of voting materials to you if you are receiving multiple copies, by e-mailing the Company at investrelations@kennethcole.com or writing us at Kenneth Cole Productions, Inc., 400 Plaza Drive, Secaucus, NJ 07094, Attn: Investor Relations or calling us at (201) 864-8080 extension 28451.

PROPOSAL ONE: ELECTION OF DIRECTORS

Six directors are to be elected at the Annual Meeting to serve for a term of one year and until their respective successors have been elected and shall qualify. Each proxy received will be voted FOR the election of the nominees named below unless otherwise specified in the proxy. If any nominee shall, prior to the Annual Meeting, become unavailable for election as a director, the persons named in the accompanying form of proxy will vote in their discretion for a nominee, if any, that may be recommended by the Board of Directors, or the Board of Directors may reduce the number of directors to eliminate the vacancy. At this time, the Board of Directors knows of no reason why any nominee might be unable to serve. There are no arrangements or understandings between any director or nominee and any other person pursuant to which such person was selected as a director or nominee.

Nominees for Director

The Board of Directors has nominated six directors to be elected to the Board of Directors at the Annual Meeting: Kenneth D. Cole, Martin E. Franklin, Jill Granoff, Robert C. Grayson, Denis F. Kelly, and Philip R. Peller.

Robert C. Grayson and Denis F. Kelly are the nominees for director for election by the holders of the Class A Common Stock. The other nominees for director will be elected by the vote of the holders of the Class A Common Stock and the holders of the Class B Common Stock voting together as a single class. All nominees, except for Ms. Granoff, are currently directors. Each nominee has agreed to be named in this Proxy Statement and to serve as a director if elected.

Certain information concerning the nominees is set forth below:

Name	Age	Principal Occupation	Year Became a Director
Kenneth D. Cole	54	Chairman of the Board; Chief Executive Officer through May 4, 2008	1982
Martin E. Franklin	43	Chairman and Chief Executive Officer of Jarden Corporation	2005
Jill Granoff	46	Chief Executive Officer, effective May 5, 2008	--
Robert C. Grayson	63	President, Robert C. Grayson & Associates, Inc.	1996
Denis F. Kelly	58	Managing Partner, Scura, Rise & Partners, Inc.	1994
Philip R. Peller	68	Independent Business Consultant; Retired Partner, Arthur Andersen LLP	2005

Kenneth D. Cole has served as the Company's Chief Executive Officer and Chairman of the Board since its inception in 1982 and was also President until February 2002. Mr. Cole was a founder, and from 1976 through 1982, a senior executive of El Greco, Inc., a shoe manufacturing and design company which manufactured *Candies* women's shoes. Mr. Cole is the Chairman of the Board of Directors of the American Foundation for AIDS Research ("AmFAR"). In addition, he is on the Board of Trustees of the Sundance Institute and the Council of Fashion Designers of America. Mr. Cole is also a Director and President of nearly all of the wholly-owned subsidiaries of the Company.

Martin E. Franklin has served as the Chairman and Chief Executive Officer of Jarden Corporation since September 2001. He has served as Director of GLG Partners, Inc., formerly known as Freedom Acquisition Holdings, Inc., since December 2006. Mr. Franklin also serves as the Chairman of Liberty Acquisitions Holdings, Corp. since November 2007. Prior to this, Mr. Franklin served as Executive Chairman of Bolle Inc. from July 1997 to February 2000. He also held the position of Chairman and CEO of Lumen Technologies, Inc. from May 1996 to December 1998, and its predecessor, Benson Eyecare Corporation, from October 1992 to May 1996. Mr. Franklin is currently a member of the Board of Directors of the Jewish Theological Seminary of America and One Family Fund, and various other charitable organizations.

Jill Granoff will be joining the Company as its Chief Executive Officer effective May 5, 2008. Ms. Granoff was most recently employed with Liz Claiborne Inc. ("Liz Claiborne") where she was the Executive Vice President of Direct Brands. She was responsible for the key growth engines at Liz Claiborne with global oversight for Juicy Couture, Lucky Brand Jeans, Kate Spade and its Outlet and E-Commerce businesses. Prior to joining Liz Claiborne, Ms. Granoff was President and Chief Operating Officer of Victoria Secret Beauty. Ms. Granoff is a member of the Executive Committee of the Board of Governors of Cosmetic Executive Women, the Industry Advisory Board of the Fashion Institute of Technology, and The Women's Forum.

Robert C. Grayson is the founder of Robert C. Grayson & Associates (d.b.a. The Grayson Company), which is a broad-based consulting practice for the consumer goods sector. From 1992 to 1996, Mr. Grayson served initially as an outside consultant to Tommy Hilfiger Corp., a wholesaler and retailer of men's sportswear and boyswear, and later accepted titles of Chairman of Tommy Hilfiger Retail, Inc. and Vice Chairman of Tommy Hilfiger Corp. From 1970 to 1992, Mr. Grayson served in various capacities for Limited Inc., including President and CEO of Lerner New York from 1985 to 1992, and President and CEO of Limited Stores from 1982 to 1985. He also serves as a director of St. John Knits, Lillian August Inc., U-Food and Stax Incorporated.

Denis F. Kelly is a Managing Partner of Scura, Rise & Partners, LLC as well as Chairman of Ashburn Hill Corp, a manufacturer of fire resistant garments. From July 1993 to December 2000, Mr. Kelly was the head of the Mergers and Acquisitions Department at Prudential Securities Incorporated. From 1991 to 1993, Mr. Kelly was President of Denbrook Capital Corp., a merchant-banking firm. Mr. Kelly was at Merrill Lynch from 1980 to 1991, where he served as Managing Director, Mergers & Acquisitions from 1984 to 1986, and then as a Managing Director, Merchant Banking, from 1986 to 1991. Mr. Kelly is a director of MSC Industrial Direct, Inc.

Philip R. Peller was employed by Arthur Andersen LLP for 39 years. Prior to his retirement from Arthur Andersen in 1999, he served as Managing Partner of Practice Protection and Partner Matters for Andersen Worldwide SC, the coordinating entity for the activities of Arthur Andersen and Andersen Consulting, from 1996 to 1999. Prior to that appointment, Mr. Peller served as the Managing Director - Quality, Risk Management and Professional Competence for the worldwide audit practice. Mr. Peller joined Arthur Andersen in 1960 and was promoted to Audit Partner in 1970. Mr. Peller is a Certified Public Accountant. Mr. Peller is currently a member of the Board of Directors and Chair of the Audit Committee of MSC Industrial Direct Co., Inc. and of a privately-owned insurance company and serves as a consultant to other companies.

There are no family relationships among any directors or executive officers of the Company.

The Board of Directors recommends a vote "FOR" all nominees.

Named Executive Officers

Kenneth D. Cole, the Company's Principal Executive Officer, David P. Edelman, the Company's Principal Financial Officer, and the Company's three other most highly compensated executive officers, Doug Jakubowski, Michael DeVirgilio, and Richard S. Olicker are considered the Named Executive Officers of the Company as of the 2007 fiscal year-end.

David P. Edelman was appointed as the Chief Financial Officer in July 2004. He joined the Company in January 1995 and served as the Company's Senior Vice President of Finance since April 2000. Before joining the Company, Mr. Edelman was Chief Financial Officer of a women's suit wholesaler, and he was employed 10 years as a CPA with Ernst & Young in various specialty groups including Ernst & Young's National Consulting Office and its Retail and Apparel Audit Group. Mr. Edelman serves on the Board of Directors of the American Apparel and Footwear Association. Mr. Edelman is also a Director of many of the Company's wholly-owned subsidiaries.

Douglas Jakubowski has served as President of Kenneth Cole – Apparel and Corporate Relations since October 2007. Mr. Jakubowski previously served as President of the *Kenneth Cole Reaction* brand and Senior Vice President of *Reaction* from July 2005. Prior to joining the Company, Mr. Jakubowski served as President of Perry Ellis Menswear from 2003 to 2005. From 1997 to 2003, he served as Executive Vice President of Merchandising and Design for Perry Ellis Sportswear. Prior to joining Perry Ellis, Mr. Jakubowski held various positions of Vice President of Sales and Marketing at International News, and Director of Marketing and Sales at Koral Industries.

Michael DeVirgilio has served as Executive Vice President of Business Development since January 2006. Mr. DeVirgilio previously served as Senior Vice President of Licensing from May 2005. Prior to that, he served as Corporate Vice President of Licensing and Design Services from March 2002 to May 2005. From 1999 to 2001, Mr. DeVirgilio served as Divisional Vice President of Licensing. Mr. DeVirgilio joined the Company as Director of Licensing in 1997. Prior to joining the Company, Mr. DeVirgilio was Director of Merchandising for the Joseph & Feiss Company (a Division of Hugo Boss, USA).

Richard S. Olicker joined the Company as President of the Wholesale Division and Executive Vice President of the Corporation in January 2006. Mr. Olicker was previously employed by Steven Madden, Ltd. where he held the position of President since 2001. Prior to this, Mr. Olicker co-founded Aerogroup International, Inc. (Aerosoles), the footwear import and marketing firm, and previously served as General Counsel and Licensing Business Director at El Greco Inc. – Candie's.

Board of Directors and Board Committees

The Board of Directors (the "Board") met seven times in 2007. The standing committees of the Board include the Audit Committee, Compensation Committee and Corporate Governance/Nominating Committee. Because more than 50% of the voting power of the Company is controlled by Mr. Cole, the Company is a "controlled company" under the New York Stock Exchange ("NYSE") listing standards. Accordingly, the Company is exempt from the provisions of the NYSE listing standards requiring: (i) a board consisting of a majority of directors who have been determined to be "independent" under the criteria set forth in the NYSE listing standards; (ii) a nominating committee composed entirely of such independent directors; and (iii) a compensation committee composed entirely of such independent directors. However, notwithstanding this exemption, the Company has decided to follow these provisions, as described more fully below, and has a Board consisting entirely of independent directors as defined by the NYSE, with the exception of Mr. Cole, and Audit, Compensation and Corporate Governance/Nominating Committees composed entirely of independent directors.

As required by applicable NYSE listing standards, the Board has adopted charters for the Audit, Compensation and Corporate Governance/Nominating Committees. These charters are available on the Company's website at www.kennethcole.com. Shareholders may also contact Investor Relations, 400 Plaza Drive, Secaucus, NJ 07094 or call (201) 864-8080 extension 28451 to obtain a copy of the charters without charge.

Audit Committee. The Audit Committee, currently composed of Mr. Peller (Chairman), Mr Franklin, Mr. Grayson and Mr. Kelly, met five times during 2007. In addition, the Chairman of the Audit Committee participated in additional conference calls to review earnings press releases and the Company's filings on Form 10-Q and Form 10-K with members of management and the independent registered public accounting firm during 2007. The Audit Committee assists the Board in fulfilling its oversight responsibilities to shareholders, the investment community and others for monitoring (1) the quality and integrity of the financial statements of the Company; (2) the Company's compliance with ethical policies contained in the Company's Code of Conduct and legal and regulatory requirements; (3) the independence, qualification and performance of the independent registered public accounting firm; and (4) the performance of the internal auditors. The Audit Committee also selects, subject to shareholder approval, and engages the independent registered public accounting firm to audit the financial statements of the Company's internal controls over financial reporting, reviews the scope of the audits, and reviews and approves internal audit programs of the Company. The Committee also pre-approves all audit and non-audit services provided by the independent registered public accounting firm. See "Audit Committee Report" for further information. Each Audit Committee member is an independent director and satisfies the financial literacy requirements of the NYSE. The Board has determined that Mr. Peller satisfies the requirements for an "audit committee financial expert" under the rules and regulations of the Securities and Exchange Commission and that he is independent, as defined in the NYSE Listing Standards.

Compensation Committee. The Compensation Committee, currently composed of the following: Mr. Grayson (Chairman), Mr. Franklin, Mr. Kelly and Mr. Peller, is responsible for providing assistance to the Board of Directors in ensuring that the Company's officers, key executives and Board members are compensated in accordance with the Company's total compensation objectives and executive compensation policies and strategies. During 2007, the Compensation Committee met five times. In fulfilling its duties, the Compensation Committee, among other things, will:

- define and establish policies governing the total compensation of the Company's executive officers;
- review and recommend the compensation of the Company's Chief Executive Officer, Named Executive Officers and other key executives, including base salary level, bonus plan goals, long-term incentive opportunity levels, executive perquisites, employment agreements and benefits;
- evaluate annually the Company's Chief Executive Officer and other key executives' compensation levels;
- oversee the administration of the Company's equity-based incentive plans;
- submit a compensation committee report to the Company's Board of Directors to be included in the Annual Proxy Statement; and
- select independent compensation consultants to advise the committee, where deemed necessary.

Corporate Governance/Nominating Committee. The Corporate Governance/Nominating Committee is currently composed of Mr. Kelly (Chairman), Mr. Franklin, Mr. Grayson and Mr. Peller. The Corporate Governance/Nominating Committee assists the full Board of Directors in fulfilling its responsibilities to ensure that the Company is governed in a manner consistent with the interests of the shareholders of the Company and acts in conjunction with the Company's internal Business Standards Committee in fulfilling these responsibilities. The Corporate Governance/Nominating Committee advises the Board with respect to: (a) Board organization, membership and function; (b) committee structure, membership and operations (including any committee authority to delegate to subcommittees); (c) succession planning for the executive officers of the Company; (d) the Company's Employee Code of Conduct, factory compliance, labor compliance and other governance and compliance programs and policies and any modifications to such programs and policies; and (e) other matters relating to corporate governance and the rights and interests of the Company's shareholders. During 2007, the Corporate Governance/Nominating Committee met two times.

Each director attended more than 75% of the meetings held by the Board of Directors and related Committees, except for Martin E. Franklin, who attended twelve of the seventeen meetings that he was required to attend.

Director Nomination Process

The Board, as assisted by its Corporate Governance/Nominating Committee, determines the nominees for director in accordance with the NYSE listing standards. The criteria used by the Board and the Corporate Governance/Nominating Committee are set forth in the Corporate Governance/Nominating Committee Charter and includes the following, among other criteria used to evaluate potential Board nominees: each director should be a person of integrity and honesty, be able to exercise sound, mature and independent business judgment in the best interests of the shareholders as a whole, be recognized as a leader in business or professional activity, have background and experience that will complement those of other board members, be able to actively participate in Board and Committee meetings and related activities, be available to remain on the Board long enough to make an effective contribution, and have no material relationship with competitors or other third parties that could present realistic possibilities of conflict of interest or legal issues. The Board evaluates each new director candidate and each incumbent director before recommending that the Board nominates or re-nominate such individual for election or reelection as a director based on the extent to which such individual meets the general criteria above and remedying any deficiencies therein. The Board will evaluate candidates recommended by shareholders in the same manner as candidates identified by the Board. Based on the Board's evaluation, it recommends the Board nominee for election at each annual meeting of shareholders. A shareholder wishing to nominate a candidate should do so in accordance with the guidelines set forth below under "Shareholder Proposals for the 2009 Annual Meeting."

Shareholder Communications to Directors

The Board of Directors has established a process whereby interested parties may communicate with the presiding director or the non-management directors as a group. If an interested party wishes to communicate with one or more members of the Company's Board of Directors, the following options may be used:

E-Mail the Presiding Director: PresidingDirector@kennethcole.com

-or-

Write to the Board of Directors:

Name of Board Member(s)
c/o Kenneth Cole Productions, Inc. Secretary
Kenneth Cole Productions, Inc.
603 West 50th Street
New York, NY 10019

Concerns and communications will be referred by the Secretary of the Company to the entire Board or the designated Board member. Any complaint or concern can be reported anonymously or confidentially.

Director Attendance at Annual Meeting of Shareholders

It has been the longstanding practice of the Company for all directors to attend the Annual Meeting of Shareholders, if available. All directors who were elected to the Board at the last Annual Meeting were in attendance at the 2007 Annual Meeting of Shareholders.

Director Presiding at Executive Sessions

The Board of Directors schedules executive sessions without any management members present in conjunction with each regularly scheduled Board meeting. In the executive sessions, the non-management directors meet with the Company's Senior Director of Internal Audit and representatives of the independent registered public accounting firm. Mr. Philip R. Peller, Chairman of the Audit Committee, presides at these executive sessions of non-management directors.

Other Corporate Governance Policies

Corporate Governance Policies. The Board has adopted Corporate Governance Policies to comply with the NYSE listing standards. These policies guide the Company and the Board on matters of corporate governance, including director responsibilities, Board committees and their charters, director independence, director qualifications, director compensation and evaluations, director access to management, Board access to outside financial, business and legal advisors and management development. These policies are available on the Company's website at www.kennethcole.com. Shareholders may also contact Investor Relations, 400 Plaza Drive, Secaucus, NJ 07094 or call (201) 864-8080 extension 28451 to obtain a copy of the policies without charge.

Committee Authority to Retain Independent Advisors. Each of the Audit, Corporate Governance/Nominating and Compensation Committees has the authority to retain independent advisors and consultants, with all fees and expenses to be paid by the Company.

Code of Conduct. The Company has a Code of Conduct (the "Code") that applies to all of the Company's directors, executive officers and employees. The Code is available on the Company's website at www.kennethcole.com. Shareholders may also contact Investor Relations, 400 Plaza Drive, Secaucus, NJ 07094 or call (201) 864-8080 extension 28451 to obtain a copy of the Code without charge.

Whistleblower Procedures. The Audit Committee has established procedures for (1) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and (2) the confidential and anonymous submission by the Company's employees of concerns regarding questionable accounting or auditing matters. These procedures are available on the Company's website at www.kennethcole.com. Shareholders may also contact Investor Relations, 400 Plaza Drive, Secaucus, NJ 07094 or call (201) 864-8080 extension 28451 to obtain a copy without charge.

No Executive Loans. The Company does not extend loans to executive officers or directors and has no such loans outstanding.

Transactions with Related Parties

The Company's policy regarding related party transactions requires the Corporate Governance/Nominating Committee (the "Committee") to review and either approve or disapprove of any related party transaction, as defined below.

The Company defines related party transactions as any transaction, arrangement or relationship or series of similar transactions, arrangements or relationships (including any indebtedness or guarantee of indebtedness) in which (1) the aggregate amount involved will or may be expected to exceed $50,000 in any calendar year, (2) the Company is a participant, and (3) any Related Person (as defined below) has or will have a direct or indirect interest (other than solely as a result of being a director or less than five-percent beneficial owner of the Company or another entity). A Related Person is, any (a) person who is or was at any point during a fiscal year for which the Company filed a Form 10-K and proxy statement, an executive officer, director or nominee for election as a director, (b) greater than five percent beneficial owner of the Company's common stock, or (c) immediate family member of any of the foregoing. Immediate family member includes a person's spouse, parents, stepparents, children, stepchildren, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, and brothers- and sisters-in-law and anyone residing in such person's home (other than a tenant or employee).

In determining whether to approve or ratify a related party transaction, the Committee will take into account whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances, the extent of the Related Person's interest in the transaction and other factors that it deems relevant. No director shall participate in any discussion or approval of a transaction for which he or she is a Related Person, except to provide all material information to the Committee. The following transactions are pre-approved under the Company's policy:

- any transaction with another company at which a Related Person's only relationship is as an employee, director or beneficial owner of less than five percent of that company's shares, if the aggregate amount involved does not exceed the greater of $25,000, or two percent of that company's total revenues; and

- any charitable contribution by the Company to a charitable organization where a Related Person is an employee, if the aggregate amount involved does not exceed the lesser of $25,000 or two percent of the charitable organization's total annual receipts.

During 2007, the Company made payments of $503,000 to a third-party aviation company that hires and uses an aircraft partially owned by Emack LLC, a company that is wholly owned by Mr. Cole. Management believes that all transactions were made on terms and conditions similar to or more favorable than those available in the marketplace from unrelated parties.

The Company has an exclusive license agreement, as amended, with Iconix Brand Group, Inc., formerly Candies, Inc., and its trademark holding company, IP Holdings, LLC (collectively "Iconix"), to use the *Bongo* trademark in connection with worldwide manufacture, sale and distribution of women's, men's and children's footwear. The Chief Executive Officer and Chairman of Iconix is the brother of the Company's Chairman and Chief Executive Officer. The term of the agreement is through December 31, 2010. During this period, the Company is obligated to pay Iconix a percentage of net sales based upon the terms of the agreement. Based on the agreement, the Company made payments of approximately $739,000 related to royalty and advertising expense for the year ended December 31, 2007. Management believes that the license agreement with Iconix was entered into at arm's-length.

In addition, the Company employs a brother of Mr. Cole in a sales position. For the year ended December 31, 2007, the Company paid him approximately $125,000.

DIRECTOR NOMINEE AND OFFICER STOCK OWNERSHIP

The following table sets forth certain information as of April 9, 2008 with respect to the beneficial ownership of the Class A Common Stock and Class B Common Stock, by (i) each director and nominee for director of the Company who owns shares of any class of the Company's voting securities, (ii) the Company's Named Executive Officers and (iii) all directors and executive officers of the Company, as a group. Except as otherwise indicated, each person listed has sole voting power with respect to the shares beneficially owned by such person.

	Class A Common Stock			Class B Common Stock	
Name of Beneficial Owner	Number of Shares	Percent		Number of Shares	Percent
Kenneth D. Cole (1)	9,494,045	50.5%	(2)	8,010,497	100%
David P. Edelman (1)	54,356	*	(3)		
Douglas Jakubowski (1)	5,647	*	(4)		
Michael DeVirgilio (1)	11,750	*	(5)		
Richard S. Olicker (1)	12,726	*	(6)		
Denis F. Kelly	69,216	*	(7)		
Robert C. Grayson	67,500	*	(8)		
Philip R. Peller (1)	13,517	*	(9)		
Martin E. Franklin	11,667	*	(10)		
All directors and executive officers as a group (16 persons)+	9,800,079	52.1%		8,010,497	100%

* Less than 1.0%
+ Consists of the Board of Directors and all executive officers of the Company including Named Executive Officers.

(1) The beneficial owner's address is c/o Kenneth Cole Productions, Inc., 603 West 50th Street, New York, NY 10019.
(2) Includes (a) 4,738,617 shares which Mr. Cole has the right to acquire within 60 days upon the conversion of 4,738,617 shares of Class B Common Stock, (b) 120,000 shares of Class B Common Stock held by the Kenneth Cole Foundation of which Mr. Cole is a co-trustee with his wife, which can be converted in Class A shares, (c) 187,500 shares of Class B Common Stock held by KMC Partners L.P. of which Mr. Cole is the living partner with 95% ownership, which can be converted in Class A shares, (d) 329,338 shares of Class B Common Stock held in the 2004 Kenneth D. Cole Grantor Remainder Annuity Trust, (e) 529,255 shares of Class B Common Stock held in the 2005 Kenneth D. Cole Family Grantor Remainder Annuity Trust, (f) 105,787 shares of Class B Common Stock held in the 2005 Kenneth D. Cole Grantor Remainder Annuity Trust, (g) 150,000 shares of Class A Common Stock held by the Kenneth Cole 1994 Charitable Remainder Trust, of which Mr. Cole is the sole trustee, (h) 13,000 shares of Class A Common Stock held by the Kenneth Cole Foundation, (i) 195,548 shares of Class A Common Stock held by Mr. Cole, (j) 1,062,500 shares which Mr. Cole has the right to acquire within 60 days upon the exercise of options granted to him under the Company's 1994 Stock Option Plan and the 2004 Stock Incentive Plan, (k) 62,500 of restricted shares that will vest within 60 days under the 2004 Stock Incentive Plan, (l) 1,000,000 shares in the Kenneth D. Cole Trust Family 2008 GRAT and (m) 1,000,000 shares in the Kenneth D. Cole Trust 2008 GRAT.
(3) Includes 44,500 stock options with the right to acquire within 60 days upon exercise and 6,250 restricted shares that will vest within 60 days under the 1994 Stock Option Plan and 2004 Stock Incentive Plan, respectively.
(4) Includes 2,500 restricted shares that will vest within 60 days under the 2004 Stock Incentive Plan.
(5) Includes 4,500 stock options with the right to acquire within 60 days upon exercise and 7,250 restricted shares that will vest within 60 days under the 1994 Stock Option Plan and 2004 Stock Incentive Plan, respectively.
(6) Includes 7,000 restricted shares that will vest within 60 days under the 2004 Stock Incentive Plan.
(7) Includes 52,500 stock options which Mr. Kelly has the right to acquire within 60 days upon the exercise of options granted to him under the Company's 1994 Stock Option Plan and the 2004 Stock Incentive Plan. Mr. Kelly's address is c/o Scura, Rise & Partners LLC, 1211 Avenue of the Americas, 27th Floor, New York, NY 10036.
(8) Includes 52,500 stock options which Mr. Grayson has the right to acquire within 60 days upon the exercise of options granted to him under the Company's 1994 Stock Option Plan and the 2004 Stock Incentive Plan. Mr. Grayson's address is c/o Berglass Grayson, 399 Park Avenue, 39th Floor, New York, NY 10022.
(9) Includes 12,500 stock options which Mr. Peller has the right to acquire within 60 days upon the exercise of options granted to him under the Company's 2004 Stock Incentive Plan.
(10) Includes 11,667 stock options which Mr. Franklin has the right to acquire within 60 days upon the exercise of options granted to him under the Company's 2004 Stock Incentive Plan. Mr. Franklin's address is c/o Jarden Corporation, 555 Theordore Fremd Avenue, Suite B302, Rye, NY 10580.

PERSON OWNING MORE THAN 5% OF COMMON STOCK

The following table sets forth certain information as of April 9, 2008 with respect to the beneficial ownership of the Class A Common Stock, by each beneficial holder of more than five percent of any class of the Company's voting securities. Except as otherwise indicated, each person listed has sole voting power with respect to the shares beneficially owned by such person.

	Class A Common Stock		
Name of Beneficial Owner	Number of Shares	Percent	
Aria Partners GP LLC	1,274,868	6.8%	(1)

(1) As reported on the Schedule 13G filed with the Securities and Exchange Commission on November 30, 2007. The address of Aria Partners GP LLC is 11150 Santa Monica Blvd., Suite 700, Los Angeles, CA 90025.

Section 16(a) Beneficial Ownership Reporting Compliance

Based upon a review of the filings furnished to the Company pursuant to Rule 16a-3(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and on written representations from its executive officers, directors and persons who beneficially own more than 10% of the Class A Common Stock, the Company believes that all filing requirements of Section 16(a) of the Act were complied with during the year ended December 31, 2007.

Compensation Discussion and Analysis

The following Compensation Discussion and Analysis discusses the Company's compensation objectives and policies with respect to its Named Executive Officers. The Compensation Committee is responsible for approval and administrative oversight of the compensation and certain benefit programs, including short-term and long-term performance-based incentive programs for the Named Executive Officers. In making such compensation decisions, the Compensation Committee considers recommendations from the Chief Executive Officer with respect to compensation of the other Named Executive Officers. The Compensation Committee, from time to time, hires outside compensation consultants to provide relevant market data and alternatives to consider and assist it in making compensation decisions for the Company's Named Executive Officers.

The Company's executive compensation program is designed to:

- motivate the Named Executive Officers to help the Company accomplish certain long and short-term strategic and financial objectives, including improvement in the Company's fully diluted earnings per share;
- align the Named Executive Officers' interests with those of the Company's shareholders;
- be competitive in comparison with a select group of peer companies; and
- attract and retain highly qualified executive officers as the Company competes for talented executives in a highly competitive marketplace.

The Company's executive compensation program is designed to balance fixed-base salaries with compensation that is performance-based and to reward annual performance while maintaining a focus on longer-term objectives. The Company strives to provide compensation incentives commensurate with individual management responsibilities and to reward past and future contributions to corporate objectives.

In 2007, the Compensation Committee engaged Frederick W. Cook & Company, Inc., an outside consultant, to conduct a compensation study and assist the Compensation Committee in determining the Company's peer group and perform a compensation analysis focused on benchmarking comparisons and compensation mix and ratios. The companies included in the study consisted of a select group of publicly-traded companies with comparable organizational revenues that engage in specialty store retailing, wholesaling and licensing of footwear, apparel and accessories. The Compensation Committee believes that the Company's most direct competitors for executive talent are not necessarily all of the companies listed in the Standard & Poor's Footwear Index used to compare shareholder returns. The peer group companies benchmarked included:

Crocs	Steve Madden	Timberland
Deckers Outdoor	Movado	Under Armour
Perry Ellis	Rocky Brands	United Retail Group
Guess	Skechers USA	Wolverine World Wide
K-Swiss	Stride Rite	

The Compensation Committee used this peer group as the baseline to review total compensation levels for each of the Company's Named Executive Officers and other executive members of management. The study concluded that overall, the Company's executive compensation levels and opportunities are within the range of competitive practice (i.e. median to 75th percentile).

Elements of Compensation

The Company's executive compensation program consists of two principal components of compensation: (1) annual compensation and (2) long-term compensation. Annual compensation includes base salary and annual bonus. Long-term compensation consists primarily of equity awards subject to forfeiture restrictions.

Base Salary: Base salaries provide a base level of compensation for services rendered during the year. The Company's Compensation Committee determines the level of the Named Executive Officers' salaries annually by considering the responsibilities associated with their positions, the skills and experience required for the job, their individual performance, the Company's overall business performance and labor market conditions, among other factors. Salary increases for the Named Executive Officers in 2007 ranged from 0% to 8.5%, which were based on tenure and increases in responsibility, except for Mr. Jakubowski, who was promoted from President of *Kenneth Cole Reaction* to President of *Kenneth Cole* – Apparel and Corporate Relations in the latter half of 2006 and received a 35% increase.

Bonus: The Company maintains an Annual Bonus Plan to provide for performance-based compensation, as set by the Compensation Committee annually under the Kenneth Cole Productions, Inc. 2004 Bonus Plan as approved by the Company's shareholders.

The annual bonus, referred to as non-equity incentive plan compensation within the Summary Compensation Table, is designed to encourage and reward the achievement of corporate and individual goals. The annual bonus for each Named Executive Officer is based upon the achievement of Company and individual performance goals set at the beginning of each fiscal year. Corporate goals may include earnings per share, net income/operating profit, net revenues, return on investment, operating cash flow or a combination thereof. Individual goals may include executing strategies to support the Company's vision, developing people and driving operational excellence. The primary measure of corporate performance in 2007 was earnings per share and divisional performance, including sales, gross margin and divisional operating results. Divisional performance goals for Named Executive Officers are based on the specific divisions the Named Executive Officer has responsibility over. During 2007, the Named Executive Officers were targeted to receive 50% of their annual base salaries, except for Mr. Cole who was targeted to receive 200% and each has an opportunity to earn a maximum bonus amount equal to double their target bonus. In 2007, each Named Executive Officer was awarded one-third or less of his target bonus by the Compensation Committee for his individual performance. No bonuses were awarded for the corporate fully diluted earnings per share target goal due to poor Company financial performance. Mr. DeVirgilio received approximately 44% of his target bonus from the achievement of a portion of divisional performance within the licensing segment. These amounts are included in the "Summary Compensation Table" under the "Non-Equity Incentive Plan Compensation" caption. The Compensation Committee did not award any discretionary bonuses for 2007.

Equity-based Incentive Plan: The Company maintains the Kenneth Cole Productions, Inc. 2004 Stock Incentive Plan to provide for equity-based compensation. Awards under this plan are designed to:

- align the financial interests of the Named Executive Officers with those of the Company's shareholders;
- reward the Named Executive Officers for building shareholder value; and
- encourage the Named Executive Officers to remain in the Company's employ over the long term.

The Compensation Committee believes that stock ownership by management is beneficial to all shareholders and as such, over the years, since the Company became public, it has granted stock options and restricted stock to its Named Executive Officers and other key employees. The Compensation Committee administers all aspects of these plans and determines the amount of and terms applicable to any award under this plan.

In determining the number of shares of restricted stock and/or the number of options to be awarded to the Named Executive Officers in 2007, the Compensation Committee took into consideration each executive's level of responsibility, leadership abilities, corporate collaboration, development of Company culture, brand contribution and commitment to the Company's success. The Compensation Committee also considers the recommendations of Mr. Cole (except with respect to awards to Mr. Cole), the individual performance of the executive and the number of shares previously awarded to the executive. As a general practice, both the number of shares granted to any Named Executive Officer, as well as the proportion of these shares relative to the total number of shares granted, increase in proportion to increases in each executive's responsibilities.

Beginning in 2005, the Compensation Committee commenced granting of shares of restricted stock under the Company's stock incentive plan in lieu of options. These shares are subject to certain restrictions and generally lapse over a period of three to four years from the date of grant. This vesting schedule encourages retention and long-term investment in the Company by participating executives. Also, modest annual grants of restricted stock have some advantages as an equity compensation vehicle as shares of restricted stock have an intrinsic value when granted and because it takes fewer shares of restricted stock than shares underlying options to deliver the same value, the Company can minimize shareholder dilution.

Executive Deferred Compensation Programs: The Company maintains two non-qualified Executive Deferred Compensation Programs: one program with Mr. Cole as the sole participant, and a separate program for the Named Executive Officers and certain U.S.-based eligible employees. Pursuant to the Mr. Cole's Executive Deferred Compensation Program, he may elect to defer up to 100% of earnings from his annual base salary and annual bonus. His investment choices are all self-directed. Under the separate program, participants may elect to defer up to 25% of their base salary and 100% of their annual bonus. Investment choices under this program are similar to those choices provided under the Company's 401(k) Plan, which consist of mutual funds.

Supplemental Executive Retirement Plan ("SERP"): The Company also maintains non-qualified deferred compensation plans, in the form of a SERP, which serves as a long-term retention initiative. The SERP does not allow for employee contributions. The Company funds the plan on behalf of certain eligible executives, on a discretionary basis. The Company's SERP value appreciates over time, depending on market conditions and the participants' investment choices. Amounts deferred under the SERP vest over time, with 30% vesting after three years of participation in the SERP, 60% vested after nine years of participation in the SERP, 75% vested upon the retirement, which is defined as the latter of attaining the age 60 or retirement from the Company and 100% vested if the employee dies while in the Company's employment. Participants in the plan are covered by life insurance through a portion of the Company's contribution to the plan, which goes to pay the premiums of the life insurance policies. (Refer to "All Other Compensation" in the Summary Compensation Table.)

Perquisites and Other Personal Benefits: The Company also provides the Named Executive Officers with certain perquisites and other personal benefits that the Compensation Committee believes are reasonable and consistent with the Company's overall compensation program to better enable the Company to attract and retain superior employees for key positions. The Compensation Committee periodically reviews the levels of perquisites and other personal benefits provided to the Named Executive Officers, which include a car allowance for each Named Executive Officer and a car and driver for Mr. Cole. In addition, Mr. Cole, for security purposes, is recommended to use chartered aircraft for personal and business-related air travel. The costs to the Company associated with providing these benefits for the Named Executive Officers are reflected in the Summary Compensation Table under the "All Other Compensation" caption.

Employment, change in control and severance agreements: The Company provides employment agreements to certain Named Executive Officers. Mr. Cole and Mr. Edelman do not have employment agreements.

Douglas Jakubowski, who serves as President of Kenneth Cole – Apparel and Corporate Relations, entered into a letter agreement with the Company dated October 12, 2006, which provides that he is entitled to receive an annual salary of $500,000 (subject to good faith review for possible increase annually) and a target bonus award based on 50% of the actual base salary paid for the prior fiscal year. In addition, in the event the Company exceeds its bonus plan targets, Mr. Jakubowski has the opportunity to receive an additional bonus equal to an additional 50% of base salary based on earnings, as determined by the Compensation Committee. The agreement also provides for a grant of restricted stock having a market value of $1 million at the time of grant, which vests at the end of a three-year period. Other benefits and perquisites provided by the agreement include the eligibility to participate in the 401(k) plan, SERP plan and basic health, life, accidental death and business accident insurance. The agreement provides for severance in the event he is terminated by the Company without cause, which includes continuing bi-weekly payments of his base salary and continued participation in the Company's medical and life insurance program for a period of twelve months following termination. Mr. Jakubowski is also subject to a non-competitive requirement during the severance period.

Richard S. Olicker joined the Company in January 2006 as President, Wholesale Division and Executive Vice President and entered into a letter agreement, dated January 3, 2006, with the Company, which provides that he is entitled to receive an annual salary of $500,000 (subject to good faith review for possible increase annually) and a target bonus award based on 50% of the actual base salary paid for the prior fiscal year. Mr. Olicker has the opportunity to receive a maximum bonus equal to an additional 50% of base salary based on earnings, determined by the Compensation Committee. The agreement also provided for an initial grant of 20,000 shares of restricted stock vesting over a four-year period. Other benefits and perquisites provided by the agreement include the eligibility to participate in the 401(k) plan, SERP plan and basic health, life, accidental death and business accident insurance as well as a monthly auto allowance. The agreement provides for severance in the event he is terminated by the Company without cause, which includes continuing bi-weekly payments of his base salary and continued participation in the Company's medical and life insurance program for a period of twelve months following termination. Mr. Olicker is also subject to a non-competitive requirement during the severance pay period.

Michael DeVirgilio signed a letter agreement with the Company to serve as Executive Vice President, Business Development dated March 31, 2006, which provides that Mr. DeVirgilio is entitled to receive an annual salary of $450,000 (subject to good faith review for possible increase annually) and a target bonus award of 50% of the actual base salary paid for the prior fiscal year. Mr. DeVirgilio has the opportunity to receive a maximum bonus equal to an additional 50% of base salary based on earnings as determined by the Compensation Committee. The agreement also provided for an initial grant of 20,000 shares of restricted stock vesting over a four-year period. Other benefits and perquisites provided by the Company include the eligibility to participate in the 401(k) plan, SERP plan and basic health, life, accidental death and business accident insurance as well as a monthly auto allowance. The agreement provides for severance in the event he is terminated by the Company without cause, which includes continuing bi-weekly payments of his base salary and continued participation in the Company's medical and life insurance for a period of six months following termination. Mr. DeVirgilio is also subject to a non-competitive clause during the severance pay period.

Tax Implications

Deductibility of Executive Compensation: The Compensation Committee reviews and considers the deductibility of executive compensation under Section 162(m) of the Internal Revenue Code, which provides generally that the Company may not deduct compensation of more than $1,000,000 that is paid to any of the Named Executive Officers. The Company believes that all compensation paid under its management incentive plans is generally fully deductible for federal income tax purposes. The Company's annual bonus plan is designed to qualify under Section 162(m) and was approved by the Company's shareholders in 2004. However, in certain situations, the Compensation Committee may approve compensation that will not meet these requirements, but the Committee believes to be in the best interest of its shareholders in order to ensure competitive levels of total compensation for the Named Executive Officers. All of the compensation paid to the Named Executive Officers for 2007 will be fully deductible.

Non-qualified Deferred Compensation: On October 22, 2004, the American Jobs Creation Act of 2004 was signed into law, changing the tax rules applicable to non-qualified deferred compensation arrangements. The Company has amended its non-qualified deferred compensation plans to comply with this new law, where necessary. The Company is in compliance with these regulations, which were effective as of December 31, 2007, and resulted in no material changes to the Company's prior non-qualified deferred compensation plans.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis set forth above with the Company's management. Based on such review and discussions, the Compensation Committee recommended to the Company's Board of Directors that the Compensation Discussion and Analysis be included in these proxy materials.

THE COMPENSATION COMMITTEE

Robert C. Grayson (Chairman)
Martin E. Franklin
Denis F. Kelly
Philip R. Peller

Compensation Committee Interlocks and Insider Participation

The Company's Board approves compensation decisions recommended by the Compensation Committee. The Compensation Committee is composed of Mr. Grayson (Chairman), Mr. Franklin, Mr. Kelly and Mr. Peller, none of whom served as an officer or employee during 2007. Kenneth D. Cole, an executive officer and director of the Company during 2007, participated in the Board's deliberations regarding certain executive compensation matters, other than his own compensation.

Summary Compensation Table for Fiscal Year-End December 31, 2007

The following table sets forth the aggregate compensation awarded to, earned by the Named Executive Officers, for services rendered in all capacities to the Company and its subsidiaries for the year ended December 31, 2007:

Name and Principal Position	Year	Salary ($)	Stock Awards ($) (1)	Option Awards ($) (2)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (3)	All Other Compensation ($) (4)	Total ($)
Kenneth D. Cole	2007	$1,000,000	$1,922,736	$759,140	$666,667	$3,115,334	$230,673 (5)	$7,694,550
Principal Executive Officer	2006	$1,000,000	$789,750	$759,140	$1,000,000	$297,555	$277,600	$4,124,045
David P. Edelman	2007	$430,385	$213,454	$60,446	$72,500	$25,023	$88,652 (6)	$890,460
Principal Financial Officer	2006	$405,719	$120,642	$60,446	$102,500	$26,550	$84,097	$799,954
Douglas Jakubowski	2007	$500,000	$468,957	--	$83,333	--	$92,175 (7)	$1,144,465
President	2006	$369,231	$137,693	--	$80,000	--	$15,000	$601,924
Michael DeVirgilio	2007	$462,231	$250,247	$46,404	$103,323	$26,698	$69,443 (8)	$958,346
Executive Vice President	2006	$443,736	$143,848	$46,404	$112,500	$12,458	$65,769	$824,715
Richard S. Olicker	2007	$520,385	$166,722	--	$44,000	--	$95,225 (9)	$826,332
Executive Vice President	2006	$480,769	$83,000	--	$125,000	--	$13,357	$702,126

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(1) These amounts represent the compensation expense recognized in the Company's 2007 consolidated financial statements under SFAS 123(R) (except that the estimates of forfeitures related to service-based vesting conditions are not included) and does not reflect actual compensation paid to the Named Executive Officer in the year disclosed. This expense relates to restricted stock granted in 2007 and prior. Amounts are based on the stock price on the date of grant. Please refer to Note 12 to the Company's consolidated financial statements for the year ended December 31, 2007 included in the Annual Report on Form 10-K for the assumptions used to calculate these amounts.

(2) These amounts represent the compensation expense recognized in the Company's 2007 consolidated financial statements under SFAS 123(R) related to stock options granted in prior years (except that the estimates of forfeitures related to service-based vesting conditions are not included) and do not reflect actual compensation paid to the Named Executive Officer in the year disclosed and are based on the fair value as calculated under the Black-Scholes model on the date of grant. No stock options have been awarded since 2004. Please refer to Note 12 to the Company's consolidated financial statements for the year ended December 31, 2007 included in the Annual Report on Form 10-K for the assumptions used to calculate these amounts.

(3) Amounts represent earnings from Mr. Cole's deferred compensation plan and the other Named Executive Officer's SERP amounts above the preferential market rate or 120% of the applicable federal long-term rate.

(4) SERP contributions vest over time, with 30% vesting after three years of participation in the SERP, 60% vesting after nine years of participation in the SERP and 75% vesting upon retirement, which is defined as the latter of attaining the age of 60 or retirement from the Company. SERP participants receive 100% vesting only upon death while still employed by the Company. This includes amounts which the Named Executive Officer may not currently be entitled to receive because such amounts are not fully vested, as well as certain non-compete covenants that must be met upon termination of employment.

(5) Amount represents (a) $35,807 for restricted stock dividends; (b) $130,747 for auto and related expenses; and (c) $64,119 to provide chartered aircraft transportation for Mr. Cole's personal travel. Under Board Policy, for security reasons, chartered aircraft is made available to Mr. Cole for both business and personal travel.

(6) Amount represents car allowance of $14,400; employer 401(k) match; SERP contributions of $65,000; restricted stock dividends.

(7) Amount represents car allowance of $12,000; employer 401(k) match; SERP contributions of $75,000; restricted stock dividends.

(8) Amount represents car allowance of $12,000; employer 401(k) match; SERP contributions of $50,000; restricted stock dividends.

(9) Amount represents car allowance of $12,000; employer 401(k) match; SERP contributions of $75,000; restricted stock dividends.

Grants of Plan-Based Awards
For Fiscal Year-End
December 31, 2007

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Securities Underlying Options (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise Or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards (2)
		Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)				
Kenneth D. Cole	N/a	666,667	2,000,000	4,000,000	--	--	--	--	--	--	--
	5/17/2007	--	--	--	--	--	--	100,000	--	--	$2,375,000
David. P. Edelman	N/a	72,500	217,500	435,000	--	--	--	--	--	--	--
	5/17/2007	--	--	--	--	--	--	12,000	--	--	$285,000
Douglas Jakubowski	N/a	83,333	250,000	500,000	--	--	--	--	--	--	--
Michael DeVirgilio	N/a	77,500	232,500	465,000	--	--	--	--	--	--	--
	5/17/2007	--	--	--	--	--	--	8,000	--	--	$190,000
Richard S. Olicker	N/a	87,500	262,500	525,000	--	--	--	--	--	--	--
	5/17/2007	--	---	--	--	--	--	8,000	--	--	$190,000

(1) Annual bonuses awarded under the Company's non-equity incentive program are based on the Named Executive Officers' salary and on the achievement of corporate, divisional and individual goals. *The threshold amount is based on one-third of the Named Executive Officers'* target bonus. The target bonus is based on 50% of each of the Named Executive Officers' base salaries. Mr. Cole's target amount was 200% of his base salary. The maximum payout is twice the amount of the Named Executive Officers' target bonus amount. No amount is awarded if performance is not achieved. Actual annual bonus payments made to the Named Executive Officers are disclosed in the Summary Compensation Table under the "Non-Equity Incentive Plan Compensation" caption.

(2) Dividends are accrued throughout the vesting period of restricted stock and are paid out on vesting dates. Amounts paid out for dividends on restricted stock are included in "All Other Compensation" for each Named Executive Officer within the 2007 Summary Compensation Table. The dividend rate is the same as all other shareholders who receive dividends.

Outstanding Equity Awards at Fiscal Year-End
December 31, 2007

		Option Awards						Stock Awards				
Name	Grant Date	Number of Securities Underlying Unexercised Options (#) (Exercisable)	Number of Securities Underlying Unexercised Options (#) (Unexercisable)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Vesting Dates	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)	Vesting Dates
Kenneth D. Cole	3/31/1999	112,500	--	--	$16.6667	Fully Vested	3/31/2009	--	--	--	--	--
	2/19/2000	150,000	--	--	$30.6667	Fully Vested	2/19/2010	--	--	--	--	--
	3/30/2001	150,000	--	--	$24.2500	Fully Vested	3/30/2011	--	--	--	--	--
	12/1/2001	150,000	--	--	$13.2500	Fully Vested	12/1/2011	--	--	--	--	--
	2/5/2003	105,000	45,000	--	$23.8500	45,000 shares 2/5/2008	2/5/2013	--	--	--	--	--
	2/27/2003	70,000	30,000	--	$22.7500	30,000 shares 2/27/2008	2/27/2013	--	--	--	--	--
	8/2/2004	250,000	--	--	$32.0900	Fully Vested	8/2/2014	--	--	--	--	--
	5/2/2005	--	--	--	--	--	--	25,000	$ 437,250	--	--	12,500 shares 5/2/2008 12,500 shares 5/2/2009
	5/17/2006	--	--	--	--	--	--	75,000	$ 1,311,750	--	--	25,000 shares 5/17/2008 50,000 shares 5/17/2009
	5/17/2007	--	--	--	--	--	--	100,000	$ 1,749,000	--	--	25,000 shares 5/17/2008 25,000 shares 5/17/2009 50,000 shares 5/17/2010
David P. Edelman	7/1/1999	4,500	--	--	$18.5833	Fully Vested	7/1/2009	--	--	--	--	--
	2/19/2000	7,500	--	--	$30.6667	Fully Vested	2/19/2010	--	--	--	--	--
	3/30/2001	7,500	--	--	$24.2500	Fully Vested	3/30/2011	--	--	--	--	--
	12/1/2001	5,000	--	--	$13.2500	Fully Vested	12/1/2011	--	--	--	--	--
	2/5/2003	7,000	3,000	--	$23.8500	3,000 shares 2/5/2008	2/5/2013	--	--	--	--	--
	2/27/2003	7,000	3,000	--	$22.7500	3,000 shares 2/27/2008	2/27/2013	--	--	--	--	--
	5/2/2005	--	--	--	--	--	--	2,500	$ 43,725	--	--	1,250 shares 5/2/2008 1,250 shares 5/2/2009
	5/17/2006	--	--	--	--	--	--	6,000	$ 104,940	--	--	2,000 shares 5/17/2008 4,000 shares 5/17/2009
	5/17/2007	--	--	--	--	--	--	12,000	$ 209,880	--	--	3,000 shares 5/17/2008 3,000 shares 5/17/2009 6,000 shares 5/17/2010
Douglas Jakubowski	10/1/2005	--	--	--	--	--	--	1,833	$ 32,059	--	--	916 shares 10/1/2008 917 shares 10/1/2009
	5/17/2006	--	--	--	--	--	--	7,500	$ 131,175	--	--	2,500 shares 5/17/2008 5,000 shares 5/17/2009
	10/26/2006	--	--	--	--	--	--	40,000	$ 699,600	--	--	40,000 shares 10/26/2009
Michael DeVirgilio	2/5/2003	--	4,500	--	$23.8500	4,500 shares 2/5/2008	2/5/2013	--	--	--	--	--
	5/2/2005	--	--	--	--	--	--	2,500	$ 43,725	--	--	1,250 shares 5/2/2008 1,250 shares 5/2/2009
	5/17/2006	--	--	--	--	--	--	16,000	$ 279,840	--	--	4,000 shares 5/17/2008 4,000 shares 5/17/2009 8,000 shares 5/17/2010
	5/17/2007	--	--	--	--	--	--	8,000	$ 139,920	--	--	2,000 shares 5/17/2008 2,000 shares 5/17/2009 4,000 shares 5/17/2010
Richard S. Olicker	5/17/2006	--	--	--	--	--	--	15,000	$ 262,350	--	--	5,000 shares 5/17/2008 5,000 shares 5/17/2009 5,000 shares 5/17/2010
	5/17/2007	--	--	--	--	--	--	[illegible]	[illegible]			2,000 shares 5/17/2008 2,000 shares 5/17/2009 [illegible]

Option Exercises and Stock Vested as of Fiscal Year-End December 31, 2007

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Kenneth D. Cole	181,700	$1,892,603	37,500	$906,875
David P. Edelman	-	-	4,917	$114,070
Douglas Jakubowski	-	-	3,416	$77,118
Michael DeVirgilio	10,500	$61,310	6,583	$154,505
Richard S. Olicker	-	-	5,000	$118,750

Nonqualified Deferred Compensation For Fiscal Year-End December 31, 2007

Name	Executive Contributions in Last FY ($)	Registrant Contributions in Last FY ($)	Aggregate Earnings in Last FY ($)	Aggregate Balance at Last FYE ($)
Kenneth D. Cole (8)	1,960,704 (1)	--	4,995,034	38,088,362 (3)
David P. Edelman (9)	--	65,000 (2)	55,173	585,988 (4)
Douglas Jakubowski (9)	--	75,000 (2)	(7,131)	67,869 (5)
Michael DeVirgilio (9)	--	50,000 (2)	47,531	414,315 (6)
Richard S. Olicker (9)	--	75,000 (2)	(7,877)	67,123 (7)

(1) Mr. Cole elected to defer $985,500 of his fiscal 2006 bonus goal award earned in 2006 and scheduled to be paid in 2007. Accordingly, the $985,500 of Mr. Cole's contributions in 2007 was included in the "Non-Equity Incentive Plan Compensation" column of the 2006 Summary Compensation Table. Mr. Cole also elected to defer $975,000 of his 2007 base salary, which is included in the 2007 Summary Compensation Table under the "Salary" column.

(2) These amounts are included in the 2007 Summary Compensation Table under the "All Other Compensation" caption for these respective Named Executive Officers as Company contributions made to the SERP. These amounts are not yet vested and ultimate distribution of these amounts is subject to certain non-compete covenants that must be met upon termination of employment. As such, some or all of these amounts may not be received by the Named Executive Officers.

(3) Contributions recorded in the Summary Compensation Table were $17,904,568 for 2006 and prior, excluding those noted in (1) above.

(4) Contributions recorded in the Summary Compensation Table were $445,000 for 2006 and prior. Mr. Edelman is 50% vested in the SERP.

(5) 2007 was the first year in which Mr. Jakubowski in the SERP and received a contribution. Mr. Jakubowski is not yet vested in the SERP.

(6) Contributions recorded in the Summary Compensation Table were $304,000 for 2006 and prior. Mr. DeVirgilio is 50% vested in the SERP.

(7) 2007 was the first year in which Mr. Olicker participated in the SERP and received a contribution. Mr. Olicker is not yet vested in the SERP.

(8) Mr. Cole does not participate in the SERP. However, he is a participant in the Company's Non-qualified Executive Deferred Compensation Plan. The investments under the Non-qualified Executive Deferred Compensation Plan are directed by Mr. Cole. The plan allows for the deferral of up to 100% of his annual compensation and annual bonus and investments allocations are participant-directed. Currently, Mr. Cole has invested in mutual funds, equities, and hedge funds that are self-directed. Mr. Cole is the only employee in this plan at this time. Distributions from the plan are paid in a lump sum at retirement, which is defined as the latter of attaining the age of 60 or retirement from the Company.

(9) As noted above in the Compensation Discussion and Analysis, SERP contributions vest over time, with 30% vesting after three years of participation in the SERP, 60% vesting after nine years of participation in the SERP and 75% upon retirement, which is defined as the latter of attaining the age of 60 or retirement from the Company. SERP participants receive 100% vesting only upon death while still employed by the Company.

Potential Payouts upon Termination or Change in Control

As noted in the Compensation Discussion and Analysis above, the Company is party to employment agreements with certain of the Named Executive Officers, which provide for certain potential post-termination severance payments and change in control payments. These payments are described below. Mr. Cole and Mr. Edelman do not have employment agreements with the Company

Mr. Jakubowski's agreement provides for severance in the event he is terminated by the Company without cause, which includes continuing bi-weekly payments of his base salary, medical and life insurance for a period of twelve months following termination with a non-competitive requirement during the severance pay period. In addition, Mr. Jakubowski's October 2006 restricted stock grant will vest as follows: (i) termination prior to the first anniversary of the effective date of his employment agreement dated October 12, 2006, no vesting, and (ii) termination thereafter, vesting pro rata from the effective date of his employment agreement.

Mr. DeVirgilio's agreement provides for severance in the event he is terminated by the Company without cause, which includes continuing bi-weekly payments of his base salary, medical and life insurance for a period of six months following termination with a non-competitive requirement during the severance pay period.

Mr. Olicker's agreement provides for severance in the event he is terminated by the Company without cause, which includes continuing bi-weekly payments of his base salary, medical and life insurance for a period of twelve months following termination and a non-competitive requirement during the severance pay period. In the event of a change of control of the Company, Mr. Olicker's unvested stock options or restricted stock shall vest immediately.

At December 31, 2007, if the Named Executive Officers were terminated for cause, the amounts that would have been paid out would have been as follows: Mr. Jakubowski -- $774,684, Mr. DeVirgilio -- $235,405 and Mr. Olicker -- $532,662. In the event of a change in control, Mr. Olicker would immediately vest in his restricted stock shares and receive $402,270.

Director Compensation

Directors who are also employees of the Company are not paid any fees or other remuneration, as such, for service on the Board or any of its Committees.

During 2007, each non-employee director received a quarterly cash retainer of $8,750 per quarter. In addition, non-employee directors receive $1,000 (Chairman $1,500) for each regularly scheduled quarterly Board meeting, Audit Committee meeting, Corporate Governance/Nominating Committee meeting and Compensation Committee meeting they attend. The Company's 2004 Stock Incentive Plan provides that each non-employee director receives an automatic option grant at the inception of their service on the Board and annual grants thereafter as follows: (i) initial grant of an option to purchase 5,000 shares of Class A Common Stock upon agreeing to serve as a director, pro rated based upon the number of months remaining until the next annual meeting of shareholders and (ii) an annual grant of an option to purchase 5,000 shares of Class A Common Stock to be made at the first meeting of the Company's Board following each annual meeting of the Company's shareholders. All options granted to non-employee directors have a per share exercise price equal to 100% of the fair market value of one share of Class A Common Stock on the date of grant. These options expire ten years from the date of grant and vest in 50% increments on the first and second anniversaries of the date of grant. In addition, non-employee directors are reimbursed by the Company for all travel expenses related to meetings.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($) (1)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Martin E. Franklin	$46,000	--	$68,068(2)	--	--	--	$114,068
Robert C. Grayson	$55,500	--	$57,458(2)	--	--	--	$112,958
Denis F. Kelly	$52,000	--	$57,458(2)	--	--	--	$109,458
Philip R. Peller	$53,500	--	$57,458(2)	--	--	--	$110,958

(1) Each non-employee director received stock options in 2007 with a grant date fair value of $50,915 (5,000 shares). At December 31, 2007, the aggregate amount of stock options outstanding was as follows: Mr. Franklin – 14,167, Mr. Grayson – 55,000, Mr. Kelly – 55,000 and Mr. Peller – 15,000.

(2) These amounts represent the compensation expense recognized in the Company's 2007 consolidated financial statements under SFAS 123(R), except for estimates made for forfeitures. This expense relates to stock options granted in 2007, as well as options granted in prior years. Please refer to Note 12 to the Company's consolidated financial statements for the year ended December 31, 2007 included in the Annual Report on Form 10-K for the assumptions used to calculate these amounts. These amounts do not reflect actual compensation paid to the Director in the year disclosed and are based on the fair value as calculated under the Black-Scholes model on the date of grant.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee reports to and acts on behalf of the Board of Directors by providing oversight of the financial management, independent registered public accounting firm and financial reporting procedures of the Company. The Company's management is responsible for preparing the Company's financial statements and the independent registered public accounting firm is responsible for auditing those financial statements and evaluating the overall effectiveness of the Company's internal controls over financial reporting. The Audit Committee is responsible for overseeing the conduct of these activities by the Company's management and the independent registered public accounting firm.

In this context, the Audit Committee has met and held discussions with management and the independent registered public accounting firm (including private sessions with the internal auditors and the independent registered public accounting firm.) Management represented to the Audit Committee that the Company's consolidated financial statements were prepared in accordance with generally accepted accounting principles, and that internal controls over financial reporting were effective as of December 31, 2007. The Audit Committee has reviewed and discussed the consolidated financial statements and the Company's overall effectiveness of internal controls, with management and the independent registered public accounting firm.

The Audit Committee has discussed with its independent registered public accounting firm matters required to be discussed by Statement on Auditing Standards No. 61 (Communication With Audit Committees), as amended by Statement on Auditing Standards No. 90 (Communication With Audit Committees) (including significant accounting policies, alternative accounting treatments and estimates, judgments and uncertainties.) In addition, the independent registered public accounting firm provided to the Audit Committee the written disclosures required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and the Audit Committee and the independent registered public accounting firm have discussed their independence from the Company and its management, including the matters in those written disclosures. Additionally, the Audit Committee considered the fees and costs billed and expected to be billed by the independent registered public accounting firm for those services (as shown on page 23 of this Proxy Statement.) The independent registered public accounting firm provided audit, audit-related, tax and other services during 2007. Any fees and costs incurred in connection with these services must be pre-approved by the Audit Committee in accordance with the Audit and Non-Audit Services Pre-Approval Policy, as adopted by the Audit Committee. The Audit Committee reviews and approves, in advance, the retention of the independent registered public accounting firm or any of its affiliates, including the terms of such retention and related fees, for any audit services and any non-audit services that are not prohibited under Section 10A of the 1934 Act or the rules of the NYSE and that are not subject to the de minimis exception under Section 10A of the 1934 Act, and determines, in advance, that any such retention of the auditors for non-audit services is consistent with maintaining the objectivity and independence of the independent registered public accounting firm.

The Audit Committee also has discussed with the Company's internal auditors and independent registered public accounting firm, with and without management present, their evaluations of the Company's internal accounting controls and the overall quality of the Company's financial reporting.

In further reliance on the reviews and discussions with management and the independent registered public accounting firm referred to above, the Audit Committee recommended to the Board of Directors, and the Board approved, the inclusion of the audited financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007, for filing with the Securities and Exchange Commission. The Audit Committee also recommended to the Board of Directors, and the Board approved, subject to shareholder ratification, the selection of the Company's independent registered public accounting firm.

AUDIT COMMITTEE
Philip R. Peller (Chairman)
Martin E. Franklin
Robert C. Grayson
Denis F. Kelly

The foregoing Audit Committee Report does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates this Report by reference therein.

PROPOSAL TWO: SELECTION OF AUDITORS

Ratification of Appointment of Independent Registered Public Accounting Firm

Subject to ratification by the shareholders, the Board has reappointed Ernst & Young LLP as independent registered public accounting firm to audit the financial statements of the Company for 2008 and the overall effectiveness of the Company's internal controls over financial reporting.

Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting and will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

The following table presents fees for professional audit services rendered by Ernst & Young LLP for the audit of the Company's financial statements for the years ended December 31, 2007 and December 31, 2006, and the Company's overall effectiveness of internal controls over financial reporting for the years ended December 31, 2007 and December 31, 2006, as well as fees billed for other services rendered by Ernst & Young LLP during those periods.

	2007	2006
Audit fees:	$1,256,000	$1,009,000
Audit-related fees:	12,000	--
Tax fees:	87,000	90,000
All other fees:	15,000	--
Total:	$1,370,000	$1,099,000

The nature of services provided in each of the Categories listed above is described below:

Audit Fees – Includes fees for services rendered for the audits of the consolidated financial statements of the Company, and the overall effectiveness of internal controls over financial reporting, quarterly reviews, statutory audits, and accounting consultations necessary to comply with the standards of the Public Company Accounting Oversight Board (United States).

Audit Related Fees – Includes fees for due diligence services.

Tax Fees – Includes fees for review of federal and state tax returns, tax compliance matters, assistance with tax audits and state tax planning.

All Other Fees – Includes fees related to non-audit related procedures.

The Audit Committee and Board of Directors unanimously recommend a vote "FOR" Proposal Two: Selection of Auditors.

SHAREHOLDER PROPOSALS FOR THE 2009 ANNUAL MEETING

Proposals of shareholders intended to be presented at the Annual Meeting of Shareholders in 2009 must be received by December 1, 2008 in order to be considered for inclusion in the Company's Proxy Statement and form of proxy relating to that meeting. Proposals of shareholders intended to be considered at the Annual Meeting of Shareholders in 2009, but not included in the Company's Proxy Statement and form of proxy related to that meeting, must be received by February 1, 2009, or the persons appointed as proxies may exercise their discretionary voting authority with respect to the proposal. Shareholder proposals should be directed to the Secretary of the Company at the address of the Company set forth on the first page of this Proxy Statement. Any such proposals will need to comply with the SEC regulations regarding the inclusion of shareholder proposals in Company-sponsored proxy materials.

FORWARD-LOOKING STATEMENTS

These proxy materials contain "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and involve risks and uncertainties, which may cause results to differ materially from those set forth in the statements. The forward-looking statements may include statements regarding product development, product potential or financial performance. The Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise. Forward-looking statements should be evaluated together with the many uncertainties that affect the Company's business, particularly those mentioned in the cautionary statements in Item 1 of the Company's Form 10-K for the year ended December 31, 2007, and in its quarterly reports on Form 10-Q and current reports on Form 8-K, which the Company incorporates by reference.

OTHER MATTERS

The Board does not intend to bring any matter before the Annual Meeting except as specifically indicated in the attached Notice of Annual Meeting of Shareholders, nor does the Board know of any matters that anyone else proposes to present for consideration at the Annual Meeting. If any other matters properly come before the Annual Meeting, however, the persons named in the enclosed proxy card will vote or otherwise act thereon in accordance with their judgment on such matters.

Copies of the Company's 2007 Annual Report on Form 10-K can be accessed on the Company's website at www.kennethcole.com. The Company will also provide to each shareholder, without charge and upon written request, a copy of the Company's Annual Report on Form 10-K. Any such written request should be directed to Kenneth Cole Productions, Inc., 400 Plaza Drive, Secaucus, New Jersey 07094, Attn: Investor Relations or by e-mail to investrelations@kennethcole.com.

By Order of the Board of Directors,

Michael F. Colosi

Michael F. Colosi
Secretary

From Kenneth

Dear Shareholders,

We have continued to make progress in repositioning our business over the course of fiscal 2007, accomplishing a number of important operational and strategic objectives. At the core of every project we have undertaken is one overriding objective: to affirm our position as the leading contemporary lifestyle brand. We believe that a combination of high-quality, trend-right product supported by provocative marketing with excellent execution in our own stores is the right formula for accomplishing this goal. Our financial results in 2007 reflect this transition, and while they do not satisfy us, we've laid the foundations for better results in a number of ways.

Product always comes first. Today's consumer has an incredible range of choices and is very demanding. We believe we have successfully elevated the quality and the fashion content of our product lines in order to ensure that we remain competitive and that our product lines are as forward thinking as our brand position. This has been a comprehensive effort that not only encompassed our own footwear and handbag businesses but also involved our licensees across the board. We are pleased by the results and believe that the content of our collections is as strong as at any point in our history. To advance that objective, in the second half of 2007 we moved decisively to invest the resources necessary to bring men's sportswear in-house and are excited to be launching for spring 2008. We believe men's sportswear can once again be a substantial portion of our business as well as a high-profile part of our brand identity. Executed properly, the re-launch of men's sportswear can help lift the balance of our wholesale business and assist us in invigorating sales in our consumer direct division.

Our consumer direct business was also an area of considerable focus during 2007. This segment is important not only for its financial contribution to the business model but important also for the way it communicates the brand position directly to consumers. To improve our direct business, we separated the Kenneth Cole Company Store business and *Kenneth Cole New York* Retail Store business and focused on flowing product specifically made for each group into the assortments. In 2007 the Company Stores saw both a consistent trend toward comparable store sales improvement and a return to profitability. We opened three new company store locations during the fourth quarter of 2007 and were pleased to see them outperform their plan. Similarly, we are very encouraged about the development of our e-commerce business. We have found strong partners for the front and back end of this business to ensure that it grows quickly and is profitable.

Our *Kenneth Cole New York* Retail Stores, however, presented our largest challenge during the past year. They have directly felt the impact of the challenging retail market. We are improving the merchandising and have examined our real estate portfolio closely. As a result of that process, we closed 13 underperforming stores. There is significant work left to do to improve performance, but we believe we are well down the path and are committed to taking the appropriate steps in the year ahead. A combination of strong footwear and sportswear lines as well as a great assortment of product from our licensees is the next step to accelerate our comparable store sales.

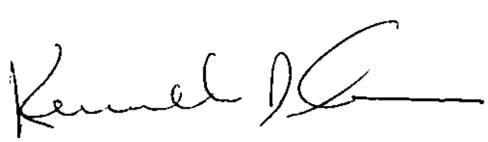
We are generally pleased with the performance of our licensed businesses. Our licenses for watches, outerwear, luggage and fragrance were standout categories for the year. Our international business is still highly underpenetrated and it represents an important opportunity for our brand and our business. We have relatively small businesses in Europe, South America, and Asia, all with excellent growth potential. We're also very excited to have acquired the intellectual property for the Le Tigre brand in 2007. We've created a strategic partnership to grow the brand with *JCPenney* that we think is going to be very powerful. This should allow us to monetize our investment quickly and with a relatively low level of risk and diversify our business into a tier of distribution within which we are also highly underpenetrated.

Looking forward, our focus is on ensuring that all of our operational and strategic projects flow benefits to the business and its shareholders. Our board of directors determined that it was time to leverage our very strong financial position to drive value to our shareholders. The market conditions were right to reduce our dividend and use a significant portion of our cash to buy back up to an additional four million shares. We believe that this is a low risk way to reward our long-term shareholders and to take advantage of a historic opportunity in the marketplace.

We are excited to celebrate our 25th anniversary year in 2008. Our footwear and sportswear design teams as well as our licensees are creating special product to commemorate the anniversary. We have worked hard and successfully over the past quarter century to ensure that our brands are important and meaningful to a growing audience of consumers. As we develop our plans for the future, we are focused on those strategies that we believe will ensure both that our brands develop true longevity and that, in the many years ahead of us, Kenneth Cole Productions remains an important and enduring business.

This year in lieu of a traditional annual report format, we have created a dynamic video format. Visit the investor relations section of our website at *kennethcole.com*, click on the "About us" menu and then select "Investors." We believe the new format gives our investors and consumers a greater sense of who we are and how 2007 unfolded beyond what is found in our financial statements. The video format is simply more efficient and we believe that corporate resources can be redirected in a more meaningful way. As always, I must acknowledge our numerous suppliers, our valued customers, our committed associates, and, of course, our loyal shareholders.

Thank you.



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2007

or

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

For the transition period from__________to__________

Commission File No. 1-13082

KENNETH COLE PRODUCTIONS, INC.

(Exact name of registrant as specified in its charter)

New York	**13-3131650**
State or other jurisdiction of Incorporation or organization	(I.R.S. Employer Identification Number)

603 West 50th Street, New York, NY 10019
(Address of principal executive offices)

(212) 265-1500
Registrant's telephone number

Securities registered pursuant to Section 12(b) of the Act:
Class A common stock, par value $.01 per share

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 ( ) No (X)

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 (X)

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 (X) 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 the 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. (Check one):
Large accelerated filer ( ) Accelerated filer (X) Non-accelerated filer ( ) 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 (X)

The aggregate market value of voting and non-voting stock held by non-affiliates of the registrant as of the close of business on June 30, 2007: $294,535,817

Number of shares of Class A Common Stock, $.01 par value, outstanding as of the close of business on February 29, 2008: 11,377,189

Number of shares of Class B Common Stock, $.01 par value, outstanding as of the close of business on February 29, 2008: 8,010,497

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of Form 10-K is incorporated herein by reference to the Registrant's definitive proxy statement to be mailed to the shareholders of the Registrant by April 29, 2008.

Kenneth Cole Productions, Inc.

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Item 1. Business

Important Factors Relating to Forward- Looking Statements

The Private Securities Litigation Reform Act of 1995 (the "Reform Act") and Section 21E of the Securities Exchange Act of 1934 provides a safe harbor for forward-looking statements made by or on behalf of Kenneth Cole Productions, Inc. (the "Company"). The Company and its representatives may from time to time make written or oral statements that are "forward-looking," including statements contained in this report and other filings with the Securities and Exchange Commission and in reports to the Company's shareholders. Forward-looking statements generally refer to future plans and performance and are identified by the words "believe," "expect," "anticipate," "plan," "intend," "will," "estimate," "project," or similar expressions. All statements that express expectations and projections with respect to future matters, including, but not limited to, the launching or prospective development of new business initiatives, future licensee sales growth, gross margins, store expansion and openings, changes in distribution centers, implementation of management information systems, are forward-looking statements within the meaning of the Reform Act. These statements are made on the basis of management's views and assumptions, as of the time the statements are made, regarding future events and business performance and are subject to certain risks and uncertainties. Should one or more of these risks or uncertainties materialize or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected.

While the Company does communicate from time to time with securities analysts, it is against Company policy to disclose to them any material non-public information. Shareholders should not assume that the Company agrees with any statement or report issued by an analyst, regardless of the content of such statement or report. To the extent that reports issued by securities analysts contain any projections, forecasts or opinions, they are not the responsibility of the Company.

There can be no assurance that management's expectations will necessarily come to pass. A number of factors affecting the Company's business and operations could cause actual results to differ materially from those contemplated by the forward-looking statements. Those factors include, but are not limited to, changes in domestic economic conditions or in political, economic or other conditions affecting foreign operations and sourcing, demand and competition for the Company's products, risks associated with uncertainty relating to the Company's ability to implement its growth strategies or its ability to successfully integrate acquired business, risks arising out of litigation or trademark conflicts, changes in customer or consumer preferences on fashion trends, delays in anticipated store openings and changes in the Company's relationship with its suppliers and other resources. This list of factors that may affect future performance and the accuracy of forward-looking statements are illustrative, but by no means exhaustive. Accordingly, readers of this annual report should consider these facts in evaluating the information and are cautioned not to place undue reliance on the forward-looking statements contained herein. The Company undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

General

Kenneth Cole Productions, Inc., incorporated in September 1982, designs, sources and markets a broad range of fashion footwear and handbags and through license agreements, designs and markets apparel and accessories under its *Kenneth Cole New York*, *Kenneth Cole Reaction, Unlisted, Tribeca* and *Gentle Souls* brand names. The Company also has the rights to use the *Bongo* trademark for footwear through a license agreement. In addition, the Company acquired the *Le Tigre* brand during September 2007. The Company's products are targeted to appeal to fashion conscious consumers, reflecting a casual urban perspective and a lifestyle uniquely associated with *Kenneth Cole*. These products include core basics that generally remain in demand from season to season and fashion products that are designed to establish or capitalize on market trends. The combination of basic products and fashion styles provides freshness in assortments and maintains a fashion-forward image, while a multiple brand strategy helps diversify business risk.

The Company markets its products to approximately 6,000 department and specialty store locations, as well as through its Consumer Direct business, which includes full-priced retail and Company Stores and websites. The Company believes the diversity of its product offerings distinguishes the Company from its competitors in terms of product classifications (men's, women's and children's footwear, handbags, apparel and accessories), prices (from "better" to "moderate") and styling. The Company believes the diversity of its product mix provides balance to its overall product sales and business planning and increases sales opportunities to Wholesale customers who do not carry the Company's full range of products.

The popularity of the *Kenneth Cole* brand names, including *Kenneth Cole New York, Kenneth Cole Reaction,* and *Unlisted,* among consumers has enabled the Company to expand its product offerings and channels of distribution through licensing agreements. The Company offers, through these agreements, a lifestyle collection of men's product categories, including tailored clothing, dress shirts, dress pants, neckwear, briefcases, portfolios, jewelry, belts, leather and fabric outerwear, cold-weather accessories, sunglasses, prescription eyewear, watches, fragrance, swimwear, luggage, hosiery and small leather goods. In addition, men's sportswear, which was formerly offered pursuant to a license agreement, is being sold, marketed and distributed by the Company directly commencing in 2008. Women's product categories currently being sold pursuant to license agreements include sportswear, small leather goods, belts, scarves and wraps, hosiery, leather and fabric outerwear, sunglasses, prescription eyewear, watches, jewelry, fragrance, swimwear, and luggage. In addition, the Company licenses its children's apparel further broadening the branded lifestyle collection.

Business Growth Strategies

The Company's strategy is to continue to build upon the strength of its lifestyle brand, *Kenneth Cole,* through its well-differentiated and distinct labels including *Kenneth Cole New York, Kenneth Cole Reaction, Unlisted,* and *Tribeca.* As such, the Company continues to focus on designing and delivering high quality, fashionable products, creating efficient and compelling retail environments, and continuing to develop its partnerships with its licensees to ensure brand quality and distribution integrity. The Company believes that further segmentation and development of the brands afford growth potential within each of the Company's business segments.

Wholesale. By strengthening and streamlining its distribution channels, the Company continues to reinforce the segmentation of its brands in wholesale, promoting even greater growth capability for each of its brands in the future. This approach will facilitate the broadening of product offerings and price points, attract new customers and further enable the Company to address a wider variety of customers' needs, both domestically and internationally. Building on its distribution channels has given the Company the ability to reach other distribution tiers and new customers. The Company believes it is in the position to respond quickly to market changes, thereby enabling each wholesale division to deliver appropriate fashions in a more timely and effective manner. This approach has been effective in maintaining the strength of the *Kenneth Cole* lifestyle brand franchise which will place the Company in the best position to benefit from the consolidation in the retail environment, and to enable the Company's brands to reach their potential.

Consumer Direct. The Company's Consumer Direct segment, which operates full-priced retail and Company Stores, as well as e-commerce, affords significant growth potential while simultaneously complementing the Company's existing Wholesale and Licensing businesses. The Company believes that the sale of footwear, handbags, men's apparel, and licensed products through its consumer direct channels of distribution increases consumer awareness of the Company's brands, reinforces the Company's image and builds brand equity. The Company believes customers of its wholesale accounts in cities with a *Kenneth Cole* retail presence have an enhanced brand awareness compared to those in cities without a *Kenneth Cole* retail presence. During 2006, the Company separated its merchandising and support functions between Company Stores and full-priced retail stores. As a result, the Company believes it can initiate more effective business and merchandising practices for these stores. During 2007, the Company increased the amount of specific "made for Company Store" product which improved margins and resulted in positive Company Store comparative store sales and revised its real estate and rent structure. The Company opened three Company Stores and closed five full-priced retail stores and one Company Store in 2007. In its full-priced retail stores, the Company limited its overstock position and reduced markdowns through standardized assortments and modified price points to align the price-value relationship of the Company's brands, which contributed to improved operating performance. In addition, the Company closed seven stores in January 2008 and continues to evaluate its real estate portfolio.

As of December 31, 2007, the Company operated 91 full-priced retail and Company Stores as compared with 94 stores as of December 31, 2006.

The Company continues to invest in the enhancement, visual presentation and development of its websites to capitalize on the growth of its e-commerce and emerging technologies. The Company believes that web-based transactions will contribute to the Company's future, both as a source of consumer information and as a generator of new revenue. Among other things, the websites are designed to create additional revenues through an additional distribution channel, build brand equity, fortify image, increase consumer awareness, improve customer service, provide entertainment and promote support for causes the Company believes are important to its customers. During 2007, the Company signed an agreement to outsource the order-taking and fulfillment responsibilities related to its Internet business to a third-party that provides direct-to-customer e-commerce services. Shortly after the agreement was signed, but before the scheduled launch date, the provider was acquired, resulting in a launch delay. The new launch date is scheduled to occur in 2008.

In addition to seasonal image campaigns via traditional advertising media, the Internet has enabled the Company and its customers to communicate directly with each other. The Company's use of its websites to capture and process this relevant market data on its consumer base provides a greater understanding of its customers and market trends. The Company believes this dynamic relationship is invaluable for building customer loyalty. Further, the Company's Internet presence through two websites has enabled the creation of a substantial e-mail database by which the Company's marketing department regularly interact with its existing and new consumers online.

Licensing. The strength of the Company's brands, *Kenneth Cole New York, Kenneth Cole Reaction, Unlisted,* and *Le Tigre* provides opportunities, through licensing agreements, to expand into new product categories and broaden existing distribution channels. The Company believes its strategic licensing relationships are essential to the growth of the Company both domestically and abroad as a lifestyle branded franchise. Many of the existing licensee businesses are still relatively small in their individual product classifications and the Company believes they hold growth potential.

The Company chooses its licensing partners with care, considering many factors, including the strength of their sourcing and distribution abilities, thereby attempting to maintain the same value and style that *Kenneth Cole* customers have come to expect. In 2006, the Company terminated its license agreement with Paul Davril Inc. ("PDI"), which resulted in the Company assuming control of its *Kenneth Cole New York* sportswear categories and *Kenneth Cole Reaction* men's sportswear in 2007. Women's sportswear is currently distributed through an agreement with Bernard Chaus, Inc., while men's sportswear began shipping in 2008 through in-house operations. In September 2007, the Company acquired the *Le Tigre* trademark. The Company is expected to launch the *Le Tigre* brand at JCPenney in Spring 2008. The brand will debut in junior sportswear and is also expected to expand into other categories, such as juniors' footwear and accessories, as well as young mens' apparel. The Company believes the *Le Tigre* brand holds growth potential both domestically and abroad.

The Company's strategic partnership with its fragrance licensee, Coty, Inc. ("Coty"), is designed to expand consumer awareness through Coty's global marketing group and provide an extension of brand awareness to the Company licensees and partnerships internationally and domestically. In the last two years, the Company introduced *Kenneth Cole Reaction* fragrance for women, *Kenneth Cole Signature* for men, and added *RSVP* fragrance for men. These fragrances replaced the original *Kenneth Cole* fragrances allowing for fresh, new and exciting products for market penetration, growth and brand awareness.

The Company is committed to strategically expanding its product classifications internationally and to building growth through brand awareness and diversity as it continues to aggressively grow the watch and optical categories abroad, focusing on certain specific international regions. In 2007, the Company's licensees opened thirteen freestanding stores and thirteen shop-in-shops in international markets including Taiwan, the Gulf Region, Israel, Mexico, Latin America and the Philippines.

The Company's brands are currently licensed for a range of products consistent with the Company's image (see "Licensing" below).

Products

The Company markets its products principally under its *Kenneth Cole New York, Kenneth Cole Reaction, Unlisted, Tribeca, Gentle Souls* and *Le Tigre* brand names, along with its licensed brand for footwear, *Bongo*, each targeted to appeal to different consumers. The Company believes that the products marketed under the *Kenneth Cole New York* brand names have developed into true aspirational brands, and while it has similar designer cache as other international designer brands, it has greater value credibility.

Kenneth Cole New York

Kenneth Cole New York products are designed for the fashion conscious consumer and reflect the relaxed urban sophistication that is the hallmark of the *Kenneth Cole New York* image. The distinctive styling of this line has established *Kenneth Cole New York* as a fashion authority for sophisticated men and women who are seeking a value alternative to other designer brands. As a result of strong brand recognition and a reputation for style, quality and value, the Company believes that *Kenneth Cole New York* is an important resource for better department and specialty stores, and continues to provide significant growth opportunities. The *Kenneth Cole New York* product offering has evolved from a very trendy line into one with broad appeal, including both fashion-forward styling and core basics. The Company continues to leverage the strength of its name through brand extensions, in-store shops and the licensing of many product categories. As such, the Company continues to focus on designing and delivering high quality, fashionable products, creating efficient and compelling retail environments, and continuing to develop its partnerships with its licensees to ensure brand quality and distribution integrity.

Kenneth Cole New York men's footwear, manufactured through Italian and Chinese factories, is designed as contemporary, comfortable leather fashion footwear and is sold to the bridge-designer market at retail price points ranging from approximately $155 to $400. As versatile as it is sophisticated, *Kenneth Cole New York* men's footwear may be worn to work, for special occasions or on weekends with casual clothes. In addition, the Company uses the label "silver technology" in its line to denote enhanced comfort combined with its fine leather shoe craftsmanship. The silver technology product features a micro-tech midsole, a removable gel insole, and a fiberglass shank.

Kenneth Cole New York women's footwear, primarily manufactured through Chinese and Brazilian factories, includes sophisticated and elegant dress, casual and special occasion footwear that is sold to the bridge-designer market at retail price points ranging from approximately $100 to $450. Women's footwear is constructed by fine leather craftsmen to allow the customer high quality designer styling with value for the fashion-conscious woman at work or in social gatherings.

Kenneth Cole New York handbags are generally made of quality-crafted leathers and sold to the bridge-designer market at retail price points ranging from approximately $200 to $400. The seasonal line includes certain updated styles that offer the customer high-fashion bags, which are accompanied by tailored career bags for the sophisticated urban consumer.

Kenneth Cole New York men's sportswear is a contemporary sportswear collection which includes knits, wovens, pants, sweaters and jackets and targets the fashion-conscious male who enjoys neutral apparel with a splash of color. The line was re-launched in-house in January 2008 after the Company terminated its licensing agreement with its licensee. The collection is sold in top department stores and select specialty stores with retail price points ranging from approximately $40 to $425.

Kenneth Cole Reaction

Kenneth Cole Reaction consists of a variety of product classifications, which address the growing trend toward flexible lifestyle dressing at affordable prices. *Kenneth Cole Reaction* includes a comfort-oriented casual line, as well as more dressy styles. *Kenneth Cole Reaction* women's footwear, primarily manufactured in China, is designed for the workplace as well as for outside the office, with an emphasis on comfort, versatility, contemporary styling and value. In addition, the Company has added "RXN comfort technology" which uses a pod system insole and gel heel pad to enhance comfort, support and flexibility. It is targeted to compete in the largest single category of footwear sold in department stores, women's "better," and the majority of the line retails primarily in the $70 to $120 price range. *Kenneth Cole Reaction* men's footwear, primarily manufactured in China, combines fashionable and versatile styling with affordable pricing and is positioned in the fastest growing classification in the men's market as consumer preferences lean away from athletic constructed footwear toward regular constructed footwear. This line retails approximately in the $70 to $160 price range.

Kenneth Cole Reaction handbags, primarily manufactured in China, are designed to be multifunctional with a contemporary look and are primarily made of leather and non-leather technical fabrications, such as nylon, microfiber and canvas. *Kenneth Cole Reaction* handbags have been styled to appeal to the same customer as the *Kenneth Cole Reaction* footwear line to meet the varying needs of the Company's customers. This line generally retails at price points ranging from approximately $80 to $220.

Kenneth Cole Reaction children's footwear, primarily manufactured in China, includes dress and casual footwear sold at price points ranging from $30 to $65 and is targeted to boys and girls ages 6 to 12, who the Company believes are making more of their own fashion choices than ever before. The toddler line for boys and girls ages 2 to 5 has price points ranging from $30 to $50. The Company believes that children's footwear is a natural extension of its footwear business and that its use of styles based upon successful performers in its existing men's and women's styles, greatly enhances the likelihood of product performance.

Gentle Souls

Gentle Souls women's footwear is designed and targeted for the sophisticated, active woman who expects a comfortable fit with a stylish design. The footwear is sold in specialty retail and high end department stores at price points ranging from $150 to $500. The line consists of approximately 30 styles that are manufactured with high quality leather around an exclusive comfort technology. The product line was launched in 2007.

Unlisted

Unlisted products are designed and targeted to the younger, trendier consumer market, the country's largest consumer base of fashion merchandise. The *Unlisted* brand was developed to expand the Company's sales into a younger, more moderately priced business and includes men's and women's casual and dress shoes each season.

Unlisted footwear provides the young consumer with a wide selection of footwear with contemporary styling and quality at affordable prices. *Unlisted* women's footwear includes not only fashion styles, but also evening styles, basic pumps and loafers that generally retail at price points ranging from $30 to $50 with approximately 60 styles per season. *Unlisted* men's footwear continues brand penetration through additional door expansion, continuing its strong growth, and capitalizing on the large youth consumer base. The line includes casual and dress assortments with a variety of fashion styles to compliment the selection of approximately 50 styles per season. *Unlisted* men's footwear appeals to a broader young men's market with shoes that range at retail price points from $50 to $80.

Tribeca

The Company introduced the *Tribeca* women's footwear line in 2004. This brand was created for the young, trendier shopper in the department store channel of distribution. The lines include dress and casual styles leaning more toward the casual customer's expectations. The price points range from $50 to $70.

Bongo

Bongo products are designed for the junior consumer market and are sold through mid-tier department and specialty stores. The brand brings fashion and style at reasonable price points to the junior market and includes children's and women's casual and dress shoes each season.

Currently, *Bongo* footwear includes only women's and children's footwear lines. The women's footwear line has a wide variety of styles for casual, weekend and special evening events including pumps, boots and loafers, among others. The price points for the women's line range from $30 to $50 with approximately 40 styles per season. Children's price points range from $20 to $30. The brand provides a market that the Company was not previously penetrating with its branded products.

Business Segments

The Company manages its business through three segments: Wholesale, Consumer Direct and Licensing. During the periods presented below, the percentages of net revenues contributed by the Company's business segments are as follows:

	For the Year Ended December 31, 2007	2006	2005
Wholesale	57%	59%	55%
Consumer Direct	34	33	37
Licensing	9	8	8
Total	100%	100%	100%

See Note 9 to the Consolidated Financial Statements for a measure of segment income/loss and total assets.

Wholesale Operations

The Company strives to provide affordable fashion footwear, handbags and accessories with consistent marketing and management support to its wholesale customers. The Company provides this support by producing strong image-driven advertising, offering creative quality products and maintaining adequate inventory levels of new products as well as products included in the Company's open stock program. The Company employs a sales force, as well as corporate account specialists, to sell its products and to manage its relationships with its wholesale customers, whose duties include analyzing and monitoring their selling information.

The Company's products are distributed to approximately 1,800 wholesale accounts for sale in approximately 6,000 store locations in the United States. The Company markets its branded products to major department stores and chains, such as Dillard Department Stores, Inc., Federated Department Stores (including Macy's and Bloomingdales) and upscale specialty retailers, including Nieman Marcus and Nordstrom, Inc. In addition, the Company sells out-of-season branded products and overruns through its Company Stores and to off-price retailers. The Company also sells its products, directly or through distributors or licensees, to customers in various international markets including Canada, Australia, Europe, parts of Asia, the Middle East, Latin America and parts of South America and the Caribbean.

The Company markets its product lines and introduces new styles at separate industry-wide footwear and handbag tradeshows that occur several times throughout the year in New York, Las Vegas and at various regional shows. These trade shows also afford the Company the opportunity to assess preliminary demand for its products. After each show, the Company's sales force and corporate account specialists visit customers to review the Company's product lines and to secure purchase commitments. The Company's products are also displayed at showrooms in New York.

Private Label

The Company also designs, develops and sources private label footwear and handbags for selected retailers. These private label customers include major retailers that do not purchase the Company's brands. The Company's private label business requires minimal overhead and capital because the Company does not typically incur any costs related to importing, shipping or warehousing of inventory, all of which are usually borne by the private label customer.

Canada

The Company assumed its Canadian footwear operations in 2003 and handbag operations in 2004 after its respective license agreements ended. The operations are managed from its New York City headquarters with a sales staff and third-party distribution center in Canada.

The Company markets its branded products in Canada to independent specialty retailers and large department stores, including Sears Canada, Browns, Townshoe, The Bay, Sterling and Friedmans. The branded products marketed in Canada include *Kenneth Cole New York, Kenneth Cole Reaction*, and *Unlisted* men's and women's footwear, as well as *Kenneth Cole New York* handbags and *Kenneth Cole Reaction* children's footwear and handbags. In 2005, the Company began Canadian distribution of the *Tribeca* and *Bongo* footwear brands.

Consumer Direct Operations

Retail Operations

The Company continues to pursue opportunities to enhance and strengthen its retail operations. At December 31, 2007, the Company operated 49 *Kenneth Cole New York* full-priced retail stores and 42 Company Stores under the *Kenneth Cole New York* name. In 2006, the Company separated the merchandising and support functions between Company Stores and its full-priced retail stores. As a result, the Company initiated more effective business and merchandising practices for these stores. During 2007, the Company increased the amount of specific "made for Company Store" product and which resulted in improved margins and positive Company Store comparative store sales. The Company opened three Company Stores in 2007 and plans on opening five to eight locations in 2008. In its full-priced retail stores, the Company limited its overstock position and reduced markdowns through standardized assortments and modified price points to align the price-value relationship of the Company's brands, which the Company believes will contribute to improved operating performance. In addition, the Company continued to evaluate its real-estate portfolio to identify unproductive stores, and as a result closed five full-priced retail stores in 2007 and four additional full-priced retail stores in January 2008.

The Company believes its full-priced retail stores develop consumer recognition of its brand names, provide a showcase for its branded products marketed by the Company and its licensees, and enhance the Company's overall profitability. The Company believes that these stores complement its wholesale business by building brand awareness. The customer is presented with the Company's core shoe and handbag business with selected key accessory styles. The *Kenneth Cole* retail stores enable the Company to reach consumers who prefer the environment of a retail store. A portion of the Company's store products are sourced exclusively for such stores to differentiate the product mix of its stores from that of its wholesale customers, while the Company sources "made for Company Store" product similar to its exclusive sourcing for retail stores, and, thus, differentiates Company Stores from both full-priced retail stores and wholesale customers.

The success of the Company's new and existing stores will depend on various factors, including the political instability in certain countries in which the Company has a presence, the possibility of additional terrorist attacks, general economic and business conditions affecting consumer spending, the acceptance by consumers of the Company's retail concepts, the ability of the Company to successfully manage expansion, the ability of the Company to hire and train personnel, the availability of desirable locations, the negotiation of acceptable lease terms for new locations and the expansion of the Company's management information systems to support the growth of its retail operations, including the implementation of SAP (see Management Information Systems). The Company believes that its retail stores further enhance its image and represent an opportunity for revenue and earnings growth.

Website

The Company maintains websites to provide information regarding the Company and its products, as well as to conduct online business. The Company's websites, *www.kennethcole.com* and *www.kennethcolereaction.com,* are regularly enhanced to enable consumers to purchase directly from the Company online. The Company also maintains two toll-free telephone numbers (1-800-KEN-COLE and 1-800-UNLISTED), which provide customer service and answer product-related questions.

As part of its strategic plan, the Company signed an agreement to outsource its Internet business to a third-party that provides direct-to-customer e-commerce services, which the Company believes will increase the efficiency of the Company's Internet business. Operations are expected to commence in 2008.

The Company currently has a corporate gift program, whereby corporate customers are sold *Kenneth Cole* items for award and recognition programs. Orders are drop-shipped from the Company's licensees or its warehouse. The Company believes this is another avenue to enhance customer awareness and strengthen market position of its various brands.

Licensing

Domestic Licensing

The Company views its licensing agreements as a vehicle to serve its customers better by extending its product offerings thereby allowing more consumers to meet their fashion accessory needs without compromising on price, value or style. The Company considers entering into licensing and distribution agreements with respect to certain products if such agreements provide more effective sourcing, marketing and distribution of such products than could be achieved internally. The Company continues to pursue opportunities in new product categories that it believes to be complementary to its existing product lines.

Licensees range from small to medium-sized manufacturers to companies that are among the industry leaders in their respective product categories. The Company selects licensees that it believes can produce and service quality fashion products consistent with the *Kenneth Cole New York, Kenneth Cole Reaction* and *Unlisted* brand images. In 2007, the Company acquired the *Le Tigre* trademark and other intellectual property associated with the *Le Tigre* brand, which it expects to launch at JCPenney in Spring 2008 through a licensing agreement.

The Company communicates its design ideas and coordinates all marketing efforts with its licensees. The Company generally grants licenses for three to five year terms with renewal options, limits licensees to certain territorial rights and retains the right to terminate the licenses if certain specified sales levels are not attained. Each license provides the Company with the right to review, inspect and approve all product designs and quality and approve any use of its trademarks in packaging, advertising and marketing. The Company plans to continue to draw upon Kenneth Cole's creative strength and the Company's marketing resources to continue to build brand definition with its licensing partners.

The following table summarizes the Company's product categories under its licensing agreements at the end of 2007 for the *Kenneth Cole New York, Kenneth Cole Reaction, Unlisted* and *Le Tigre* brands:

Product Category	*Kenneth Cole New York*	*Kenneth Cole Reaction*	*Unlisted*	*Le Tigre*
Men's Tailored Clothing	X	X	X	
Men's Sportswear	X	X		X
Men's Neckwear	X	X	X	
Men's Dress Shirts	X	X	X	
Men's Casual Pants	X	X	X	
Men's Leather & Fabric Outerwear	X	X		X
Men's Small Leather Goods	X	X	X	X
Men's Belts	X	X	X	X
Men's Coldweather	X	X		X
Men's Socks	X	X	X	
Women's Sportswear	X	X		X
Women's Small Leather Goods	X	X	X	X
Women's Leather & Fabric Outerwear	X	X		X
Men's/Women's Jewelry	X	X	X	X
Men's/Women's Swimwear	X	X	X	
Men's/Women's Watches	X	X	X	X
Men's/Women's Optical Frames	X	X		
Men's/Women's Luggage/Briefcases	X	X		
Men's/Women's Sunglasses	X	X	X	X
Men's/Women's Fragrances	X	X	X	
Men's/Women's Sleepwear			X	
Children's Apparel		X	X	X

All of the Company's licensees of the *Kenneth Cole New York, Kenneth Cole Reaction,* and *Unlisted* brands are required to contribute to the Company a percentage of their net sales of licensed products, subject to minimum amounts, for the ongoing marketing of the *Kenneth Cole* brands.

International Licensing

The Company sells its products through distributors and licensees to wholesale customers and direct retailers in international markets including Canada, Australia, parts of Europe, the Middle East, parts of Asia, Central America, parts of South America and the Caribbean Islands. The Company also continues to grow its international presence through broader wholesale distribution of watches, fragrance and sunglasses and prescription eyewear and continues to explore markets throughout the world.

Within the Middle East, *Kenneth Cole New York* freestanding stores in the United Arab Emirates grew to a total of nine while Israel ended the year with three freestanding stores and thirteen shop-in-shops. The Company's licensee in the Philippines grew its presence to a freestanding store count of eight, while maintaining two shop-in-shops. The Company also maintains agreements for the wholesale distribution of handbags, women's small leather goods, and men's and women's footwear in Australia and has retail stores and shop-in-shops in Taiwan.

In North America, the Company, directly and through licensing arrangements, continues to sell and market its products in Canada. The majority of product classifications available domestically are also available in Canada. Currently, the Company maintains direct distribution of its footwear and handbag businesses in Canada and manages this business from its New York City headquarters through its Wholesale segment. The Company's Latin

American licensee agreement covers Latin America, South America and the Caribbean, with the exception of Brazil, Argentina and Uruguay. Currently, the Company's licensee operates 37 stores in this region.

In Europe, the Company's licensee sells footwear, luggage, small leather goods and handbags to department stores within the United Kingdom. The Company has also entered into an exclusive arrangement with House of Fraser to sell men's tailored clothing, dress shirts and neckwear in the United Kingdom. In 2007 the Company expanded into Germany and Spain through direct distribution of its footwear and handbag businesses, while continuing to explore opportunities in the European market. The Company furthered its international expansion into South Africa as it introduced *Unlisted* and *Reaction* branded footwear into the South African market through a wholesale distribution agreement in 2007.

The Company realizes the critical role that licensees have on the strategic plan to reposition *Kenneth Cole* as an accessible luxury brand, and on the growth and development of *Kenneth Cole* and its diffusion brands; and therefore, the Company takes significant care to strategically align itself with viable business partners around the world. The Company is optimistic about the expansion of its international licensing programs as a means of developing a truly global brand. The Company currently generates approximately 3% of its total revenue internationally.

Design

Kenneth D. Cole, the Company's Chairman and Chief Executive Officer, founded the Company in 1982 and its success to date is largely attributable to his design talent, creativity and marketing abilities. Mr. Cole selects designers to join a design team to work with him in the creation and development of new product styles. Members of each design team collaborate with Mr. Cole to create designs that they believe fit the Company's image, reflect current or approaching trends and can be manufactured cost-effectively.

The Company's design teams constantly monitor fashion trends and search for new inspirations. Members of the various teams travel extensively to assess fashion trends in Europe, the United States and Asia and work closely with retailers to monitor consumer preferences. The process of designing and introducing a new product takes approximately two to four months. Once the initial design is complete, a prototype is developed, reviewed and refined prior to commencement of production.

In order to reduce the impact of changes in fashion trends on the Company's product sales and to increase the Company's profitability, the Company continuously seeks to develop new core basic product styles that remain fashionable from season to season without significant changes in design or styling. Since these core basic products are seasonless, retailers' inventories of core basic products tend to be maintained throughout the year and reordered as necessary, primarily through electronic data interchange.

Sourcing

The Company does not own or operate any manufacturing facilities. Instead, it sources its branded and private label products directly or indirectly through independently-owned manufacturers in Italy, Spain, Brazil, China and Korea, among other locations. The Company maintains an office in Florence, Italy and generally has long-standing relationships with several independent buying agents to monitor the production, quality and timely distribution of the Company's products from its manufacturers. In addition, as part of its global sourcing strategy, the Company began operating from its Dongguan, China office in 2005 as part of its plan to expand production in that region.

The Company sources each of its product lines separately, based on the individual design, styling and quality specifications of such products. The Company primarily sources its products directly or indirectly through manufacturers in Italy, Spain, Brazil and China. However, approximately 47% and 46% of total handbag purchases came from two manufacturers in China during the years ended December 31, 2007 and 2006, respectively. Approximately 42% and 39% of *Kenneth Cole New York* and *Kenneth Cole Reaction* men's footwear purchases were from one manufacturer in China utilizing many different factories during the years ended December 31, 2007 and December 31, 2006, respectively. In addition, approximately 52% and 55% of *Kenneth Cole Reaction*women's footwear purchases were sourced through two Chinese manufacturers during the years ended December 31, 2007 and December 31, 2006, respectively. The Company believes it has alternative manufacturing sources available to meet its current and future production requirements in the event the Company is required to change current manufacturers or current manufacturers are unavailable to fulfill the Company's production needs. Many of these manufacturers, however, subcontract a portion of such purchases to ensure the consistent and timely delivery of quality products. The Company is a significant customer of several of these manufacturers and has established long-standing relationships with them. While the Company believes it has alternative manufacturing sources available to meet its current and future production requirements, there can be no assurance that, in the event the Company is required to change its current manufacturers, alternative suppliers will be available on terms comparable to the Company's existing arrangements.

In advance of the Fall and Spring selling seasons, the Company works with its manufacturers to develop product prototypes for industry trade shows. During this process, the Company works with the manufacturers to determine production costs, materials, break-even quantities and component requirements for new styles. Based on indications from the trade shows and initial purchasing commitments from wholesalers, the Company will place production orders with the manufacturers. In addition, the Company has a program, "test and react," whereby prototypes are rushed to its specialty retail stores immediately after completion to determine initial consumer reaction. Successful styles, consumer acceptance and demand are used to adjust factory production and line development prior to initial season shipping. As a result of the need to maintain in-stock inventory positions, the Company places manufacturing orders for open stock and certain fashion products prior to receiving firm commitments from its customers. Once an order has been placed, the manufacturing and delivery time ranges from three weeks to four months depending on whether the product is new or is currently in production. Throughout the production process, the Company monitors product quality through inspections at both the factories and upon receipt at its warehouses. To reduce the risk of overstocking, the Company monitors sell-through data on a weekly basis and seeks input on product demand from wholesale customers to adjust production as needed.

Advertising and Marketing

The Company believes that advertising to promote and enhance its brands is an integral part of its long-term growth strategy. The Company believes that its advertising campaigns, which have brought it national recognition for their timely focus on current events and social issues, have resulted in increased sales and consumer awareness of its branded products. The Company's advertising appears in magazines such as *Vogue, Elle, GQ, Details, Vanity Fair,* and *InStyle*, newspapers, and outdoor and other media advertising. The majority of the Company's licensees are required to contribute to the Company a percentage of their net sales of licensed products, subject to minimums, for the advertising and promotion of the image of the Company's brands. In addition, the Company believes personal appearances by Kenneth D. Cole further enhance the Company's brand awareness.

The Company utilizes its in-house staff for marketing, advertising and public relations efforts enabling the Company to maintain the integrity of its brands. The Company occasionally will use advertising firms outside the United States to assist with coordination of an international advertising effort; however, all creative campaigns are designed by the Company's in-house staff.

In order to continue to strengthen brand awareness of its products and increase sales, the Company is actively involved in development, marketing and merchandising programs for its customers. As part of this effort, the Company utilizes cooperative advertising programs, sales promotions and produces trade show sales tools and consumer catalogs which feature a variety of branded products marketed by the Company and its licensees. As a result of these internal productions, the Company believes that there is a singular focus, strong synergy and consistency in all of the Company's communications.

An additional aspect of the Company's marketing efforts is the creation and placement of branded enhancements in key department and specialty store locations. These focus areas create an environment that is consistent with the Company's image and enables the retailer to display and stock a greater volume of the Company's products per square foot of retail space. These enhancements are achieved through the placement of fixtures, point of purchase displays and graphics. The Company believes that these in-store enhancements encourage longer-term commitment by retailers to the Company's products and heighten consumer brand awareness.

In 2008, the Company, along with its licensees, will begin its silver anniversary campaign celebrating its 25th anniversary through a year-long calendar of events, print advertising and creative marketing. The Company believes the campaign will heighten awareness of the Company, its brands, products and social concerns.

Distribution

To facilitate distribution, the Company's products are inspected, bar coded, packed and shipped from manufacturers by ocean or air to the Company's distribution facilities located in the United States and Canada. The Company utilizes fully-integrated information systems and bar code technology to facilitate the receipt, processing and distribution of products through third-party warehouse distribution centers. The products are then shipped to the Company's wholesale and direct customers either in predetermined sizes, in case packs or under its open stock program. The Company's open stock program allows its wholesale customers to reorder, typically via electronic data interchange ("EDI"), core basic styles in a range of colors and sizes as well as many fashion styles, for immediate shipment. While the open stock program requires an increased investment in inventories, the Company believes this program is an important service for its wholesale customers by allowing them to manage inventory levels more effectively. The Company expects that affording customers improved flexibility in ordering specific stock keeping units ("SKUs") in smaller quantities will ultimately reduce the incidence of markdowns and allowances.

The Company has capitalized on its centralized distribution facilities to provide additional support to its retail store operations on shipments of footwear and handbag products as well as direct shipments to its catalog and Internet customers. The Company's EDI program is also used to re-supply its retail store on a variety of products, thereby enhancing its service to the Company's retail operations through improved inventory management and customer response. To facilitate distribution, the Company has third-party public warehouses located on both the East and West Coasts of the United States, as well as in Canada, to accommodate merchandise imported from Asia, Europe and South America.

Management Information Systems

The Company believes that sophisticated information systems are essential to the Company's ability to maintain its competitive position and to support continued growth. The Company's management information systems were designed to provide, among other things, comprehensive order processing, production, accounting and management information for the sourcing, importing, distribution and marketing aspects of the Company's business. The Company continues to update and enhance its distribution and financial systems with newer technology that offers greater functionality and reporting capabilities. The Company also utilizes an EDI system that provides a computer link between the Company and many of its wholesale customers, as well as its retail operations that enable the Company to receive online orders and to accumulate sales information on its products shipped to its wholesale customers, retail stores, catalog and internet customers. The Company's EDI system also improves the efficiency of responding to customer needs and allows both the customer and the Company to monitor purchases, shipments and invoicing. In its retail stores, the Company uses point-of-sale registers to capture sales data, track inventories and generate EDI replenishment orders.

The Company regularly evaluates the adequacy of its management information systems and upgrades such systems to support its growth. In 2006, the Company signed a software license agreement with SAP America, Inc. ("SAP") and implemented an integrated business platform, using SAP software products, across the Company's full-priced retail and Company Stores. Capital expenditures related to the SAP retail implementation approximated $13.0 million. The Company believes that failure to continue to upgrade its management information systems to support growth and expansion, either in its internal systems or in systems of third parties could have a material adverse effect on the Company's financial condition and its results of operations.

Trademarks

The Company, through its wholly-owned subsidiary, Kenneth Cole Productions (LIC), Inc., owns federal registrations for its principal trademarks *Kenneth Cole*, *Kenneth Cole New York*, *Kenneth Cole Reaction*, *Reaction*, *Kenneth Cole Collection*, *Tribeca* and *Unlisted* as well as several other ancillary and derivative trademarks. In 2007, the subsidiary acquired the *Le Tigre* trademark and other intellectual property associated with the *Le Tigre* brand. Each of the federal registrations is currently in full force and effect and is not the subject of any legal proceedings. In addition, the Company has several federal applications pending in the United States Patent and Trademark office for trademarks and service marks. Moreover, the Company continues to expand its current international registrations in numerous countries throughout the world. The Company regards its trademarks and other proprietary rights as valuable assets in the marketing and distribution of its products, and fully intends to maintain, renew and protect the registrations, as well as vigorously defend all of its trademarks against infringements.

Competition

Competition in the footwear and handbag industries is intense and these product classifications are subject to rapidly changing consumer demands. The Company competes with numerous designers, brands and manufacturers of footwear, handbags, apparel and accessories, some of which may be larger, have achieved greater recognition for their brand names, have captured greater market share and/or have substantially greater financial, distribution, marketing and other resources than the Company. The Company also competes for the limited shelf-space available for the display of its products to consumers, and the Company's licensed apparel and accessories also compete with a substantial number of designer and non-designer brands. Moreover, the general availability of contract manufacturing capacity allows access by new market entrants. The Company believes the success of its business depends on its ability to stimulate and respond to changing consumer preferences by producing innovative and attractive products, brands and marketing, while remaining competitive in quality and price.

Foreign Operations

The Company's business is subject to the risks of doing business abroad, such as fluctuations in currency exchange rates, local market conditions, labor unrest, political instability, actions of a public enemy, military or other government intervention, priorities, restrictions or allocations and the imposition of additional regulations relating to imports, including quotas, duties or taxes and other charges on imports. There can be no assurance that these factors will not have a material adverse effect on the Company's operations in the future.

In order to reduce the risk of exchange rate fluctuations, the Company may enter into forward exchange contracts to protect the future purchase price of inventory denominated in Euro. These Euro forward exchange contracts are used to reduce the Company's exposure to changes in foreign exchange rates and are not held for the purpose of trading or speculation.

Import Restrictions

Although most of the goods sourced by the Company are not currently subject to quotas, countries in which the Company's products are manufactured may, from time to time, impose new or adjust prevailing quotas or other restrictions on exported products. In addition, the United States may impose new duties, tariffs and other restrictions on imported products, any of which could have a material adverse effect on the Company's operations and its ability to import its products at current or increased quantity levels. In accordance with the Harmonized Tariff Schedule, a fixed duty structure in effect for the United States, the Company pays import duties on its products. The majority of its products have import duties that range from approximately 6% to 37.5%, depending on the category and the principal component of the product. Other restrictions on the importation of footwear, apparel, and other products are periodically considered by the United States government and no assurance can be given that tariffs or duties on the Company's goods may not be raised, resulting in higher costs to the Company, or that import quotas restricting such goods may not be imposed or made more restrictive.

Seasonality

The Company's products are marketed primarily for Fall and Spring seasons, with slightly higher volume of wholesale products sold during the first and third quarters. The Company's retail business follows the general seasonal trends that are characteristic of the retail industry: sales and earnings are highest in the fourth quarter and weakest in the first quarter. Because the timing of wholesale shipments of products for any season may vary from year to year, the results for any one quarter may not be indicative of the results for the full year.

Customers

The Company's department store customers include major United States retailers, several of which are under common ownership. In 2007 and 2006, the Company had no customer or group under common ownership account for more than 10% of consolidated sales. The Company's ten largest customers represented 43.1% and 43.9% of the Company's net sales for the years ended December 31, 2007 and 2006, respectively. While the Company believes that purchasing decisions have generally been made independently by each division within a department store group, there is a trend among department store groups toward centralized purchasing decisions of their divisions.

Backlog

The Company had unfilled wholesale customer orders, excluding apparel, of $71.1 million and $77.3 million at February 26, 2008 and February 27, 2007, respectively. The Company's backlog at a particular time is affected by a number of factors, including seasonality, timing of market weeks and wholesale customer purchases of its core basic products through the Company's open stock program. Accordingly, a comparison of backlog from period to period may not be indicative of eventual shipments.

Sales Returns and Allowances

The Company's ability to collect factor chargebacks for deductions taken by its customers for returns, discounts and allowances as well as potential future customer deductions is significant to its operations. The Company reserves against known chargebacks as well as potential future customer deductions based on a combination of historical activity and current market conditions. Actual results may differ from these estimates under different assumptions or conditions, which may have a significant impact on the Company's results.

Employees

At December 31, 2007, the Company had approximately 1,800 employees (which include approximately 900 part-time employees), none of whom are covered under a collective bargaining agreement. The Company considers its relationship with its employees to be satisfactory.

Directors and Executive Officers

Name	Age	Present Position
Kenneth D. Cole	53	Chief Executive Officer, Chairman of the Board of Directors
David P. Edelman	46	Chief Financial Officer
Michael F. Colosi	42	Senior Vice President and General Counsel and Corporate Secretary
Doug Jakubowski	44	President, Kenneth Cole – Apparel and Corporate Relations
Jeff Cohen	54	Divisional President, Consumer Direct
Michael DeVirgilio	39	Executive Vice President, Business Development
Richard S. Olicker	50	Executive Vice President, Wholesale
Kyle Andrew	41	Senior Vice President, Marketing
Linda Nash Merker	51	Senior Vice President, Human Resources
Martin E. Franklin	43	Director
Robert C. Grayson	63	Director
Denis F. Kelly	58	Director
Philip R. Peller	68	Director

Kenneth D. Cole has served as the Company's Chief Executive Officer and Chairman of the Board since its inception in 1982 and was also President until February 2002. Mr. Cole was a founder, and from 1976 through 1982, a senior executive of El Greco, Inc., a shoe manufacturing and design company which manufactured *Candies* women's shoes. Mr. Cole is the Chairman of the Board of Directors of the American Foundation for AIDS Research ("AmFAR"). In addition, he is on the Board of Trustees of the Sundance Institute and the Council of Fashion Designers of America. Mr. Cole is also a Director and President of nearly all of the wholly-owned subsidiaries of the Company.

David P. Edelman was appointed as the Chief Financial Officer in July 2004. He joined the Company in January 1995 and served as the Company's Senior Vice President of Finance since April 2000. Before joining the Company, Mr. Edelman was Chief Financial Officer of a women's suit wholesaler, and he was employed 10 years as a CPA with Ernst & Young in various specialty groups including E&Y's National Consulting Office and its Retail and Apparel Audit Group. Mr. Edelman serves on the Board of Directors of the American Apparel and Footwear Association. Mr. Edelman is also a Director of many of the Company's wholly-owned subsidiaries.

Michael F. Colosi has served as the Company's Senior Vice President, General Counsel and Corporate Secretary since March 2007. Mr. Colosi previously served as Corporate Vice President and General Counsel for the Company from July 2000 to February 2007 and as Corporate Secretary since July 2004. Previously, Mr. Colosi was the Associate General Counsel and Assistant Secretary for The Warnaco Group, Inc. from 1996 to 2000. After clerking for Judge J. Edward Lumbard of the U.S. Court of Appeals for the Second Circuit, he was engaged in the private practice of law from 1992 to 1996.

Doug Jakubowski has served as President of Kenneth Cole – Apparel and Corporate Relations since October 2007. Mr. Jakubowski previously served as President of the *Kenneth Cole Reaction* brand and Senior Vice President of *Reaction* from July 2005. Prior to joining the Company, Mr. Jakubowski served as President of Perry Ellis Menswear from 2003 to 2005. From 1997 to 2003, he served as Executive Vice President of Merchandising and Design for Perry Ellis Sportswear. Prior to joining Perry Ellis, Mr. Jakubowski held various positions of Vice President of Sales and Marketing at International News, and Director of Marketing and Sales at Koral Industries.

Michael DeVirgilio has served as Executive Vice President of Business Development since January 2006. Mr. DeVirgilio previously served as Senior Vice President of Licensing from May 2005. Prior to that, he served as Corporate Vice President of Licensing and Design Services from March 2002 to May 2005. From 1999 to 2001, Mr. DeVirgilio served as Divisional Vice President of Licensing. Mr. DeVirgilio joined the Company as Director of Licensing in 1997. Prior to joining the Company, Mr. DeVirgilio was Director of Merchandising for the Joseph & Feiss Company (a Division of Hugo Boss, USA).

Richard S. Olicker joined the Company as President of the Wholesale Division and Executive Vice President of the Corporation in January 2006. Mr. Olicker was previously employed by Steven Madden, Ltd. Where he held the position of President since 2001 and was responsible for seven independently operating wholesale footwear divisions, including Steve Madden, Stevies, l.e.i., and Candie's. Mr. Olicker also had visibility of the operation of the retail, licensing, Internet and international divisions. Prior to this, Mr. Olicker co-founded Aerogroup International, Inc. (Aerosoles), the footwear import and marketing firm, and previously also served as General Counsel and Licensing Business Director at El Greco Inc. – Candie's.

Kyle Andrew joined the Company in February 2007 as Senior Vice President of Marketing. Ms. Andrew previously served as the Vice President of Marketing at Gap Brand, and was responsible for all Brand Communications and Creative. In this capacity, Ms. Andrew oversaw all advertising, media, public relations, promotions, buzz marketing, events, packaging and in-store creative for Gap, Baby Gap, Gap Kids and Gap Body. Prior to working at Gap Inc., Ms. Andrew worked on the agency side at various companies, including Arnell Group, Toth and Select Communications.

Linda Nash Merker joined the Company as Senior Vice President of Human Resources in May 2004. Previously, she served as Senior Vice President of Human Resources at Perry Ellis from January 2002 to November 2003, and Senior Vice President of Human Resources at Loehmann's from 1994 until 2000. While at Macy's East from 1987 until 1994, Ms. Merker also held various positions, the last two of which were Vice President of Human Resources – Merchandise Recruitment and Development and Vice President of Human Resources for the Herald Square store.

Jeff Cohen was named Divisional President of Consumer Direct in March 2008. He joined the Company as Divisional President of Company Stores in October 2006. Previously, he served as President of Retail at Calvin Klein, Inc., Guess? and Ecko Unlimited. Mr. Cohen served as President of Retail at Tommy Hilfiger, Inc. from 1993 to 2000. From 1983 to 1993, Mr. Cohen served as President of Retail with Polo Ralph Lauren.

Martin E. Franklin has served as the Chairman and Chief Executive Officer of Jarden Corporation since September 2001. He has served as Director of GLG Partners, Inc., formerly known as Freedom Acquisition Holdings, Inc., since December 2006. Mr. Franklin also serves as the Chairman of Liberty Acquisitions Holdings, Corp since November 2007. Prior to this, Mr. Franklin served as Executive Chairman of Bolle Inc. from July 1997 to February 2000. He also held the position of Chairman and CEO of Lumen Technologies, Inc. from May 1996 to December 1998, and its predecessor, Benson Eyecare Corporation, from October 1992 to May 1996. Mr. Franklin is currently a member of the Board of Directors of the Jewish Theological Seminary of America and One Family Fund, and various other charitable organizations.

Robert C. Grayson is the founder of Robert C. Grayson & Associates (d.b.a. The Grayson Company), a broad-based consulting practice for the consumer goods sector. From 1992 to 1996, Mr. Grayson served initially as an outside consultant to Tommy Hilfiger Corp., a wholesaler and retailer of men's sportswear and boyswear, and later accepted titles of Chairman of Tommy Hilfiger Retail, Inc. and Vice Chairman of Tommy Hilfiger Corp. From 1970 to 1992, Mr. Grayson served in various capacities for Limited Inc., including President and CEO of Lerner New York from 1985 to 1992, and President and CEO of Limited Stores from 1982 to 1985. He also serves as a director of St. John Knits, Lillian August Inc., U-Food, and Stax Incorporated.

Denis F. Kelly is a Managing Partner of Scura, Rise & Partners, LLC as well as Chairman of Ashburn Hill Corp, a manufacturer of fire resistant (FR) garments. From July 1993 to December 2000, Mr. Kelly was the head of the Mergers and Acquisitions Department at Prudential Securities Incorporated. From 1991 to 1993, Mr. Kelly was President of Denbrook Capital Corp., a merchant-banking firm. Mr. Kelly was at Merrill Lynch from 1980 to 1991, where he served as Managing Director, Mergers & Acquisitions from 1984 to 1986, and then as a Managing Director, Merchant Banking, from 1986 to 1991. Mr. Kelly is a director of MSC Industrial Direct, Inc.

Philip R. Peller was employed by Arthur Andersen LLP for 39 years. Prior to his retirement from Arthur Andersen in 1999, he served as Managing Partner of Practice Protection and Partner Matters for Andersen Worldwide SC, the coordinating entity for the activities of Arthur Andersen and Andersen Consulting, from 1996 to 1999. Prior to that appointment, Mr. Peller served as the Managing Director - Quality, Risk Management and Professional Competence for the worldwide audit practice. Mr. Peller joined Arthur Andersen in 1960 and was promoted to Audit Partner in 1970. Mr. Peller is a Certified Public Accountant. Mr. Peller is currently a member of the Board of Directors and Chair of the Audit Committee of MSC Industrial Direct Co., Inc. and of a privately-owned insurance company and serves as a consultant to other companies.

Available Information

The Company files its annual, quarterly and current reports and other information with the Securities and Exchange Commission ("SEC"). The Certifications required under Section 302 of the Sarbanes-Oxley Act of 2002 are filed as exhibits to the annual and quarterly reports on Form 10-K and Form 10-Q, respectively. In addition, the Company has provided the annual certification to the New York Stock Exchange. The Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge in the "Investor" section under the subheading of "About Us" on the Company's website *www.kennethcole.com*. These reports, and any amendments to these reports, are made available on our website as soon as reasonably practicable after such reports are filed with or furnished to the SEC. The public may read and copy any materials filed by the Company with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may also obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding the Company, which is available at http://www.sec.gov.

In addition, the Company's website, *www.kennethcole.com*, will include, free of charge, items related to corporate governance matters, including the Company's Corporate Governance Guidelines, charters of various committees of the Company's Board of Directors and the Company's Code of Business Conduct and Ethics applicable to employees, officers and directors. A printed copy of the Company's Form 10-K, Corporate Governance Guidelines and Code of Business Conduct and Ethics is available without charge by sending a written request to: Investor Relations, Kenneth Cole Productions, Inc., 400 Plaza Drive, Secaucus, NJ 07094.

Item 1A. Risk Factors

The Company operates in a changing environment that involves numerous known risks and uncertainties that could materially adversely affect its operations. The risks described below highlight some of the factors that have affected and in the future could affect the Company's operations. Additional risks that the Company does not yet know of or that it currently thinks are immaterial may also affect business operations. If any of the events or circumstances described below actually occurs, the Company's business, financial condition or results of operations could be materially adversely impacted.

The Company may not be able to respond to changing fashion and consumer demands in a timely manner.

The footwear, apparel and accessory industries are subject to changing consumer demands and fashion trends. The Company believes that its success depends in large part upon its ability to identify and interpret fashion trends and to anticipate and respond to such trends in a timely manner. The Company has generally been successful in this regard but there can be no assurance that the Company will be able to continue to meet changing consumer demands or to develop successful styles in the future. If the Company misjudges the market for a particular product or product line, it may result in an increased inventory of unsold and outdated finished goods, which may have an adverse effect on the Company's financial condition and results of operations. In addition, any failure by the Company to identify or respond to changing demands and trends could, in the long term, adversely affect consumer acceptance of the Company's brand names, which may have an adverse effect on the Company's business and prospects.

The Company intends to market additional lines of footwear, apparel and fashion accessories in the future. As is typical with new products, demand and market acceptance for any new products introduced by the Company will be subject to uncertainty. Achieving market acceptance for each of these products may require substantial marketing efforts and the expenditure of significant funds to create customer demand. There can be no assurance that the Company's marketing effort will successfully generate sales or that the Company will have the funds necessary to undertake such an effort.

The Company's sales are influenced by general economic cycles.

Footwear, apparel and accessories are cyclical industries dependent upon the overall level of consumer spending. Our customers anticipate and respond to adverse changes in economic conditions and uncertainty by reducing inventories and canceling orders. As a result, any substantial deterioration in general economic conditions, increases in energy costs or interest rates, acts of nature or political events that diminish consumer spending and confidence in any of the regions in which we compete, could reduce our sales and adversely affect our business and financial condition.

The footwear, apparel and accessory industries are highly competitive. Any increased competition could result in reduced sales or margins.

Competition in the footwear, apparel and accessory industries is intense. The Company's products compete with other branded products within their product categories as well as with private label products sold by retailers, including some of the Company's customers. In varying degrees, depending on the product category involved, the Company competes on the basis of style, price, quality, comfort and brand prestige and recognition, among other considerations. The Company also competes with numerous manufacturers, importers and distributors of footwear, apparel and accessories for the limited shelf-space available for the display of such product to the consumer. Moreover, the general availability of contract manufacturing capacity allows ease of access by new market entrants. Some of the Company's competitors are larger, have achieved greater recognition for their brand names, have captured greater market share and/or have substantially greater financial, distribution, marketing and other resources than the Company.

The loss of any of the Company's largest customers could have a material adverse effect on its financial results.

Although currently no customer comprises more than ten percent of the Company's customer base, should one of its larger customers be negatively impacted, it could adversely affect the Company's business. In recent years the retail industry has experienced consolidation and other ownership changes.

In the future, retailers may have financial problems or consolidate, undergo restructurings or reorganizations, or realign their affiliations, any of which could further increase the concentration of the Company's customers. The loss of any of the Company's largest customers, or the bankruptcy or material financial difficulty of any customer, could have a material adverse effect on its business. The Company does not have long-term contracts with any of its customers, and sales to customers generally occur on an order-by-order basis. As a result, customers can terminate their relationships with the Company at any time or under certain circumstances cancel or delay orders which could reduce our sales and adversely affect its business condition.

The success of the Company's business depends on its ability to attract and retain key employees.

The Company is heavily dependent on its current executive officers and management. The loss of any of its executive officers or management, including but not limited to, Kenneth D. Cole, or the inability to attract and retain qualified personnel could delay the development and introduction of new products, harm our ability to sell products, damage the image of its brands and/or prevent the Company from executing its business strategy.

Imposition of quotas and fluctuations in exchange rates could increase the Company's costs and impact its ability to source goods.

The Company's business is subject to risks of doing business abroad, including, but not limited to, fluctuations in exchange rates and the imposition of additional regulations relating to imports, including quotas, duties, taxes and other charges on imports.

In order to reduce the risk of exchange rate fluctuations, the Company often enters into forward exchange contracts to protect the purchase price under its agreements with its manufacturers or purchases products in United States dollars. The Company cannot fully anticipate all of its currency needs and, therefore, cannot fully protect against the effect of such fluctuations.

Although the majority of the goods sold by the Company are not currently subject to quotas, countries in which the Company's products are manufactured may, from time to time, impose new or adjust prevailing quotas or other restrictions on exported products and the United States may impose new duties, tariffs and other restrictions on imported products, any of which could adversely affect the Company's operations and its ability to import its products at the Company's current or increase quantity levels. Other restrictions on the importation of footwear and the Company's other products are periodically considered by the United States Congress and no assurances can be given that tariffs or duties on the Company's goods may not be raised. If tariffs are raised in the future, they will result in higher costs to the Company, and if import quotas are imposed or made more restrictive, the Company may not be able to source its goods at historical factories or at similar prices.

The voting shares of the Company's stock are concentrated in one majority shareholder.

Currently, Kenneth D. Cole owns approximately 88% of the voting power and approximately 43% of the outstanding common stock of the Company. As a result, Mr. Cole has the ability to control (i) the election of all of the Company's directors other than the directors who will be elected by the holders of Class A Common Stock, voting separately as a class, and (ii) the results of all other shareholder votes. Mr. Cole's interests may differ from the interests of the other stockholders.

War and acts of terrorism could affect the Company's ability to procure, sell and deliver product.

In the event of war or acts of terrorism or the escalation of existing hostilities, or if any are threatened, the Company's ability to procure its products from its manufacturers for sale to its customers may be negatively affected. The Company imports a substantial portion of its products from other countries. If it becomes difficult or impossible to import the Company's products into the countries in which it sell its products, the Company's sales and profit margins may be adversely affected. Additionally, war, military responses to future international conflicts, and possible future terrorist attacks may lead to a downturn in the U.S. and/or international economies, which could have a material adverse effect on the Company's results of operations.

The Company's business is subject to risks associated with sourcing outside the United States.

Substantially all of the Company's apparel products are produced by independent manufacturers. The Company faces the risk that these third-party manufacturers with whom it contracts to produce its products may not produce and deliver its products on a timely basis, or at all. The Company cannot be certain that it will not experience operational difficulties with its manufacturers, such as reductions in the availability of production capacity, errors in complying with product specifications, insufficient quality control, and failures to meet production deadlines or increases in manufacturing costs. The failure of any manufacturer to perform to the Company's expectations could result in supply shortages for certain products and harm its business.

In addition, the Company's foreign manufacturers may be adversely effected by additional factors such as political instability in countries where contractors and suppliers are located, imposition of regulations and quotas relating to imports, imposition of duties, taxes and other charges on imports, significant fluctuation of the value of the dollar against foreign currencies and restrictions on the transfer of funds to or from foreign countries.

The capacity of the Company's manufacturers to manufacture its products also is dependent, in part, upon the availability of raw materials. The Company's manufacturers may experience shortages of raw materials, which could result in delays in deliveries of its products by its manufacturers or in increased costs to the Company. Any shortage of raw materials or inability of a manufacturer to manufacture or ship its products in a timely manner, or at all, could impair the Company's ability to ship orders of its products in a cost-efficient, timely manner and could cause the Company to miss the delivery requirements of its customers. As a result, the Company could experience cancellations of orders, refusals to accept deliveries or reductions in its prices and margins, any of which could harm the Company's financial performance and results of operations.

The Company relies on licensees for revenues, supply of products and compliance with Company standards.

The Company licenses its trademarks to third parties for manufacturing, marketing, distribution and sale of various products and intends to expand its licensing programs. While the Company enters into comprehensive licensing agreements with its licensees covering product design, product quality, sourcing, manufacturing, marketing and other requirements, its licensees may not comply fully with those agreements. Non-compliance could include marketing products under the Company's brand names that do not meet its quality and other requirements or engaging in manufacturing practices that do not meet the Company's supplier code of conduct. These activities could harm the Company's brand equity, its reputation and its business.

In addition, the Company's results could be affected by the results of its licensees or distributors, or the transition of any of its licensing categories in-house. The financial difficulties of any of its partners or their failure to produce and deliver acceptable product could have an adverse impact on the Company's business in the future. In the event of a business failure of any such partner or of the breakdown of the Company's relationship with any domestic or foreign partner, there is no guarantee that the Company could replace such business.

The Company has assumed greater control over its men's sportswear collection.

The Company terminated its license agreement with Paul Davril, Inc. for men's sportswear in 2007 and created a wholesale apparel division to design, source and market these products commencing in Spring 2008. In addition to all of the risk factors listed in this section, the wholesale apparel division is subject to all the associated risks of a new business, including but not limited to, startup development costs incurred in advance of sales commencing, inability to attract and retain employees with sufficient expertise to manage these new classifications and inexperience of existing management with direct control of the business. New product classifications may require different methods of operations than those used in the past and may involve different customers or competitors, possible difficulties, delays or costs in integrating these lines into the business, operations, personnel or systems of the Company in ways not currently anticipated by Company management, and projected sales, margins and profits may not be realized.

Failure to anticipate and maintain proper inventory levels could have an adverse financial effect on the Company's business.

The Company maintains an inventory of selected products that it anticipates will be in high demand. The Company may be unable to sell the products it ordered in advance from manufacturers or that it has in its inventory. Inventory levels in excess of customer demand may result in inventory write-downs or the sale of excess inventory at discounted or closeout prices. These events could significantly harm the Company's operating results and impair the image of the Company's brands. Conversely, if the Company underestimates consumer demand for its products or if manufacturers fail to supply quality products in a timely manner, the Company may experience inventory shortages, which may result in unfilled orders, negatively impact customer relationships, diminish brand loyalty and result in lost revenues.

The Company relies on third parties for distribution and warehousing.

The Company relies on warehousing and distribution facilities operated by third parties in California and New Jersey. Any damage at either of these facilities due to fire, earthquake, flood, terrorist attack or any other natural or manmade cause, including operational or financial hardship of the provider or its capacity, could impair a portion of the Company's inventory or its ability to use its warehousing and distribution facilities.

Outcomes of litigation or changes in regulatory control could impact the Company's financial condition.

From time to time, the Company may be a party to lawsuits and regulatory actions relating to its business. Due to the inherent uncertainties of litigation and regulatory proceedings, the Company cannot accurately predict the ultimate outcome of any such proceedings. An unfavorable outcome could have a material adverse impact on the Company's business, financial condition and results of operations. In addition, regardless of the outcome of any litigation or regulatory proceedings, such proceedings could result in substantial costs and may require that the Company devote substantial resources to defend itself. Further, changes in government regulations both in the United States and in the countries in which the Company operates could have adverse affects on its business and subject it to additional regulatory actions.

The loss or infringement of the Company's trademarks and other proprietary rights could have a material adverse effect on its operations.

The Company believes that its trademarks and other proprietary rights are important to its success and competitive position. Accordingly, the Company devotes substantial resources to the establishment and protection of its trademarks on a worldwide basis. There can be no assurances that such actions taken to establish and protect the Company's trademarks and other proprietary rights will be adequate to prevent imitation of its products by others or to prevent others from seeking to block sales of the Company's products as violative of their trademarks and proprietary rights. Moreover, there can be no assurances that others will not assert rights in, or ownership of, the Company's trademarks and other proprietary rights or that the Company will be able to successfully resolve such conflicts. In addition, the laws of certain foreign countries may not protect proprietary rights to the same extent as do the laws of the United States. Any litigation regarding our trademarks could be time consuming and costly, and the loss of such trademarks and other proprietary rights, or the loss of the exclusive use of such trademarks and other proprietary rights could have a material adverse effect on the Company's operations.

Implementation of management information systems may impact the Company's financial results.

During 2007, the Company implemented SAP information management software in its retail operations and considered further expansion of SAP as an entity-wide integrated system solution. The implementation of such software could be delayed and the Company may encounter computer and operational complications in connection with such implementation that could have a material adverse effect on its business, financial condition or results of operations. Difficulties migrating existing systems to the new software could impact its ability to design, produce and ship its products on a timely basis.

Seasonality of the Company's business and the timing of store openings and closings could result in fluctuations in its financial performance.

The Company's business is subject to seasonal fluctuations. Historically, fourth quarter's sales are typically higher due to holiday business. Therefore, results of operations for any single quarter are not necessarily indicative of the results that may be achieved for a full fiscal year. Quarterly results have been, and in the future will continue to be, significantly impacted by the timing of new store openings and their respective pre-opening costs, as well as store closings and related costs.

Adverse publicity could negatively affect public perception of the brand.

The Company's results could be substantially affected by adverse publicity resulting from its products or its advertising.

Expiration of leases could result in fluctuations in the Company's financial performance.

As retail store leases expire, the Company may not be able to renew them on acceptable terms or secure suitable replacement locations. While the Company continues to explore new markets and is always evaluating new potential, some stores may close, and this may have an adverse impact on the financial operations of the Company's Consumer Direct division.

The Company's expectations of growth anticipate new store openings which are subject to many factors beyond its control.

Future growth in sales and profits in the Company's Consumer Direct division will depend to some extent on its ability to increase the number of stores. The lease negotiation and development timeframes vary from location to location and can be subject to unforeseen delays. The number and timing of new stores actually opened during any given period, and their associated contribution to net income for the period, will depend on a number of factors including, but not limited, to: the identification and availability of suitable locations and leases; the availability of suitable financing to the Company and its landlords; the timing of the delivery of the leased premises to the Company from its landlords in order to commence build-out construction activities; the Company's ability and its landlords' ability to obtain all necessary governmental licenses and permits to construct and operate its stores on a timely basis; the Company's ability to manage the construction and development costs of new stores, and the availability and/or cost of raw materials; the rectification of any unforeseen engineering or environmental problems with the leased premises; adverse weather during the construction period; and the hiring and training of qualified operating personnel in the local market. Any of the above factors could have a material adverse impact on the Company's financial condition.

The effects of recent hurricanes and other natural disasters have increased insurance costs for which the Company expects to take on higher deductibles if losses occur.

The Company has operations in flood, hurricane and earthquake zones. As such, the Company has insured itself against losses from natural disasters. The cost of such insurance has risen significantly as a result of the effects of recent disasters throughout the United States. To offset such costs, the Company has taken on larger deductibles which, if aggregated through multiple disaster locations, could have a material effect on our results of operations.

The Company intends to outsource its Internet business to a third-party direct-to-customer e-commerce service provider.

The Company signed an agreement in 2007 to outsource its Internet business to a third-party that provides direct-to-customer e-commerce services, which the Company believes will increase the efficiency of the Company's Internet business. Shortly after the agreement was signed, but before the scheduled launch date, the provider was acquired, resulting in a launch delay. The new launch date is scheduled to occur in 2008. Although the Company will be working closely with the third-party fulfillment center in transitioning the business from its current in-house process, the Company may incur delays in order-taking and fulfillment, as a result of the transition. This could impair the Company's ability to adequately meet the needs of its customers and negatively impact the Company's operating results.

Negative conditions in global credit markets may impair the Company's marketable securities portfolio.

The Company has investments in auction-rate securities which reset every 28 days, that, are "triple A" rated debt obligations, and substantially all have insurers. The recent conditions in the global credit markets have prevented some investors from liquidating their holdings of auction-rate securities because the amount of securities submitted for sale has exceeded the amount of purchase orders for such securities. If there is insufficient demand for the securities at the time of auction, the auction may not be completed and the interest rates may not be reset to predetermined interest rates. When auctions for these securities fail, the investments may not be readily convertible to cash until a future auctions of these investments is successful or they are redeemed or mature. If a decline in market value continues that is deemed other-than-temporary resulting in a writedown, the result could have a material effect on our results of operations.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

In June 2006, the Company purchased its corporate headquarters building, for approximately $24 million. The Company currently occupies 119,500 square feet in the building, which is located at 603 West 50th Street, New York, New York.

The Company leases 51,000 square feet of office space in Secaucus, New Jersey for its administrative offices. In addition, the Company also leases a 23,500 square foot facility in Secaucus used for Company Store space as well as an additional distribution warehousing facility. The Company also has a technical and administrative office in Florence, Italy, and the Company opened a similar office in Dongguan, China in 2005. The Company does not own or operate any manufacturing facilities.

As of December 31, 2007, the Company leased space for all of its 49 full-priced retail stores (aggregating approximately 237,000 square feet) and 42 Company Stores (aggregating approximately 208,000 square feet). Generally, the leases provide for an initial term of five to ten years and certain leases provide for renewal options permitting the Company to extend the term thereafter.

Item 3. Legal Proceedings

On April 17, 2007, a class action was filed in Superior Court for the State of California, County of San Diego. The class action alleged that the Company's policies and practices regarding the request of personal information during credit card purchases violated California Civil Code Section 1747.08 (the Song-Beverly Credit Card Act). On October 29, 2007, the parties participated in mediation and reached an agreement in principle to settle the dispute. The amounts reserved at December 31, 2007 were sufficient to cover the proposed settlement preliminarily approved by the court on January 25, 2008. A hearing on final approval is scheduled for March 21, 2008.

A former store manager brought suit against the Company seeking back overtime pay for time worked in the store in excess of forty hours per week. On appeal the California Supreme Court ruled that amounts owed to employees for meal breaks should be treated as wage claims subject to a three-year statute of limitations. The Company has fully satisfied the judgment including attorneys' fees for the original trial. The plaintiff petitioned the court of appeals for attorneys' fees for the appellate proceedings, and the court of appeals subsequently referred the petition back to the trial court. On October 3, 2007, the trial court heard oral argument on the parties' positions and made preliminary rulings. Based on those rulings, the Company established a reserve in September 2007. The amounts reserved at December 31, 2007 were sufficient to cover the judgment that was settled and paid in January 2008.

The Company is, from time to time, a party to other litigation that arises in the normal course of its business operations. The Company is not presently a party to any other litigation that it believes might have a material adverse effect on its business operations.

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

None.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities

The Company's Class A Common Stock is listed and traded (trading symbol: KCP) on the New York Stock Exchange ("NYSE"). On February 29, 2008 the closing sale price for the Class A Common Stock was $14.87. The following table sets forth the high and low closing sale prices for the Class A Common Stock for each quarterly period for 2007 and 2006, as reported on the NYSE Composite Tape:

2007:	High	Low
First Quarter	27.67	22.85
Second Quarter	27.94	23.07
Third Quarter	25.02	19.37
Fourth Quarter	20.34	17.27

2006:	High	Low
First Quarter	28.52	25.47
Second Quarter	28.56	22.33
Third Quarter	25.52	22.07
Fourth Quarter	26.60	22.97

The number of shareholders of record of the Company's Class A Common Stock on February 29, 2008 was 75.

There were 7 holders of record of the Company's Class B Common Stock on February 29, 2008. There is no established public trading market for the Company's Class B Common Stock.

During the fourth quarter of 2007, the Company repurchased 725,700 shares of its own stock, as presented in the following table:

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (1)
November 2007	580,200	$18.81	580,200	837,500
December 2007	145,500	$18.40	145,500	692,000

(1) As of December 31, 2007, the remaining amount of shares that could be repurchased was approximately 692,000 shares. On March 3, 2008, the Company's Board of Directors increased the authorization for the Company's stock buyback plan by 4,000,000 shares to 4,692,000 shares available for repurchase.

Dividend Policy

The payment of any future dividends will be at the discretion of the Company's Board of Directors and will depend, among other things, upon, future earnings, operations, capital requirements, proposed tax legislation, the financial condition of the Company and general business conditions.

The Company established a quarterly dividend policy in 2003 and made $0.18 per share dividend payments to shareholders of record as of the close of business on March 8, May 24, August 23 and November 21 during the fiscal year ended December 31, 2007 and March 9, May 23, August 25, and November 22 during the fiscal year ended December 31, 2006.

On March 3, 2008, the Board of Directors declared a quarterly cash dividend of $0.09 per share, payable on March 28, 2008, to shareholders of record at the close of business on March 14, 2008.

The Company had the following securities authorized for issuance under equity compensation plans as of December 31, 2007:

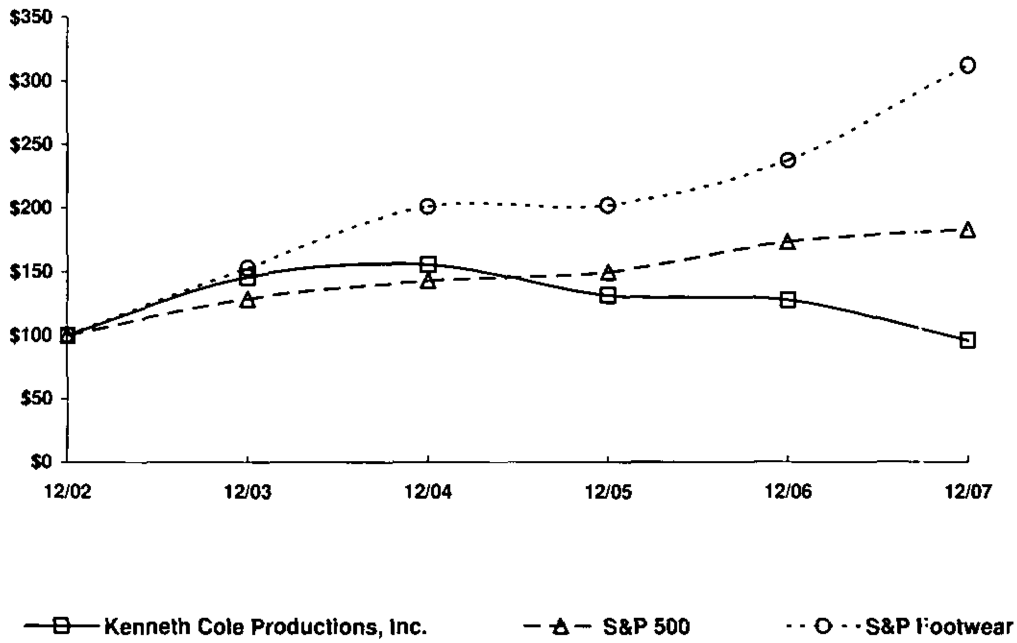
Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights (a)	Weighted-average exercise price of outstanding options, warrants, and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	1,754,779	$25.08	1,214,668
Equity compensation plans not approved by security holders	N/A	N/A	N/A

Stock Performance Graph

The following graph compares the yearly percentage change in the cumulative total shareholder return on the Class A Common Stock during the period beginning on December 31, 2002 and ending on December 31, 2007 with the cumulative total return on the Standard & Poor's 500 Composite Index and the Standard & Poor's Footwear Index. The comparison assumes that $100 was invested on December 31, 2002 in the Class A Common Stock in the foregoing indices and assumes the reinvestment of dividends.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Kenneth Cole Productions, Inc., The S&P 500 Index
and The S&P Footwear Index



* $100 invested on 12/31/02 in stock or index-including reinvestment of dividends. Fiscal year ending December 31.

Item 6. Selected Financial Data

The following selected financial data has been derived from the consolidated financial statements of the Company and should be read in conjunction with the consolidated financial statements and notes thereto that appear elsewhere in this Annual Report and in "Management's Discussion and Analysis of Financial Condition and Results of Operations" set forth in Item 7 of this Annual Report.

(Amounts are in thousands except for per share and dividend amounts.)

	2007	2006	2005	2004	2003
Income Statement Data:					
Net sales	**$466,405**	$492,282	$474,060	$473,438	$430,101
Royalty revenue	**44,315**	44,217	43,983	42,763	38,252
Net revenue	**510,720**	536,499	518,043	516,201	468,353
Cost of goods sold	**287,408**	304,672	283,727	284,817	258,457
Gross profit (2)	**223,312**	231,827	234,316	231,384	209,896
Selling and general administrative expenses (1)	**207,863**	194,718	188,953	174,519	157,824
Impairment of long-lived assets	**10,564**	121	--	448	1,153
Operating income	**4,885**	36,988	45,363	56,417	50,919
Interest and other income, net	**5,366**	4,875	4,151	1,411	825
Income before provision for income taxes	**10,251**	41,863	49,514	57,828	51,744
Provision for income taxes	**3,168**	15,098	15,988	21,976	19,145
Net income	**$7,083**	$26,765	$33,526	$35,852	$32,599
Earnings per share:					
Basic	**$0.35**	$1.34	$1.69	$1.79	$1.66
Diluted	**$0.35**	$1.31	$1.65	$1.74	$1.59
Weighted-average shares outstanding:					
Basic	**20,057**	20,046	19,888	20,050	19,609
Diluted	**20,325**	20,396	20,318	20,652	20,486
Cash dividends per share	**$0.72**	$0.72	$0.66	$0.52	$0.17

	2007	2006	2005	2004	2003
Balance Sheet Data:					
Working capital	**$139,401**	$169,862	$187,106	$173,007	$154,161
Cash	**90,653**	105,441	63,747	80,014	111,102
Marketable Securities	**8,305**	12,250	66,400	40,000	--
Inventory	**48,033**	46,274	45,465	47,166	44,851
Total assets	**354,537**	361,113	340,671	304,587	273,841
Total debt, including current maturities	**--**	--	3,000	--	--
Total shareholders' equity	**$241,990**	$257,676	$244,660	$216,528	$196,334

(1) Includes warehousing and receiving expenses.

(2) Gross profit may not be comparable to other entities, since some entities include the costs related to their distribution network (receiving and warehousing) in cost of goods sold and other entities, similar to the Company, exclude these costs from gross profit, including them instead in a line item such as selling, general and administrative expenses.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the consolidated financial statements and the notes thereto that appear elsewhere in this Annual Report.

Overview

Kenneth Cole Productions, Inc. designs, sources and markets a broad range of fashion footwear and handbags and, through license agreements, designs and markets apparel and accessories under its *Kenneth Cole New York, Kenneth Cole Reaction, Unlisted, Bongo, Tribeca* and *Le Tigre* brand names. It also designs, sources and markets men's sportswear under the *Kenneth Cole New York* brand. The Company's products are targeted to appeal to fashion conscious consumers, reflecting a casual urban perspective and a contemporary lifestyle uniquely associated with *Kenneth Cole*.

The Company markets its products to approximately 6,000 department and specialty store locations, as well as through its Consumer Direct business, which includes a base of full-priced retail and Company Stores and interactive websites, including online e-commerce.

The popularity of the *Kenneth Cole* brand names among consumers has enabled the Company to expand its product offerings and channels of distribution through licensing agreements and offers through these agreements a lifestyle collection of men's product categories including tailored clothing, dress shirts, dress pants, neckwear, briefcases, portfolios, jewelry, fragrance, belts, leather and fabric outerwear, cold-weather accessories, swimwear, sunglasses, prescription eyewear, watches, fragrance, swimwear, luggage, hosiery and small leather goods. Women's product categories currently being sold pursuant to license agreements include sportswear, small leather goods, belts, scarves and wraps, hosiery, leather and fabric outerwear, sunglasses, prescription eyewear, watches, jewelry, fragrance, swimwear, and luggage. In addition, the Company licenses boys' and girls' apparel, under the *Kenneth Cole Reaction* brand, as well as the *Unlisted* and *Le Tigre* brands in certain categories.

The Company recorded revenues of $510.7 million for the year ended December 31, 2007. Diluted earnings per share decreased to $0.35 from $1.31, year-over-year, inclusive of an annual after-tax impairment charge of $0.32. As of December 31, 2007, the Company had $90.7 million in cash and cash equivalents with no debt. In addition, the Company has a five-year $100 million committed Revolving Credit Facility and will pay a quarterly cash dividend of $0.09 on March 28, 2008 to shareholders of record at the close of business on March 14, 2008.

Critical Accounting Policies and Estimates

General

The Company's management's discussion and analysis of its financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, including those related to product returns, bad debts, inventories, income taxes, financing operations, contingencies and litigation. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Inventory

The Company writes down its inventory for estimated obsolescence equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

Sales Returns and Allowances

The Company's ability to collect factor chargebacks for deductions taken by its customers for returns, discounts and allowances as well as potential future customer deductions is significant to its operations. The Company reserves against known chargebacks as well as potential future customer deductions based on a combination of historical activity and current market conditions. Actual results may differ from these estimates under different assumptions or conditions, which may have a significant impact on the Company's results.

Allowance for Doubtful Accounts

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments, as well as royalties and advertising revenues from its licensing partners. These customers include non-factored accounts and credit card receivables from third-party service providers. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Impairment of Indefinite-lived Intangible Assets and Long-Lived Assets

The Company performs a review of its indefinite-lived intangible assets and long-lived assets for impairment on a quarterly basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the total of the expected future undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and carrying value of the asset.

Income Taxes

The Company's income taxes are routinely under audit by federal, state or local authorities. These audits include questioning of the timing and amount of deductions and the allocation of income among various tax jurisdictions. Based on its annual evaluations of tax positions, the Company believes it has appropriately accrued for probable exposures. To the extent the Company is required to pay amounts in excess of recorded income tax liabilities, the Company's effective tax rate in a given financial statement period could be materially impacted. The Company adopted Financial Accounting Standards Board Interpretation No. 48 *"Accounting for Uncertainty in Income Taxes"* ("FIN 48") on January 1, 2007 which requires financial statement recognition and measurement of a tax position taken or expected to be taken in a return. The adoption of FIN 48 did not have a material impact on the financial statements.

Litigation

The Company is periodically involved in various legal actions arising in the normal course of business. Management is required to assess the probability of any adverse judgments as well as the potential range of any losses. Management determines the required accruals after a careful review of the facts of each significant legal action. The Company's accruals may change in the future due to new developments in these matters.

Contingencies

In the ordinary course of business, the Company is involved in and subject to compliance and regulatory reviews and audits by numerous authorities, agencies and other governmental agents and entities from various jurisdictions. The Company is required to assess the likelihood of any adverse outcomes of these matters. A determination of the amount of reserves required, if any, for these reviews is made after careful analysis of each individual issue. The reserves may change in the future due to new developments or final resolution in each matter, which may have a significant impact on the Company's results.

Stock-based Compensation

Effective January 1, 2006, the Company adopted SFAS No. 123R "Share-based Payment" ("SFAS 123R") which requires all share-based payments, including grants of employee stock options, to be recognized in the financial statements based on their fair values. The Company elected to use the modified prospective transition method to record stock-based compensation expense; therefore, prior period results were not restated. Under SFAS 123R, the Company measures the cost of services received in exchange for stock options and similar awards based on the grant-date fair value of the award and recognizes this cost in the income statement over the period during which an award recipient is required to provide services in exchange for the award. The Company uses the Black-Scholes model to assess the fair value of share-based payments and amortizes this cost over the service period. In addition, stock compensation expense is reduced for estimated forfeitures prior to vesting primarily based on historical annual forfeiture rates and by employee classification. Estimated forfeitures are reassessed on a quarterly basis and may change based on new facts and circumstances.

New Accounting Pronouncements

In September 2006, the FASB issued FASB Statement No. 157, "Fair Value Measurements" ("SFAS 157"), which addresses how companies should measure fair value when they are required to use a fair value measure for recognition or disclosure purposes under generally accepted accounting principles. The FASB believes that the new standard will make the measurement of fair value more consistent and comparable and improve disclosures about those measures. SFAS 157 is effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB deferred the effective date of SFAS 157 for one year for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The Company adopted the provisions on January 1, 2008, and has determined that it will not have a material impact on the Company's consolidated financial statements.

In February 2007, the FASB issued FASB Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No.115" ("SFAS 159"). SFAS 159 allows entities to choose, at specified election dates, to measure eligible financial assets and liabilities at fair value in situations in which they are not otherwise required to be measured at fair value. If a company elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting periods must be recognized in current period earnings. SFAS 159 also establishes presentation and disclosure requirements designed to draw comparison between entities that elect different measurement attributes for similar assets and liabilities. The Company adopted the provisions on January 1, 2008, and has determined that it will not have a material impact on the Company's consolidated financial statements.

In December 2007, the FASB issued FASB Statement No. 141 (R), "Business Combinations" ("SFAS 141R"). SFAS 141R requires an acquirer to measure the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at their fair values on the acquisition date, with goodwill being the excess value over the net identifiable assets acquired. SFAS 141R is effective for all business combinations for which the acquisition date is on or after the beginning of the first annual period subsequent to December 15, 2008. The Company is currently evaluating the requirements and impact of FAS 141R on the Company's consolidated financial statements.

In December 2007, the FASB issued FASB Statement No. 160, "Noncontrolling Interests in Consolidated Financial Statements-an amendment of ARB No. 51" ("SFAS 160"). SFAS 160 clarifies that a noncontrolling interest in a subsidiary should be reported as equity in the consolidated financial statements. The calculation of earnings per share will continue to be based on income amounts attributable to the parent. SFAS 160 is effective for financial statements issued for fiscal years beginning after December 15, 2008. The Company is currently evaluating the requirements and impact of SFAS 160 on the Company's consolidated financial statements.

Results of Operations

The following table sets forth certain operating data of the Company as a percentage of net revenues for the periods indicated below:

	2007	2006	2005
Net sales	91.3%	91.8%	91.5%
Royalty revenue	8.7	8.2	8.5
Net revenues	100.0	100.0	100.0
Cost of goods sold	56.3	56.8	54.8
Gross profit (1)	43.7	43.2	45.2
Selling, general and administrative expenses	40.7	36.2	36.5
Impairment of long-lived assets	2.1	0.1	0.0
Operating income	1.0	6.9	8.7
Income before provision for income taxes	2.0	7.8	9.6
Provision for income taxes	0.6	2.8	3.1
Net income	1.4%	5.0%	6.5%

(1) Gross profit may not be comparable to other entities, since some entities include the costs related to their distribution network (receiving and warehousing) in cost of goods sold and other entities, similar to the Company, exclude these costs from gross profit, including them instead in a line item such as selling, general and administrative expenses.

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

Net revenues decreased $25.8 million, or 4.8%, to $510.7 million in 2007 from $536.5 million in 2006. The decrease was due to decreases in the Company's Wholesale and Consumer Direct business segments, partially offset by slight increases in the Company's Licensing business.

Wholesale net sales (excluding sales to the Company's Consumer Direct business segment) decreased $24.2 million, or 7.7% to $290.8 million in 2007 from $315.0 million in 2006. The decrease is primarily due to a decline in sales across the Company's branded businesses. The challenging retail environment, from a lack of strong direction in footwear fashion trends, as well as generally softer sell-thrus compared to the prior year, resulted in the decline in most of the Company's Wholesale businesses.

Net sales in the Company's Consumer Direct segment decreased $1.7 million, or 0.9%, to $175.6 million for the year ended December 31, 2007 from $177.3 million for the year ended December 31, 2006. The decrease primarily related to a decrease in full-priced retail and Company Store sales of $2.1 million, or 1.2%, offset by increased Internet sales of $0.4 million, or 7%, for the year ended December 31, 2007 as compared to December 31, 2006. Comparable store sales decreased $1.2 million, or 0.7%, while new store sales in 2007 plus that portion of 2007 sales for stores not open for all of 2006 decreased $0.9 million. Comparable stores sales are defined as new stores that are open for longer than thirteen months. A store that stops operations is included in the comparable sales calculation through the date of closing. As the Company has increased the amount of specific "made for Company Store" product, sales have improved at its Company store locations. In its full-priced retail stores, the Company limited overstock positions and reduced markdowns through standardized assortments and modified price points to align the price-value relationship of the Company's brands, which the Company believes will result in improved operating performance over time. In addition, the Company closed five full-priced retail stores and one Company Store during 2007 and seven stores in January 2008 and continues to evaluate its real-estate portfolio. As part of its strategic plan for the Consumer Direct segment, the Company signed an agreement to outsource the order-taking and fulfillment responsibilities related to its Internet business to a third-party that provides direct-to-customer e-commerce services, which the Company believes will increase the efficiency of this business.

Royalty revenue increased $0.1 million or 0.2% to $44.3 million in 2007 from $44.2 million in 2006. The increase in licensing revenues was primarily attributable to incremental revenues from its existing licensees offset by a reduction in sportswear royalties from an amendment to the Company's licensing agreement relating to its *Kenneth Cole Reaction* men's and *Kenneth Cole New York* sportswear businesses. The Company has transitioned its *Kenneth Cole New York* and *Kenneth Cole Reaction* men's sportswear businesses from a licensing model to an in-house operation, and has commenced shipments for the Spring 2008 season.

Consolidated gross profit, as a percentage of net revenues, increased to 43.7% for the year ended December 31, 2007 from 43.2% for the year ended December 31, 2006. This increase was primarily due to an increase in Consumer Direct margins, as well as a change in mix of the Company's net revenues from its Wholesale, Consumer Direct and Licensing segments. The Consumer Direct segment, which operates at a higher gross profit level than the Wholesale segment, had increased revenues as a percentage of net revenues of 34.4% for the year ended December 31, 2007 compared to 33.1% for the year ended December 31, 2006, while the Wholesale segment revenues as a percentage of net revenues decreased to 56.9% for the year ended December 31, 2007 from 58.7% for the year ended December 31, 2006. The revenues in the Licensing segment, which carries no cost of goods sold, increased as a percentage of net revenues to 8.7% for the year ended December 31, 2007 as compared to 8.2% for the year ended December 31, 2006. In addition, wholesale margins decreased from softer sell-thrus in a challenging retail environment, while retail margins improved from reduced markdowns from modified price points to align the price-value relationship of the Company's brands.

Selling, general and administrative ("SG&A") expenses, including warehousing and receiving expenses, increased $13.1 million to $207.9 million for the year ended December 31, 2007 from $194.8 million for the year ended December 31, 2006. The increase in SG&A expenses was primarily attributable to increases in stock-based compensation expense, costs incurred with transitioning the men's sportswear business to an in-house operation, costs associated with the implementation of the Company's SAP retail and point-of-sale systems and legal reserves.

As a percentage of net revenues, SG&A expenses increased to 40.7% for the year ended December 31, 2007, from 36.3% for the year ended December 31, 2006 from the additional costs mentioned above and loss of leverage on the decrease in Wholesale sales.

The Company incurred an impairment on long-lived assets of $10.6 million during the year ended December 31, 2007 compared to $0.1 million in 2006. The increase in charges in 2007 primarily related to the impairment in 2007 of certain leasehold improvements and furniture and fixtures in twenty-three of the Company's stores.

Interest and other income increased $0.5 million, or 10.1%, to approximately $5.4 million for the year ended December 31, 2007 as compared to the year ended December 31, 2006, primarily due to an average higher rate of return on investments.

The Company's effective tax rate decreased to 30.9% for the year ended December 31, 2007 from 36.1% for the year ended December 31, 2006. This was primarily due to a $0.8 million tax benefit and a decrease in the related level of earnings in the various state and local taxing jurisdictions to which the Company's earnings are subject during the year ended December 31, 2007 as compared to December 31, 2006. In 2006, the Company recorded $0.6 million of net tax benefits for agreements reached with certain tax jurisdictions that closed outstanding audit periods for which the Company had previously established reserves.

As a result of the foregoing, net income decreased by $19.7 million or 73.5% to $7.1 million (1.4% of net revenues) for the year ended December 31, 2007 from $26.8 million (5.0% of net revenues) for the year ended December 31, 2006

Year Ended December 31, 2006 Compared to Year Ended December 31, 2005

Net revenues increased $18.5 million, or 3.6%, to $536.5 million in 2006 from $518.0 million in 2005. This increase was due to revenue increases in the Company's Wholesale and Licensing business segments, partially offset by decreases in the Company's Consumer Direct business.

Wholesale net sales (excluding sales to the Consumer Direct business segment) increased $27.9 million, or 9.7%, to $315.0 million in 2006 from $287.1 million in 2005. The increase was primarily due to a growth in sales of *Kenneth Cole Reaction* footwear and handbags of approximately 20%, as well as single digit growth in *Bongo, Tribeca*, and *Unlisted* footwear, offset by declines in *Kenneth Cole New York* handbags. The Company will continue to focus on product offerings, design, pricing and distribution, which it believes are the significant factors defining its brands and increasing consumer demand.

Net sales in the Company's Consumer Direct segment decreased $9.6 million, or 5.1%, to $177.3 million in 2006 from $186.9 million in 2005. The decrease was primarily due to a decrease in retail store sales of $10.0 million, or 5.5%, as compared to year ended December 31, 2005. Comparable store sales decreased by $16.5 million, or 9.7%, offset by an increase of $6.6 million of new store sales in 2006 plus the portion of 2006 sales for stores not open for all of 2005. Comparable stores are defined as new stores that are open for longer than thirteen months. A store that stops operations is included in the comparable sales calculation through the date of closing. The Company believes that the lack of an effective execution of its brand elevation strategy for the Company's retail stores contributed significantly to the decline in Consumer Direct results. The Company believes it may have elevated its prices too abruptly to create an appropriate transition for its customers. The Company is taking measures to address these issues, including certain organizational and management changes, as well as merchandising improvements. The Company has separated the merchandising and support functions between the Company's Company Stores and its full-priced retail stores. As a result, the Company believes it can initiate more effective business and merchandising practices for these stores. The initial stage of the Company's plan has been to eliminate the use of its Company Stores as clearance centers and increase the amount of specific made for Company Store product. This has improved the Company's presentation, margins, and resulted in positive Company Store comparative store sales in the fourth quarter of 2006 of 1.8%. In addition, the Company is controlling inventory levels to reduce clearance product, is adjusting product mix to incorporate a wider range of price points, and is evaluating its real estate portfolio with plans to close several stores, while reviewing opportunities for new store locations for the latter half of 2007.

Royalty revenue increased $0.2 million, or 0.5%, to $44.2 million in 2006 from $44.0 million in 2005. The increase was primarily attributable to the incremental minimum royalties from the Company's existing licensees, as well as additional royalties from two *Reaction* licensees related to women's sportswear and the home collection, offset by declines in domestic royalty revenue from men's and women's *Kenneth Cole New York* sportswear. The Company believes sportswear is a critical component in the visibility of its brands in both its Consumer Direct and Wholesale business segments. In November 2006, the Company amended its license agreement with Paul Davril Inc. ("PDI"), which covers the manufacture and distribution of men's and women's sportswear under the *Kenneth Cole New York* trademark and men's sportswear under the *Kenneth Cole Reaction* trademark. The amended agreement results in the Company assuming control of its *Kenneth Cole New York* and *Kenneth Cole Reaction* sportswear categories at the end of 2007. The Company is transitioning the *Kenneth Cole New York* women's sportswear business, some of which the Company has already been sourcing over the past two seasons and plans to assume control of the *Kenneth Cole New York* men's sportswear business during 2007. As the Company absorbs the infrastructure and makes this transition, it will make a determination as to the strategic alternatives of *Kenneth Cole Reaction* men's sportswear, which include entering into a strategic licensing arrangement or similar venture with a new partner or partners or assuming internal control of the business. The Company believes that taking control of the *Kenneth Cole New York* men's and women's sportswear business by the end of 2007 will result in the reduction of licensing revenue along with reduced advertising contributions and some additional infrastructure costs in the short term, but will have meaningful long-term benefits. The Company believes that controlling the *Kenneth Cole New York* sportswear classification will allow it to better reinforce each of its brands and all of the associated businesses, most particularly the Consumer Direct business. The amendment of the PDI license is expected to cause a reduction in licensing royalties of approximately $5 million to $6 million before considering any 2007 growth in other licenses. In addition, incremental advertising and infrastructure costs of approximately $3 million to $5 million are expected before implementing any mitigating actions.

Consolidated gross profit decreased to 43.2% in 2006, as a percentage of net revenues, compared to 45.2% in 2005. This decrease was primarily a result of decreases in the Consumer Direct margins, offset by an increase in Wholesale margins, and the change in mix of the Company's net revenues from its three segments. The Consumer Direct segment, which typically operates at a higher gross profit level than the Wholesale segment, had decreased revenues as a percentage of net revenues of 33.1% for the year ended December 31, 2006 compared to 36.1% for the year ended December 31, 2005, while the Wholesale segment revenues as a percentage of net revenues increased to 58.7% for the year ended December 31, 2006 from 55.4% for the year ended December 31, 2005. The revenues in the Licensing segment, which carries no cost of goods sold, also decreased as a percentage of revenue to 8.2% for the year ended December 31, 2006 compared to 8.5% for the year ended December 31, 2005. The increase in Wholesale margins is primarily due to strong sell-thrus at retail of *Kenneth Cole Reaction* branded product, while the margins in Consumer Direct decreased due to additional clearance activity, during the first three quarters of 2006.

SG&A expenses, including warehousing and receiving expenses, decreased as a percentage of net revenues to 36.3% ($194.8 million) in 2006, which included impairment charges of approximately $0.1 million, from 36.5% of net revenues ($189.0 million) in 2005, which included severance costs of approximately $0.8 million in 2005. Stock-based compensation expense amounted to $3.2 million and is included in SG&A expenses. Excluding the impact of stock-based compensation expense, SG&A expenses, as a percentage of net revenues, would have been 35.7% for the year ended December 31, 2006, as compared to 36.2% in 2005. Expenses, as a percentage of net revenues, decreased primarily due to leverage from the Company's improvement in sales from its Wholesale segment, including efficiencies gained by moving to a new West Coast distribution center in March 2006, offset by fixed costs de-leveraging on its Consumer Direct segment's negative comparative stores' sales base results.

Interest and other income increased to $4.9 million for the year ended December 31, 2006 from $4.2 million in 2005. The increase was primarily due to higher average cash balances and a higher rate of return on investments.

The Company's effective tax rate increased to 36.1% for the year ended December 31, 2006 from 32.3% for the year ended December 31, 2005. The increase was primarily the result of a temporary provision that allowed U.S. companies to repatriate earnings from their foreign subsidiaries at a reduced tax rate in 2005, which resulted in approximately $3.0 million in tax savings for the year ended December 31, 2005. This was offset by a tax benefit during 2006 of approximately $600,000, net of certain tax liabilities that were established, resulting from agreements reached with various taxing authorities that closed certain outstanding audit periods, for which the Company had previously established reserves.

As a result of the foregoing, net income decreased by $6.7 million, or 20.2%, to $26.8 million (5.0% of net revenue), for the year ended December 31, 2006, from $33.5 million (6.5% of net revenue) for the year ended December 31, 2005.

Related Party Transactions

The Company has an exclusive license agreement with Iconix Brand Group, Inc., and its trademark holding company, IP Holdings, LLC ("Iconix"), to use the *Bongo* trademark in connection with worldwide manufacture, sale and distribution of women's, men's and children's footwear. The Chief Executive Officer and Chairman of Iconix is the brother of the Company's Chief Executive Officer and Chairman. The term of the agreement is through December 31, 2010. Management believes that the license agreement with Iconix was entered into at arm's-length. During these periods, the Company is obligated to pay Iconix a percentage of net sales based upon the terms of the agreement. The Company recorded approximately $1,083,000 and $1,400,000 in aggregate royalty and advertising expense under the agreement for the years ended December 31, 2007 and December 31, 2006, respectively.

During 2007, the Company recorded expenses of approximately $510,000 and $515,000 for the years ended December 31, 2007 and 2006 to a third-party aviation company which hires and uses an aircraft partially owned by Emack LLC, a company which is wholly-owned by the Company's Chief Executive Officer and Chairman . Management believes that all transactions were made on terms and conditions similar to or more favorable than those available in the marketplace from unrelated parties.

Liquidity and Capital Resources

The Company's cash requirements are generated primarily from working capital needs, retail expansion, new technology, and other corporate activities. The Company primarily relies upon internally generated cash flows from operations to finance its operations and growth; however, it also has the ability to borrow up to $100.0 million under its revolving credit facility. Cash flows may vary from time to time as a result of seasonal requirements of inventory, the timing of the delivery of merchandise to customers and the level of accounts receivable and payable balances. At December 31, 2007, working capital was $139.4 million compared to $169.9 million at December 31, 2006.

Net cash provided by operating activities was $34.4 million for the year ended December 31, 2007 compared to $48.7 million for the year ended December 31, 2006. The decrease in cash flows provided by operations is primarily attributable to a decrease in net income and the timing of accounts receivable and accounts payable.

Net cash used in investing activities totaled $20.3 million for the year ended December 31, 2007 compared to $13.6 million provided by investing activities for the year ended December 31, 2006. The decrease was primarily attributable to $54.3 million in proceeds received from the sale of marketable securities in connection with the shift in the Company's portfolio holdings of auction-rate securities to overnight money market funds, compared to proceeds of $8.4 million of marketable securities in 2007. In addition, approximately $13.0 million was used to purchase the *Le Tigre* trademark and other intellectual property associated with the *Le Tigre* brand during 2007. This was partially offset by a reduction in capital expenditures for the year ended December 31, 2007 of $10.6 million, compared to $39.9 million for the year ended December 31, 2006, which includes the purchase of the Company's corporate headquarters building for approximately $24 million in 2006. Also included in capital expenditures for the years ended December 31, 2007 and 2006, were approximately $9.3 million and $15.9, respectively, for amounts associated with the implementation of the SAP retail and point of sales systems and furniture, fixtures, and leasehold improvements for the buildout of new Company Stores.

Net cash used in financing activities was $28.9 million for the year ended December 31, 2007 compared to $20.6 million for the year ended December 31, 2006. The increase is primarily due to the Company's repurchase of 1,080,000 treasury shares at an aggregate price of $19.2 million during 2007 as compared to 300,000 treasury shares repurchased at an aggregate price of $7.2 million during 2006. This was partially offset by proceeds from stock option exercises of $4.3 million for the year ended December 31, 2007, compared to $3.3 million for the year-ended December 31, 2006, and the repayment of the Company's short-term borrowing of $3.0 million in 2006.

The Company currently sells substantially all of its accounts receivable to two factors without recourse. In circumstances where a customer's account cannot be factored without recourse, the Company may take other measures to reduce its credit exposure, which could include requiring the customer to pay in advance, or to provide a letter of credit covering the sales price of the merchandise ordered.

The Company's material obligations under contractual agreements, primarily commitments for future payments under operating lease agreements, as of December 31, 2007 are summarized as follows:

	Payment Due by Period				
	Total	1 year or less	2-3 years	4-5 years	After 5 years
Operating Leases and Other Obligations	$152,361,000	$24,990,000	$45,747,000	$38,482,000	$43,142,000
Purchase Obligations	45,371,000	45,371,000	--	--	--
Minimum Licensee Royalties	3,657,000	1,137,000	2,520,000	--	--
Total Contractual Obligations	$201,389,000	$71,498,000	$48,267,000	$38,482,000	$43,142,000

During 2008, the Company anticipates that it will continue to require additional capital expenditures to support its information systems. The Company implemented an integrated business platform using SAP software across the Company's full-priced retail and Company Stores, which resulted in capital expenditures of approximately $13.0 million. Contingent rent and other charges amounted to $8.4 million and $7.0 million for the years ended December 31, 2007 and 2006.

In December 2006, the Company entered into a five-year senior unsecured revolving credit facility (the "Revolving Credit Facility"), with various lenders, which provides up to $100.0 million to finance working capital requirements and letters of credit to finance the Company's inventory purchases. A portion of the Revolving Credit Facility not in excess of $25.0 million shall be available for the issuance of standby letters of credit. The full amount of the Revolving Credit Facility will be available for the issuance of commercial letters of credit. The Revolving Credit Facility requires, among other things, that the Company comply with a maximum leverage ratio and various covenants on indebtedness, dissolutions, mergers, asset sales, pledges and changes in its lines of business, as defined. Failure by the Company to comply with these covenants could reduce the borrowings available under the Revolving Credit Facility. If an event of default occurs, borrowings and interest are payable immediately, unless cured as defined, allowing borrowings to continue during the cure period. Loans under the Revolving Credit Facility bear an interest rate equal to the Alternative Base rate (defined as the higher of the prime rate or the federal funds rate plus 0.5%) or the Adjusted LIBOR rate plus applicable margin as defined within the agreement, as elected by the Company. The Company incurs facility fees of ten basis points on the face amount of the Revolving Credit Facility. During 2007, the Company incurred facility fees of approximately $100,000. There were no outstanding advances under this agreement at December 31, 2007, and 2006. Amounts available under the Revolving Credit Facility at December 31, 2007 were reduced by $2,695,000 of standby and open letters of credit. During 2007, the Company did not borrow under the Revolving Credit Facility.

In 2006, the Company repaid a $3.0 million promissory note, which one of the Company's foreign subsidiaries entered into with a financial institution in connection with the Company's tax repatriation plan.

The Company believes that it will be able to satisfy its current expected cash requirements for 2008, including requirements for its in-house sportswear infrastructure, enhanced information systems and the payments of its quarterly cash dividend, primarily with cash flow from operations and cash on hand.

Off-Balance Sheet Arrangements

The Company did not have any off-balance sheet arrangements as of December 31, 2007.

Exchange Rates

The Company sometimes enters into forward exchange contracts for its future purchases of inventory denominated in foreign currencies, primarily the Euro. Gains and losses on forward exchange contracts that are used for hedges are accounted for on the Company's Consolidated Balance Sheet as inventory and an adjustment to equity, and are subsequently accounted for as part of the purchase price of the inventory upon execution of the contract. At December 31, 2007, the Company had no unrealized gains or losses as no forward contracts were outstanding. Unrealized gains and losses are typically included in Other Comprehensive Income in the Company's Statement of Changes in Shareholders' Equity and as an adjustment to inventory, which is the underlying exposure on the Company's consolidated Balance Sheet. While the Company believes that its current procedures with respect to the reduction of risk associated with currency exchange rate fluctuations are adequate, there can be no assurance that such fluctuations will not have a material adverse effect on the results of operations of the Company in the future.

Inventory from contract manufacturers in Asia and Brazil are purchased in United States dollars and the recent fluctuations of many of these currencies against the United States dollar has not had any material adverse impact on the Company. However, future purchase prices for the Company's products may be impacted by fluctuations in the exchange rate between the United States dollar and the local currencies of the contract manufacturer, which may affect the Company's cost of goods in the future. The Company currently does not believe the potential effects of such fluctuations would have a material adverse effect on the Company.

Effects of Inflation

The Company does not believe that the relatively low rates of inflation experienced over the last few years in the United States, where it primarily competes, have had a significant effect on revenues or profitability.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The Company's marketable securities consist of "triple A" rated debt obligations and substantially all have insurers. Recently, several auctions have failed as a result of illiquidity and imbalance in order flow for auction rate securities. A failed auction is not an indication of an increased credit risk or a reduction in the underlying collateral, however, parties wishing to sell securities could not do so. Based on current market conditions, it is not known when or if the capital markets will come back into balance to achieve successful auctions for these securities. If these auctions continue to fail, it could result in the Company holding securities beyond their next scheduled auction reset dates and will limit the liquidity of these investments. Based on the Company's expected operating cash flows, and other sources and uses of cash, the Company does not anticipate that the lack of liquidity on these investments will affect its ability to execute its current business plan.

The Company is primarily exposed to currency exchange rate risks with respect to its inventory transactions denominated in Euro. Business activities in various currencies expose the Company to the risk that the eventual net dollar cash flows from transactions with foreign suppliers denominated in foreign currencies may be adversely affected by changes in currency rates. The Company manages these risks by utilizing foreign exchange contracts. The Company does not enter into foreign currency transactions for speculative purposes.

At December 31, 2007, the Company had no forward contracts outstanding. The Company's earnings may also be affected by changes in short-term interest rates as a result of borrowings under its credit facilities. A two or less percentage point increase in interest rates affecting the Company's credit facilities would not have had a material effect on the Company's 2007 and 2006 net income.

The Company sources a significant amount of product from China and will be subject to foreign currency exposure to its U.S. dollar denominated transactions if the Chinese Yuan is allowed to float freely on the open market. If the Yuan is allowed to float freely against other foreign currency, a two percent change in exchange rates could have a material effect on the cost of future inventory purchases to be transacted by the Company.

Item 8. Financial Statements and Supplementary Data

See page F-1 for an index to the consolidated financial statements, the Report of Management and the Reports of the Registered Public Accounting Firm submitted as part of this Annual Report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of December 31, 2007, the Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act"), as amended) and have concluded that the

Company's disclosure controls and procedures were effective and designed to ensure that all material information required to be disclosed by the Company in reports filed or submitted under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and (2) accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934, as amended. Under the supervision and with the participation of Management, including the Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2007 based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2007.

The Company's internal control over financial reporting as of December 31, 2007 was audited by Ernst & Young, LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal controls over financial reporting during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Except for the information regarding directors and executive officers of the registrant, which is included in Part I, the information required by this item will be contained in the Company's Proxy Statement for its Annual Shareholders' Meeting to be held May 29, 2008 to be filed with the Securities and Exchange Commission within 120 days after December 31, 2007 and which is incorporated herein by reference in response to this item.

Item 11. Executive Compensation

The information required by this item will be contained in the Company's Proxy Statement for its Annual Shareholders' Meeting to be held May 29, 2008 to be filed with the Securities and Exchange Commission within 120 days after December 31, 2007 and which is incorporated herein by reference in response to this item.

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

The information required by this item will be contained in the Company's Proxy Statement for its Annual Shareholders' Meeting to be held May 29, 2008 to be filed with the Securities and Exchange Commission within 120 days after December 31, 2007 and which is incorporated herein by reference in response to this item.

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

The information required by this item will be contained in the Company's Proxy Statement for its Annual Shareholders' Meeting to be held May 29, 2008 to be filed with the Securities and Exchange Commission within 120 days after December 31, 2007, and which is incorporated herein by reference in response to this item.

Item 14. Principal Accounting Fees and Services

The information required by this item will be contained in the Company's Proxy Statement for its Annual Shareholders' Meeting to be held May 29, 2008 to be filed with the Securities and Exchange Commission within 120 days after December 31, 2007 and which is incorporated herein by reference in response to this item.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) (1) See page F-1 for an index to the consolidated financial statements submitted as part of this Annual Report.

(2) Schedule II – Valuation and Qualifying Accounts is required to be filed by Item 8 of Form 10-K.

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

(3) The following exhibits are included in this report:

Exhibit No.	Description
3.01	Restated Certificate of Incorporation of Kenneth Cole Productions, Inc.; Certificate of Merger of Cole Fifth Avenue, Inc. into Kenneth Cole Productions, Inc.; Certificate of Merger of Cole Productions, Inc. into Kenneth Cole Productions, Inc.; Certificate of Merger of Cole Sunset, Inc. into Kenneth Cole Productions, Inc.; Certificate of Merger of Cole Union Street, Inc. into Kenneth Cole Productions, Inc.; Certificate of Merger of Cole West, Inc. into Kenneth Cole Productions, Inc.; Certificate of Merger of Kenneth Cole Woodbury, Inc. into Kenneth Cole Productions, Inc.; Certificate of Merger of Kenneth Cole Leather Goods, Inc. into Kenneth Cole Productions, Inc.; Certificate of Merger of Unlisted into Kenneth Cole Productions, Inc. (Incorporated by reference to Exhibit 3.01 to the Company's Registration Statement on Form S-1, Registration No. 33-77636).
3.02	By-laws. (Incorporated by reference to Exhibit 3.02 to the Company's Registration Statement on Form S-1, Registration No. 33-77636).
4.01	Specimen of Class A Common Stock Certificate. (Incorporated by reference to Exhibit 4.01 to the Company's Registration Statement on Form S-1, Registration No. 33-77636).
10.01	Tax Matters Agreement, dated as of June 1, 1994, among Kenneth Cole Productions, Inc., Kenneth D. Cole, Paul Blum and Stanley A. Mayer. (Incorporated by reference to Exhibit 10.01 to the Company's Registration Statement on Form S-1, Registration No. 33-77636).

10.02 Term Loan Agreement, dated as of May 26, 1994, by and among Kenneth Cole Productions, Inc., Kenneth Cole Leather Goods, Inc., Unlisted, Inc., Cole West, Inc., Kenneth Cole Financial Services, Inc., Kenneth Cole Woodbury, Inc., Cole Fifth Avenue, Inc., Cole Union Street, Inc. and The Bank of New York; Promissory Notes, dated May 26, 1994, issued by each of Kenneth Cole Leather Goods, Inc., Unlisted, Inc., Cole West, Inc., Kenneth Cole Financial Services, Inc., Kenneth Cole Woodbury, Inc., Cole Fifth Avenue, Inc., Cole Union Street, Inc. to The Bank of New York; Shareholder Guaranty by and between Kenneth D. Cole and The Bank of New York, dated as of May 26, 1994; Subordination Agreement by and among Kenneth D. Cole, Kenneth Cole Productions, Inc., Kenneth Cole Leather Goods, Inc., Unlisted, Inc., Cole West, Inc., Kenneth Cole Financial Services, Inc., Kenneth Cole Woodbury, Inc., Cole Fifth Avenue, Inc., Cole Union Street, Inc. and The Bank of New York, dated as of April 13, 1994; Reinvestment Agreement by and among Kenneth D. Cole, Kenneth Cole Productions, Inc., Unlisted, Inc., Cole West, Inc., Kenneth Cole Financial Services, Inc., Kenneth Cole Woodbury, Inc., Cole Fifth Avenue, Inc., Cole Union Street, Inc. and The Bank of New York, dated as of May 26, 1994; Amendment No. 1 to the Term Loan Agreement and the Reinvestment Agreement by and among Kenneth D. Cole, Kenneth Cole Productions, Inc., Cole West, Inc., Kenneth Cole Woodbury, Inc., Cole Fifth Avenue, Inc., Cole Union Street, Inc., Kenneth Cole Financial Services, Inc. and The Bank of New York, dated as of May 31, 1994. (Incorporated by reference to Exhibit 10.02 to the Company's Registration Statement on Form S-1, Registration No. 33-77636).

10.03 Line of Credit Letter, dated January 13, 1994, from The Bank of New York to Kenneth Cole Productions, Inc., Kenneth Cole Leather Goods, Inc. and Unlisted, Inc.; $7,500,000 Promissory Note, dated February 1, 1994 by Kenneth Cole Productions, Inc., Kenneth Cole Leather Goods, Inc. and Unlisted, Inc. issued to The Bank of New York; Letter Agreement, dated December 16, 1993, between The Bank of New York and Kenneth Cole Productions, Inc., Unlisted, Inc., Kenneth Cole Leather Goods, Inc., Cole Productions, Inc., Cole West, Inc., Kenneth Cole Financial Services, Inc., Cole Woodbury, Inc., Cole Sunset, Inc. and Cole Fifth Avenue, Inc.; General Guarantees, dated December 16, 1993, in favor of The Bank of New York by Kenneth Cole Leather Goods, Inc. for Unlisted, Inc., by Kenneth Cole Leather Goods, Inc. for Kenneth Cole Productions, Inc., by Unlisted, Inc. for Kenneth Cole Productions, Inc., by Unlisted, Inc. for Kenneth Cole Leather Goods, Inc., by Kenneth Cole Productions, Inc. for Kenneth Cole Leather Goods, Inc., and by Kenneth Cole Productions, Inc. for Unlisted, Inc.; General Loan and Security Agreements, dated December 16, 1993, between The Bank of New York and each of Kenneth Cole Productions, Inc., Kenneth Cole Leather Goods, Inc. and Unlisted, Inc.; and Personal Guarantees of Mr. Kenneth D. Cole, dated December 16, 1993, in favor of The Bank of New York for Kenneth Cole Productions, Inc., Unlisted, Inc. and Kenneth Cole Leather Goods, Inc. (Incorporated by reference to Exhibit 10.03 to the Company's Registration Statement on Form S-1, Registration No. 33-77636).

Line of Credit Letter, dated December 9, 1994 from The Bank of New York to Kenneth Cole Productions, Inc.; $7,500 Promissory Note, dated December 15, 1994 by Kenneth Cole Productions, Inc. issued to The Bank of New York; Letter of Termination of Personal Guarantees of Mr. Kenneth D. Cole, dated December 8, 1994, in favor of The Bank of New York for Kenneth Cole Productions, Inc., Unlisted, Inc. and Kenneth Cole Leather Goods, Inc. (Incorporated by reference to Exhibit 10.03 to the Company's 1994 Form 10-K).

10.03A $10,000 Promissory Note, dated July 31, 1995 by Kenneth Cole Productions, Inc. issued to The Bank of New York. (Previously filed as Exhibit 10.03A to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1996 and incorporated herein by reference).

*10.04 Kenneth Cole Productions, Inc. 1994 Stock Option Plan. (Incorporated by reference to Exhibit 10.04 to the Company's Registration Statement on Form S-1, Registration No. 33-77636).

*10.05 Employment Agreement, dated as of April 30, 1994, between Kenneth Cole Productions, Inc. and Kenneth D. Cole. (Incorporated by reference to Exhibit 10.05 to the Company's Registration Statement on Form S-1, Registration No. 33-77636).

*10.06 Employment Agreement, dated as of April 30, 1994, between Kenneth Cole Productions, Inc. and Paul Blum. (Incorporated by reference to Exhibit 10.06 to the Company's Registration Statement on Form S-1, Registration No. 33-77636).

*10.07 Employment Agreement, dated as of April 30, 1994, between Kenneth Cole Productions, Inc. and Stanley A. Mayer; Stock Option Agreement dated as of March 31, 1994 between Kenneth Cole Productions, Inc. and Stanley A. Mayer. (Incorporated by reference to Exhibit 10.07 to the Company's Registration Statement on Form S-1, Registration No. 33-77636).

Stock Option Agreement dated as of June 1, 1994, between Kenneth Cole Productions, Inc. and Stanley A. Mayer; Stock Option Agreement dated as of July 7, 1994, between Kenneth Cole Productions, Inc. and Stanley A. Mayer (Incorporated by reference to Exhibit 10.07 to the Company's 1994 Form 10-K).

10.08 Collective Bargaining Agreement by and between the New York Industrial Council of the National Fashion Accessories Association, Inc. and Leather Goods, Plastics, Handbags and Novelty Workers' Union, Local 1, dated as of April 25, 1987; Memorandum of Agreement by and between the New York Industrial Council of the National Fashion Accessories Association, Inc. and Leather Goods, Plastics, Handbags and Novelty Workers' Union, Local 1, Division of Local 342-50 United Food and Commercial Workers Union, dated as of June 16, 1993. (Incorporated by reference to Exhibit 10.08 to the Company's Registration Statement on Form S-1, Registration No. 33-77636).

10.09 Memorandum of Agreement between the New York Industrial Council of the National Fashion Accessories Association Inc. and Local 1 Leather Goods, Plastics, Handbags, and Novelty Workers Union, Division of Local 342-50 United Food and Commercial Workers Union (Previously filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1996 and incorporated herein by reference).

*10.10 Employment Agreement between Kenneth Cole Productions, Inc., and Paul Blum. (Previously filed as Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1996 and incorporated herein by reference).

10.11 Sublease Agreement, dated June 17, 1996, between Kenneth Cole Productions, Inc. and Liz Claiborne Accessories, Inc. (Incorporated by reference to Exhibit 10.11 to the Company's 1996 Form 10-K).

*10.12 Amended and Restated Kenneth Cole Productions, Inc. 1994 Stock Option Plan (Previously filed as an Exhibit to the Registrant's Proxy Statement filed on April 22, 1997 and incorporated herein by reference).

*10.13 Employment Agreement between Kenneth Cole Productions, Inc. and Susan Hudson (Previously filed as an Exhibit to the Company's 1997 Form 10-K).

10.14 Lease Agreement, dated December 17, 1998, between Kenneth Cole Productions, Inc. and SAAR Company, LLC. (Previously filed as Exhibit 10.14 to the Registrants Annual Report on Form 10-K for the year ended December 31, 1998 and incorporated by reference).

10.15 Common Stock Purchase Agreement, dated July 20, 1999, between Liz Claiborne, Inc. and Kenneth Cole Productions, Inc. (Previously filed as Exhibit 10.01 to the Registrants Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999).

10.16 Registration Rights Agreement, dated July 20, 1999, between Liz Claiborne, Inc. and Kenneth Cole Productions, Inc. (Previously filed as Exhibit 10.02 to the Registrants Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999).

10.17 License Agreement, dated July 20, 1999, by and between L.C.K.L., LLC and K.C.P.L., Inc. (Portions of this exhibit have been omitted pursuant to a request for confidential treatment and been filed separately with the Securities and Exchange Commission. Such portions are designated by a "*". (Previously filed as Exhibit 10.03 to the Registrants Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999).

10.18 Amended and Restated Employment Agreement, dated as of September 1, 2000, between Kenneth Cole Productions, Inc. and Paul Blum (Previously filed as Exhibit 10.10 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1996 and incorporated herein by reference).

10.19	Kenneth Cole Productions, Inc. Employee Stock Purchase Plan (Incorporated by reference to the Company's Registration Statement on Form S-8 Registration No. 33-31868, filed on March 7, 2000).
10.20	Kenneth Cole Productions, Inc. 2004 Stock Incentive Plan (Incorporated by reference to the Company's Registration Statement on Form S-8 Registration No. 333-119101, filed on September 17, 2004).
10.21	Kenneth Cole Productions, Inc. 2004 Stock Incentive Plan (Incorporated by reference to the Company's Registration Statement on Form S-8 Registration No. 333-131724 filed on February 10, 2006).
10.22	Stock Purchase Agreement between Kenneth Cole Productions, Inc. and Bernard Chaus, Inc. dated June 13, 2005 (Previously filed as Exhibit 10.21 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005 and incorporated herein by reference).
10.23	Termination Agreement between Kenneth Cole Productions, Inc. and Susan Q. Hudson dated October 5, 2005 (Previously filed as Exhibit 10.22 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 and incorporated herein by reference).
10.24	Employment Agreement between Kenneth Cole Productions, Inc. and Richard S. Olicker dated January 3, 2006 (Previously filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on January 10, 2006).
10.25	Employment Agreement between Kenneth Cole Productions, Inc. and Joel Newman dated February 13, 2006 (Previously filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed on February 16, 2006).
10.26	Kenneth Cole Productions, Inc. 2004 Stock Incentive Plan (Amended and Restated as of April 20, 2005) (Previously filed as Exhibit 10.26 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2006 and incorporated herein by reference).
10.27	Kenneth Cole Productions, Inc. Sample Grant Award Letter (Previously filed as Exhibit 10.27 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2006 and incorporated herein by reference).
10.28	Employment Agreement between Kenneth Cole Productions, Inc. and Michael DeVirgilio dated March 31, 2006 (Previously filed as Exhibit 10.28 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2006 and incorporated herein by reference).
10.29	Employment Agreement between Kenneth Cole Productions, Inc. and Joshua G. Schulman dated October 9, 2006 (Previously filed as Exhibit 10.29 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2006 and incorporated herein by reference).
10.30	Employment Agreement between Kenneth Cole Productions, Inc. and Douglas Jakubowski dated October 12, 2006 (Previously filed as Exhibit 10.30 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2006 and incorporated herein by reference).
10.31	Credit Agreement between J.P. Morgan Securities Inc., JPMorgan Chase Bank, National Association, PNC Bank, National Association, Bank of America, N.A., and Wachovia Bank, National Association, and Kenneth Cole Productions, Inc. dated as of December 20, 2006. (Previously filed as Exhibit 10.31 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2006 and incorporate herein by reference).
10.32	Certificate of Amendment of the Certificate of Incorporation of Kenneth Cole Productions, Inc. dated October 15, 2007 (Previously filed as Exhibit 10.32 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2007 and incorporated herein by reference).
+21.01	List of Subsidiaries.
+23.01	Consent of Independent Registered Public Accounting Firm.

+23.02	Consent of Independent Appraisal Firm.
+31.1	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
+31.2	Certification of Chief Financial Officer pursuant to Securities Exchange Act Rule 13a-14 and 15d-14, 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 Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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* Management contract or compensatory plan or arrangement required to be identified pursuant to Item 15(a) (3) of this report.

\+ Filed herewith.

Kenneth Cole Productions, Inc. and Subsidiaries
Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To The Board of Directors and Shareholders of Kenneth Cole Productions, Inc.

We have audited Kenneth Cole Productions, Inc.'s (the "Company") internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Kenneth Cole Productions Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Kenneth Cole Productions, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Kenneth Cole Productions, Inc. and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, cash flows and changes in shareholders' equity for each of the three years in the period ended December 31, 2007 of Kenneth Cole Productions, Inc. and our report dated March 5, 2008 expressed an unqualified opinion thereon.

Ernst & Young LLP

New York, New York
March 5, 2008

Report of Independent Registered Public Accounting Firm

To The Board of Directors and Shareholders of Kenneth Cole Productions, Inc.

We have audited the accompanying consolidated balance sheets of Kenneth Cole Productions, Inc. and subsidiaries (the "Company") as of December 31, 2007 and 2006, and the related consolidated statements of income, cash flows and changes in shareholders' equity for each of the three years in the period ended December 31, 2007. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kenneth Cole Productions, Inc. and subsidiaries at December 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment," effective January 1, 2006.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Kenneth Cole Productions, Inc. and subsidiaries internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 5, 2008 expressed an unqualified opinion thereon.

Ernst & Young LLP

New York, New York
March 5, 2008

Kenneth Cole Productions, Inc. and Subsidiaries
Consolidated Balance Sheets

	December	
	2007	2006
Assets		
Current assets:		
Cash and cash equivalents	**$ 90,653,000**	$105,441,000
Marketable securities	**--**	12,250,000
Due from factors	**28,132,000**	35,536,000
Accounts receivable, less allowance for doubtful accounts of $230,000 and $249,000, respectively	**19,805,000**	19,641,000
Inventories	**48,033,000**	46,274,000
Prepaid expenses and other current assets	**2,998,000**	2,779,000
Deferred taxes, net	**5,173,000**	2,739,000
Total current assets	**194,794,000**	224,660,000
Property and equipment, at cost, less accumulated depreciation and amortization	**60,357,000**	72,141,000
Other assets:		
Intangible assets	**14,083,000**	1,854,000
Deferred taxes, net	**24,660,000**	15,110,000
Investments and other	**21,490,000**	15,253,000
Deferred compensation plans' assets	**39,153,000**	32,095,000
Total other assets	**99,386,000**	64,312,000
Total Assets	**$354,537,000**	$361,113,000

See accompanying notes to consolidated financial statements.

Kenneth Cole Productions, Inc. and Subsidiaries
Consolidated Balance Sheets (continued)

	December 2007	December 2006
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	**$ 39,470,000**	$ 36,554,000
Other current liabilities	**10,852,000**	10,925,000
Deferred income	**5,071,000**	3,958,000
Income taxes payable	**--**	3,361,000
Total current liabilities	**55,393,000**	54,798,000
Accrued rent and other long-term liabilities	**18,001,000**	16,544,000
Deferred compensation plans' liabilities	**39,153,000**	32,095,000
Commitments and contingencies		
Shareholders' equity:		
Series A Convertible Preferred Stock, par value $1.00, 1,000,000 shares authorized; none outstanding		
Class A Common Stock, par value $.01, 40,000,000 shares authorized; 15,604,673 and 15,587,651 issued as of December 31, 2007 and 2006, respectively	**156,000**	156,000
Class B Convertible Common Stock, par value $.01, 9,000,000 shares authorized; 8,010,497 issued and outstanding as of December 31, 2007 and 2006, respectively	**80,000**	80,000
Additional paid-in capital	**99,277,000**	92,041,000
Accumulated other comprehensive income	**914,000**	1,884,000
Retained earnings	**242,108,000**	249,653,000
	342,535,000	343,814,000
Class A Common Stock in treasury, at cost, 4,236,350 and 3,596,592 shares as of December 31, 2007 and 2006, respectively	**(100,545,000)**	(86,138,000)
Total Shareholders' Equity	**241,990,000**	257,676,000
Total Liabilities and Shareholders' Equity	**$354,537,000**	$361,113,000

See accompanying notes to consolidated financial statements.

Kenneth Cole Productions, Inc. and Subsidiaries
Consolidated Statements of Income

	Year ended December 31,		
	2007	2006	2005
Net sales	**$466,405,000**	$492,282,000	$474,060,000
Royalty revenue	**44,315,000**	44,217,000	43,983,000
Net revenues	**510,720,000**	536,499,000	518,043,000
Cost of goods sold	**287,408,000**	304,672,000	283,727,000
Gross profit	**223,312,000**	231,827,000	234,316,000
Selling, general and administrative expenses	**207,863,000**	194,718,000	188,953,000
Impairment of long-lived assets	**10,564,000**	121,000	-
Operating income	**4,885,000**	36,988,000	45,363,000
Interest and other income, net	**5,366,000**	4,875,000	4,151,000
Income before provision for income taxes	**10,251,000**	41,863,000	49,514,000
Provision for income taxes	**3,168,000**	15,098,000	15,988,000
Net income	**$ 7,083,000**	$ 26,765,000	$ 33,526,000
Earnings per share:			
Basic	**$0.35**	$1.34	$1.69
Diluted	**$0.35**	$1.31	$1.65
Dividends declared per share	**$0.72**	$0.72	$0.66
Shares used to compute earnings per share:			
Basic	**20,057,000**	20,046,000	19,888,000
Diluted	**20,325,000**	20,396,000	20,318,000

See accompanying notes to consolidated financial statements.

Kenneth Cole Productions, Inc. and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity

	Class A Common Stock		Class B Common Stock						Treasury Stock		
	Number of Shares	Amount	Number of Shares	Amount	Additional Paid-In Capital	Deferred Compensation	Other Comprehensive Income	Retained Earnings	Number of Shares	Amount	Total
Balance at 12/31/04	15,054,845	$150,000	8,055,497	$81,000	$78,417,000	--	$1,053,000	$216,983,000	(3,388,400)	$(80,156,000)	$216,528,000
Net Income								33,526,000			33,526,000
Translation adjustment from											
Foreign currency, net of taxes $148,000							310,000				310,000
Forward contracts, net of taxes $(351,000)							(737,000)				(737,000)
Unrealized gains on available-for-sale securities, net of taxes $301,000							631,000				631,000
Comprehensive income											33,730,000
Issuance of restricted stock, net of forfeitures	152,960	2,000			4,554,000	(4,556,000)					--
Amortization of deferred compensation						1,120,000					1,120,000
Shares surrendered by employees to pay taxes on restricted stock	(4,509)				(134,000)						(134,000)
Stock-based compensation acceleration expense					100,000	39,000					139,000
Exercise of stock options and related tax benefits	312,064	3,000			6,085,000						6,088,000
Issuance of Class A Common Stock from ESPP	13,601				329,000						329,000
Dividends paid on common stock								(13,140,000)			(13,140,000)
Conversion of Class B to Class A Common Stock	45,000	1,000	(45,000)	(1,000)							--
Balance at 12/31/05	15,573,961	$156,000	8,010,497	$80,000	$89,351,000	$(3,397,000)	$1,257,000	$237,369,000	(3,388,400)	$(80,156,000)	$244,660,000
Net Income								26,765,000			26,765,000
Translation adjustment from											
Foreign currency, net of taxes $(53,000)							(88,000)				(88,000)
Forward contracts, net of taxes $110,000							184,000				184,000
Unrealized gains on available-for-sale securities, net of taxes $319,000							531,000				531,000
Comprehensive income											27,392,000
Reversal of deferred compensation upon adoption of SFAS 123R	(138,182)	(1,000)			(3,396,000)	3,397,000					--
Stock-based compensation expense					3,193,000						3,193,000
Exercise of stock options and related tax benefits	203,283	1,000			4,009,000						4,010,000
Issuance of restricted stock	34,138				-						--
Shares surrendered by employees to pay taxes on restricted stock	(12,022)				(301,000)						(301,000)
Issuance of Class A Common Stock from ESPP	17,897				363,000						363,000
Purchase of Class A Stock									(300,000)	(7,169,000)	(7,169,000)
Reissuance of Treasury Shares	(91,808)				(1,187,000)				91,808	1,187,000	--
Dividends paid on common stock	384				9,000			(14,481,000)			(14,472,000)
Balance at 12/31/06	15,587,651	$156,000	8,010,497	$80,000	$92,041,000	--	$1,884,000	$249,653,000	(3,596,592)	$(86,138,000)	$257,676,000
Net Income								7,083,000			7,083,000
Translation adjustment from											
Foreign currency, net of taxes $388,000							620,000				620,000
Unrealized loss on available-for-sale securities, net of taxes $(995,000)							(1,590,000)				(1,590,000)
Comprehensive income											6,113,000
Stock-based compensation expense					7,065,000						7,065,000
Exercise of stock options and related tax benefits	308,800	3,000			5,357,000						5,360,000
Issuance of restricted stock and related tax benefits	97,320	1,000			118,000						119,000
Shares surrendered by employees to pay taxes on restricted stock	(37,878)				(887,000)						(887,000)
Issuance of Class A Common Stock from ESPP	17,022				340,000						340,000
Purchase of Class A Stock									(1,008,000)	(19,168,000)	(19,168,000)
Reissuance of Treasury Shares	(368,242)	(4,000)			(4,757,000)				368,242	4,761,000	--
Dividends paid on common stock								(14,628,000)			(14,628,000)
Balance at 12/31/07	**15,604,673**	**$156,000**	**8,010,497**	**$80,000**	**$99,277,000**	**--**	**$914,000**	**$242,108,000**	**(4,236,350)**	**$(100,545,000)**	**$241,990,000**

See accompanying notes to consolidated financial statements

Kenneth Cole Productions, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

	For the years ended December 31,		
	2007	2006	2005
Cash flows provided by operating activities			
Net income	**$ 7,083,000**	$ 26,765,000	$33,526,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**12,032,000**	10,877,000	9,465,000
Impairment of long-lived assets	**10,564,000**	121,000	-
Provision for doubtful accounts	**188,000**	211,000	290,000
Benefit from deferred taxes	**(10,989,000)**	--	(5,791,000)
Unrealized loss/(gain) from investments	**1,590,000**	(531,000)	(631,000)
Realized loss/(gain) on sale of marketable securities	**295,000**	--	(1,246,000)
Stock-based compensation expense	**7,144,000**	3,193,000	1,259,000
Tax benefit from stock option exercises and restricted stock vestings	**(2,309,000)**	(700,000)	1,403,000
Changes in operating assets and liabilities:			
Decrease/(increase) in due from factors	**7,404,000**	(1,561,000)	961,000
Decrease in accounts receivable	**(352,000)**	(1,161,000)	(2,003,000)
(Increase)/decrease in inventories	**(1,759,000)**	(625,000)	964,000
(Increase)/decrease in prepaid expenses and other current assets	**(219,000)**	3,280,000	(3,395,000)
Increase in other assets	**(8,265,000)**	(2,251,000)	(6,049,000)
Increase/(decrease) in accounts payable	**2,916,000**	5,425,000	(4,638,000)
Increase in deferred income, accrued expenses and other current liabilities	**1,621,000**	2,213,000	1,057,000
(Decrease)/increase in income taxes payable	**(1,052,000)**	229,000	(421,000)
Increase in other long-term liabilities	**8,515,000**	3,199,000	9,268,000
Net cash provided by operating activities	**34,407,000**	48,684,000	34,019,000
Cash flows used in/provided by investing activities			
Acquisition of property and equipment	**(10,573,000)**	(39,942,000)	(13,865,000)
Purchase of intangible assets	**(13,368,000)**	(601,000)	(3,000)
Proceeds from sale of marketable securities	**8,350,000**	54,250,000	16,755,000
Purchase of common stock	**--**	--	(6,000,000)
Purchases of marketable securities	**(4,700,000)**	(100,000)	(41,909,000)
Net cash (used in) / provided by investing activities	**(20,291,000)**	13,607,000	(45,022,000)
Cash flows used in financing activities			
Shares surrendered by employees to pay taxes on restricted stock	**(887,000)**	(301,000)	(134,000)
Excess tax benefit from stock options and restricted stock	**1,194,000**	700,000	-
Proceeds from exercise of stock options	**4,285,000**	3,310,000	4,685,000
Proceeds from employee stock purchase plan	**340,000**	363,000	329,000
Proceeds from short-term borrowings	**--**	--	3,000,000
Payments of short-term borrowings	**--**	(3,000,000)	--
Acquisition of treasury shares	**(19,168,000)**	(7,169,000)	--
Dividends paid to shareholders	**(14,628,000)**	(14,472,000)	(13,140,000)
Net cash used in financing activities	**(28,864,000)**	(20,569,000)	(5,260,000)
Effect of exchange rate changes on cash	**(40,000)**	(28,000)	(4,000)
Net (decrease)/increase in cash	**(14,788,000)**	41,694,000	(16,267,000)
Cash and cash equivalents, beginning of year	**105,441,000**	63,747,000	80,014,000
Cash and cash equivalents, end of year	**$ 90,653,000**	$105,441,000	$63,747,000
Supplemental disclosures of cash flow information			
Cash paid during the year for:			
Interest	**$ 14,000**	$ 204,000	$ 68,000
Income taxes, net	**$ 16,575,000**	$ 17,337,000	$21,194,000

See accompanying notes to consolidated financial statements.

Note 1 - Summary of Significant Accounting Policies

A. Description of business

Kenneth Cole Productions, Inc. and its subsidiaries (the "Company") designs, sources and markets a broad range of fashion footwear and handbags and, through license agreements, designs and markets apparel and accessories under its *Kenneth Cole New York, Kenneth Cole Reaction, Unlisted, Tribeca* and *Gentle Souls* brand names. The Company also has the rights to use the *Bongo* trademark for footwear through a license agreement. In addition, the Company acquired the *Le Tigre* brand from Le Tigre, LLC during 2007. The Company markets its products to approximately 6,000 department and specialty store locations in the United States, as well as through its Consumer Direct business, which includes its full-priced retail stores, Company Stores and websites.

B. Principles of consolidation

The consolidated financial statements include the accounts of Kenneth Cole Productions, Inc. and its wholly owned subsidiaries. Intercompany transactions and balances have been eliminated in consolidation. Certain amounts in the Company's previous financial statements have been reclassified to conform to the 2007 presentation (see Note 9).

C. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Cash and cash equivalents

The Company considers all highly liquid investments with an original maturity of three months or less at the time of purchase to be cash equivalents.

E. Investments

The Company has marketable security investments in "triple A" rated auction rate debt securities, which at December 31, 2007 consists substantially of insured securities issued by life insurance companies. Maturity dates for these securities range from approximately 2025 to 2050. The Company accounts for these investments as marketable securities, and has classified them as available-for-sale securities under SFAS No. 115 "*Accounting for Certain Investments in Debt and Equity Securities*" ("SFAS 115"). The interest rate on these securities is reset every 28 days. The securities are marketable through a monthly auction process and the Company records the securities at fair value. The purchase and sale of these securities is included in the accompanying Consolidated Statements of Cash Flows as an investing activity. In addition, the Company also has equity investments that are classified as available-for-sale securities under SFAS 115. (See Note 4.)

The Company reviews its security investments to determine whether a decline in fair value is other-than-temporary. Any decline in fair value of the investment that is determined to be other-than-temporary is adjusted as an impairment charge through the Consolidated Statements of Income. The primary factors the Company considers in its determination are the length of time that the fair value of the

Note 1 - Summary of Significant Accounting Policies (continued)

E. Investments (continued)

investment is below the Company's carrying value, the financial condition/operating performance of the investee, the reason for the decline in the fair value and the Company's intent and ability to hold the investment for a period of time sufficient to allow for a recovery in fair value. Other-than-temporary declines for the Company's investment securities are included in the Consolidated Statements of Income.

F. Inventories

Inventories, which consist of finished goods, are stated at the lower of cost or fair market value. Cost for the wholesale segment inventory is determined by the first-in, first-out method. Full-priced retail and Company Store inventories are based on the moving-average cost method.

G. Property and equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization is computed using the estimated useful lives of the related assets ranging from three to forty years on a straight-line basis. Leasehold improvements are amortized using the straight-line method over the term of the related lease or the estimated useful life, whichever is less.

The Company reviews long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable as measured by comparing the undiscounted future cash flows to the asset's net book value. Impaired assets are written down to fair value.

H. Intangible Assets

Intangible assets are recorded at cost. Intangible assets that have indefinite lives are not subject to amortization and are subject to impairment review at least annually. Intangible assets that have finite lives are subject to amortization over their estimated useful lives.

I. Income Taxes

Income taxes are accounted for in accordance with SFAS No. 109, "*Accounting for Income Taxes*" ("SFAS 109"). Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

On January 1, 2007, the Company adopted FASB Interpretation No. 48, "*Accounting for Uncertainty in Income Taxes*" ("FIN 48"), which did not have an impact on the Company's consolidated financial statements. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in the Company's financial statements in accordance with SFAS 109. FIN 48 also prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a return, as well as guidance on derecognition, classification, interest and penalties and financial statement reporting disclosures. (See Note 14.)

Note 1 - Summary of Significant Accounting Policies (continued)

J. Revenue recognition

Wholesale revenues are recognized upon shipment of products to customers since title passes upon shipment. Full-priced retail and Company Store revenues are recognized at the time of sale. Both wholesale and retail store revenues are shown net of returns, discounts, and other allowances. Reserves for estimated returns and allowances for discounts are provided when sales are recorded. The Company has also entered into various trade name license agreements that provide revenues based on minimum royalties and additional revenues based on percentage of defined sales. Minimum royalty revenue is recognized on a straight-line basis over each contract period, as defined in each license agreement. In circumstances whereby licensee sales exceed the quarterly contractual minimums, but not the annual minimums, royalties are deferred on the Consolidated Balance Sheets. As the licensee sales exceed the annual contractual minimums, the royalties are recognized.

K. Advertising costs

The Company incurred advertising costs, including certain in-house marketing expenses of $19.5 million, $19.0 million, and $21.8 million for the years ended December 31, 2007, 2006 and 2005, respectively. Advertising costs are expensed as incurred and are included in Selling, general, and administrative expenses in the accompanying Consolidated Statements of Income. Included in advertising expenses are costs associated with cooperative advertising programs, under which the Company generally shares the cost of a customer's advertising expenditures. In addition, licensee contributions toward advertising are recognized when licensed products are sold by the Company's licensees. Such contributions are based on contractual percentages of sales and contain minimums. For licensees whose sales are not expected to exceed contractual sales minimums, contributions relating to advertising are recognized based on the contractual minimums. In circumstances whereby licensee sales exceed the quarterly contractual minimums, but not the annual minimums, such contributions toward advertising are deferred on the Consolidated Balance Sheets. As the licensee sales exceed the annual contractual minimums, the licensee contributions toward advertising are recognized.

L. Stock-based compensation

Effective January 1, 2006, the Company adopted SFAS No. 123R *"Share-based Payment"* ("SFAS 123R") which requires all share-based payments, including grants of employee stock options, to be recognized in the financial statements based on their fair values. The Company elected to use the modified prospective transition method to record stock-based compensation expense; therefore, prior period results were not restated. Under SFAS 123R, the Company measures the cost of services received in exchange for stock options and similar awards based on the grant-date fair value of the award and recognizes this cost in the income statement over the period during which an award recipient is required to provide service in exchange for the award. The Company uses the Black-Scholes model to assess the fair value of share-based payments and amortizes this cost over the service period. In addition, stock compensation expense is reduced for estimated forfeitures prior to vesting primarily based on historical annual forfeiture rates and by employee classification. Estimated forfeitures are reassessed on a quarterly basis and may change based on new facts and circumstances. (See Note 13.)

In 2005, the Company measured compensation expense for its stock-based compensation plans using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "*Accounting for Stock Issued to Employees*" ("APB 25") and its related Interpretations.

Note 1 - Summary of Significant Accounting Policies (continued)

M. Derivative instruments and hedging activities

The Company may use derivative instruments, typically forward contracts, to manage its risk associated with movements in the Euro exchange rates in purchasing inventory. In accordance with SFAS No. 133 "*Accounting for Derivative Instruments and Hedge Activities*" ("SFAS 133"), the Company recognizes all derivatives on the Consolidated Balance Sheets. Also, derivative instruments that meet certain criteria in SFAS 133 are classified as cash flow hedges, and changes in fair value are recognized in Other Comprehensive Income, in the accompanying Consolidated Statements of Changes in Shareholders' Equity, until the underlying transaction is completed and the derivative is settled. Upon settlement, any amounts remaining in Other Comprehensive Income are reclassified to earnings. Those derivatives that are not classified as cash flow hedges are adjusted to fair value through earnings. The Company does not hold derivative instruments for the purpose of trading or speculation. (See Note 8.)

N. Shipping and Handling Costs

The Company includes amounts billed to customers for shipping costs in net sales. The related internal and external shipping and handling costs incurred by the Company are included in the Cost of goods sold line item in the accompanying Consolidated Statements of Income. Such costs include inbound freight costs, purchasing costs, inspection costs, internal transfer costs, and other product procurement related charges.

O. Cost of Goods Sold and Selling, General and Administrative Expenses

Costs associated with the production and procurement of product are included in the Cost of goods sold line item in the accompanying Consolidated Statements of Income, including inbound freight costs, purchasing costs, inspection costs, and other product procurement related charges. All other expenses, excluding interest and income taxes, are included in Selling, general, and administrative expenses, including receiving, warehousing, and distribution expenses that are general and administrative in nature.

P. Research and Development Costs

The Company does not incur research and development costs.

Note 2 - Earnings Per Share

The Company calculates earnings per share in accordance with SFAS No. 128, "*Earnings Per Share*" ("SFAS 128"). Basic earnings per share are calculated by dividing net income by weighted-average common shares outstanding. Diluted earnings per share are calculated similarly, except that it includes the dilutive effect of the assumed exercise of securities under the Company's stock incentive plans. Dilutive securities, which include stock options and restricted stock, are determined under the treasury stock method by calculating the assumed proceeds available to repurchase stock using the weighted-average shares outstanding for the period. Stock options amounting to 1,423,000, 783,000 and 946,000 as of December 31, 2007, 2006, and 2005, respectively, have been excluded from the diluted per share calculations, since their effect would be antidilutive. Basic and diluted earnings per common share consist of the following:

Note 2 - Earnings Per Share (continued)

	For the Year Ended December 31,		
	2007	2006	2005
Weighted-average common shares outstanding	**20,057,000**	20,046,000	19,888,000
Effect of dilutive securities:			
Restricted stock & employee stock purchase plan	**132,000**	113,000	5,000
Stock options	**136,000**	237,000	425,000
Weighted-average common shares outstanding and common share equivalents	**20,325,000**	20,396,000	20,318,000

Note 3 - Due from Factors and Accounts Receivable

The Company sells substantially all of its accounts receivable to its factors, without recourse, subject to credit limitations established by the factor for each individual account. Certain accounts receivable in excess of established limits are factored with recourse. Included in amounts due from factors at December 31, 2007 and 2006 is accounts receivable subject to recourse totaling approximately $760,000 and $677,000 respectively. The agreements with the factors provide for payment of a service fee on receivables sold.

At December 31, 2007 and 2006, the balance due from factors, which includes chargebacks, is net of allowances for returns, discounts, and other deductions of approximately $10,556,000 and $8,956,000, respectively. The allowances are provided for known chargebacks reserved for but not written off the Company's financial records and for potential future customer deductions based on management's estimates.

In the ordinary course of business, the Company has accounts receivable that are non-factored and are at the Company's risk. At December 31, 2007 and 2006, the accounts receivable balance includes allowance for doubtful accounts and Consumer Direct sales returns of approximately $1,130,000 and $1,029,000. These customers include non-factored accounts and credit card receivables from third-party service providers. The allowances provided for sales returns are for potential future retail customer merchandise returns based on management's estimates. The allowance for doubtful accounts is provided for estimated losses resulting from the inability of its customers to make required payments.

Note 4 - Investments

The Company reviews its investments for other-than-temporary impairment whenever the fair value of an investment is less than amortized cost and evidence indicates that an investment's carrying value may not be recoverable within a reasonable period of time. In the Company's evaluation of its investments in 2007, it considered its ability and intent to hold the investment until the market price recovers, the reasons for the decline in fair value, the duration of the decline in fair value and expected future performance. Based on this evaluation, the Company recorded a loss of $0.3 million on its marketable securities and determined that declines on its other investments were not other-than-temporary. The following table presents gross unrealized losses on, and estimated fair value of the Company's short-term and long-term investments as of December 31, 2007 and 2006:

Note 4 - Investments (continued)

	December 31, 2007 Estimated Fair Value	2007 Unrealized Gains/(Losses)	2006 Estimated Fair Value	2006 Unrealized Gains/(Losses)
Marketable Securities	**$ 8,305,000**	--	$12,250,000	--
Other Investments	**$ 4,648,000**	**($690,000)**	$ 7,232,000	$1,895,000
Total	**$12,953,000**	**($690,000)**	$19,482,000	$1,895,000

Marketable securities were recorded as long term at December 31, 2007 based on the lack of an active credit market for investors to purchase and sell these investments. At December 31, 2006, these securities were actively traded and as such, the Company recorded them as a short-term investment under the caption "Marketable securities" in the accompanying Consolidated Balance Sheets.

Note 5 - Property and Equipment

Property and equipment consist of the following:

	December 31, 2007	2006
Property and equipment—at cost:		
Land	**$ 5,462,000**	$ 5,462,000
Building and building improvements	**33,615,000**	33,356,000
Furniture and fixtures	**29,886,000**	30,115,000
Machinery and equipment	**30,561,000**	25,607,000
Leasehold improvements	**37,267,000**	37,091,000
	136,791,000	131,631,000
Less accumulated depreciation	**76,434,000**	59,490,000
Net property and equipment	**$ 60,357,000**	$ 72,141,000

In 2006, the Company purchased its corporate headquarters building, located in New York City, for approximately $24 million, which is included in building and building improvements, and land at cost. (See Note 7 for impairment discussion.)

Note 6 - Intangible Assets

Intangible assets, primarily trademarks, consist of the following:

	December 31, 2007	2006
Indefinite lived intangible assets	**$12,291,000**	--
Finite lived intangible assets	**2,426,000**	$2,249,000
Less accumulated amortization	**(634,000)**	(395,000)
Net finite lived intangible assets	**1,792,000**	1,854,000
Net intangible assets	**$14,083,000**	$1,854,000

Note 6 - Intangible Assets (continued)

Amortization expense amounted to $239,000, $222,000, and $65,000 for the years ended December 31, 2007, 2006, and 2005, respectively. The weighted-average amortization period of intangible assets acquired in 2007 is 4.4 years. Amortization expense for the following five years is estimated to be as follows:

2008	$255,000
2009	255,000
2010	250,000
2011	238,000
2012	229,000

In 2007, the Company acquired the *Le Tigre* trademark and other intellectual property associated with the *Le Tigre* brand from Le Tigre, LLC (the "Seller"). The Company paid the Seller approximately $13 million and will potentially make additional payments of up to $12 million to the Seller based upon the achievement of performance targets. In accordance with SFAS No. 142, *"Goodwill and Other Intangible Assets"*, the Company recorded the intellectual property in "Intangible Assets" on the accompanying Consolidated Balance Sheets at fair value. Management preliminarily allocated the majority of the $13 million paid, based on an independent third-party valuation, to the trademark and a nominal amount to other intellectual property. Any additional payments will be recorded as an increase substantially to the trademark.

Note 7 – Impairment of Long-Lived Assets

Management reviews its retail stores' estimated undiscounted future cash flows and determines whether or not a write-down to fair value is required. In 2007 and 2006, the Company recorded non-cash asset impairment charges of $10,564,000 and $121,000, respectively. The impairment charges related to stores' leasehold improvements, and furniture and fixtures.

Note 8 - Foreign Currency Transactions, Derivative Instruments and Hedging Activities

The Company, in the normal course of business, may enter into forward contracts in anticipation of future purchases of inventory denominated in foreign currencies. These forward contracts are used to hedge against the Company's exposure to changes in Euro exchange rates to protect the purchase price of merchandise under such commitments. The Company classifies these contracts as cash flow hedges under SFAS 133. The Company had no forward contracts outstanding as of December 31, 2007 and 2006.

Note 9 - Segment Reporting

The Company has three reportable segments: Wholesale, Consumer Direct, and Licensing. The Wholesale segment designs and sources a broad range of fashion footwear, handbags and accessories and markets its products for sale to approximately 6,000 department and specialty store locations and to the Company's Consumer Direct segment. The Consumer Direct segment markets a broad selection of the Company's branded products, including licensee products, for sale directly to the consumer through its own channels of distribution, which include full-priced retail stores, Company Stores and e-commerce (at website addresses *www.kennethcole.com* and *www.kennethcolereaction.com*). The Licensing segment, through third-party licensee agreements, has evolved the Company from a footwear resource to a diverse

Note 9 - Segment Reporting (continued)

lifestyle brand competing effectively in approximately 30 apparel and accessories categories for both men and women. The Company maintains control over quality, image and distribution of the licensees. This segment primarily consists of royalties earned on licensee sales to third parties of the Company's branded products and royalties earned on the purchase and sale to foreign retailers, distributors, or to consumers in foreign countries. The Company's reportable segments are business units that offer products to overlapping consumers through different channels of distribution. Each segment is managed separately, although planning, implementation and results are reviewed internally by the executive management committee. The Company evaluates performance of each of its segments and allocates resources based on profit or loss before unallocated corporate overhead, stock-based compensation expense and income taxes for each segment. The accounting policies of the reportable segments are the same as those described in the Summary of Significant Accounting Policies. Intersegment sales between the Wholesale and Consumer Direct segment are eliminated in consolidation.

Financial information of the Company's reportable segments is as follows (dollars in thousands):

	Wholesale	Consumer Direct	Licensing	Totals
Year Ended December 31, 2007				
Revenues	$290,768	$175,637	$44,315	$510,720
Intersegment revenues	27,804			27,804
Interest income, net	5,366			5,366
Depreciation expense	3,575	8,145	73	11,793
Impairment of long-lived assets		10,564		10,564
Segment income/(loss) (1)	13,544	(23,937)	36,655	26,262
Segment assets (2)	254,233	51,904	48,400	354,537
Expenditures for long-lived assets	1,309	9,364	13,268	23,941
Year Ended December 31, 2006 (4)				
Revenues	$314,981	$177,301	$44,217	$536,499
Intersegment revenues	28,262			28,262
Interest income, net	4,875			4,875
Depreciation expense	3,454	7,197	4	10,655
Impairment of long-lived assets		121		121
Segment income/(loss) (1)	31,956	(12,623)	34,562	53,895
Segment assets (2)	251,851	64,914	44,348	361,113
Expenditures for long-lived assets	24,063	15,870	610	40,543
Year Ended December 31, 2005 (4)				
Revenues	$287,190	$186,870	$43,983	$518,043
Intersegment revenues	27,927			27,927
Interest income, net	4,151			4,151
Depreciation expense	3,059	6,333	8	9,400
Segment income (1)(3)	18,197	6,025	36,059	60,281
Segment assets (2)	270,345	57,657	12,669	340,671
Expenditures for long-lived assets	3,048	10,817	3	13,868

(1) Before unallocated corporate overhead, stock-based compensation expense and income taxes. In 2007, the Company eliminated the intersegment profit on sales between the Wholesale and Consumer Direct segments. Accordingly, amounts in 2006 and 2005 have been reclassified to conform to the 2007 presentation.

(2) The Wholesale segment includes corporate assets.

(3) Segment income for the Wholesale segment includes one-time payment of $0.8 million for severance.

(4) In 2006, the Company reclassified its gift program from the Consumer Direct segment to the Wholesale segment. Net sales were less than 1% of consolidated sales. Amounts in 2005 have been reclassified to conform to the 2007 and 2006 presentation.

Note 9 - Segment Reporting (continued)

The reconciliation of the Company's reportable segment revenues and profit and loss are as follows (dollars in thousands):

Revenues	**2007**	2006	2005
Revenues for reportable segments	**$510,720**	$536,499	$518,043
Intersegment revenues (1)	**27,804**	28,262	27,927
Elimination of intersegment revenues	**(27,804)**	(28,262)	(27,927)
Total consolidated revenues	**$510,720**	$536,499	$518,043
Income			
Total profit for reportable segments (1)	**$26,262**	$53,895	$60,281
Stock-based compensation expense and unallocated corporate overhead	**(16,011)**	(12,032)	(10,767)
Total income before provision for income taxes	**$10,251**	$41,863	$49,514

(1) Before unallocated corporate overhead, stock-based compensation expense and income taxes. In 2007, the Company eliminated the intersegment profit on sales between the Wholesale and Consumer Direct segments. Accordingly, amounts in 2006 and 2005 have been reclassified to conform to the 2007 presentation.

Revenues from international customers, primarily Canada, were approximately 3.0%, 2.5%, and 2.6% of the Company's consolidated revenues for the years ended December 31, 2007, 2006, and 2005 respectively.

Note 10 - Other Current Liabilities

Other current liabilities consist of the following:

	December 31,	
	2007	2006
Rent	**$1,158,000**	$ 570,000
Compensation	**6,252,000**	6,345,000
Customer credits	**1,876,000**	2,031,000
Other	**1,566,000**	1,979,000
Total other current liabilities	**$10,852,000**	$10,925,000

Note 11 - Short-term Borrowings

In 2005, one of the Company's foreign subsidiaries entered into a promissory note with a financial institution, which provided the foreign subsidiary with $3,000,000. In addition, the Company entered into a Cash Collateral Pledge Agreement, for $3,000,000, with a financial institution, which served as collateral on the loan to the foreign subsidiary. In 2006, the foreign subsidiary repaid the promissory note and, as a result, the collateral was released back to the Company.

Note 12 - Benefit Plans

A. 401(k) Plan

The Company's 401(k) profit-sharing plan covers all non-union employees, subject to certain minimum age and length of service requirements who are permitted to contribute specified percentages of

Note 12 - Benefit Plans (continued)

A. 401(k) Plan (continued)

their salary up to the maximum permitted by the Internal Revenue Service. The Company is obligated to make a matching contribution and may make additional discretionary contributions, as defined. No additional discretionary contributions were made during 2007. Contributions to the plan for the years ended December 31, 2007, 2006 and 2005 were approximately $543,000, $551,000, and $487,000, respectively.

B. Deferred compensation plans

The Kenneth Cole Productions, Inc. Deferred Compensation Plans are non-qualified plans maintained primarily to provide deferred compensation benefits for the Company's Chief Executive Officer, as well as a select group of "highly compensated employees", which includes certain Company management. The Company accounts for the investments in the deferred compensation plans as trading securities in accordance with SFAS 115. The amounts, deferred at the election of the employee, are invested based upon various asset alternatives. The assets are included in Deferred compensation plans' assets, and the related liability is included in Deferred compensation plans' liabilities.

In 2007, 2006 and 2005, the Company deposited $813,000, $915,000, and $1,215,000, respectively, into Supplemental Executive Retirement Plans ("SERP") for certain key executives. The amounts have been recorded in Investments and other in the accompanying Consolidated Balance Sheets. These plans are non-qualified deferred compensation plans. Benefits payable under these plans are based upon the performance of the individual directed investments from the Company's cumulative and future contributions. Benefits earned under the SERP begin vesting after 3 years of participation in the SERP, and become 60% vested after 9 years of participation in the SERP, 75% vested upon the participant retiring at age 60 or later and 100% vested if the employee dies while in the Company's employment. The value of these investments at December 31, 2007 and 2006 were $6,575,000 and $5,287,000, respectively, which the Company accounts for as trading securities in accordance with SFAS 115. The unrealized gains and losses on the investments were recorded in Selling, general and administrative expenses in the accompanying Consolidated Statements of Income. In addition, the Company has recorded a liability of approximately $3,239,000 and $2,599,000 at December 31, 2007 and 2006, respectively, within Accrued rent and other long-term liabilities in the accompanying Consolidated Balance Sheets. In addition, SERP participants are covered by life insurance through a portion of the Company's contribution.

C. Employee Stock Purchase Plan

The Company sponsors a qualified employee stock purchase plan ("ESPP"), the terms of which allow for qualified employees (as defined) to participate in the purchase of designated shares of the Company's Class A Common Stock at a price equal to 85% of the closing price at the end of each quarterly stock purchase period. For the years ended December 31, 2007, 2006, and 2005, employees purchased 17,022, 17,897, and 13,601 shares, respectively. Total shares purchased through December 31, 2007 were 111,474.

Note 13 - Stock–Based Compensation

The Company's 2004 Stock Incentive Plan (the "Plan"), as amended, authorizes the grant of options and restricted stock to employees for up to 6,320,162 shares of the Company's Class A Common

Note 13 - Stock–Based Compensation (continued)

Stock. The Plan provides for the grant of stock options, restricted stock awards and other stock unit awards to directors, officers and other eligible employees. Stock options are granted with an exercise price equal to the market value of a share of common stock on the date of grant. Stock option grants expire within 10 years and vest on a graded basis within two to five years from the date of grant. Restricted stock unit awards generally vest on a graded basis over a three to four year period or cliff vest after three years. All awards are expensed on a straight-line basis.

Effective January 1, 2006, the Company adopted SFAS 123R. The Company elected to use the modified prospective transition method to record stock-based compensation expense; therefore, prior period results were not restated. Prior to the adoption of SFAS 123R, stock-based compensation expense related to stock options was not recognized in the results of operations if the exercise price was at least equal to the market value of the common stock on the grant date, in accordance with APB 25. As a result, the recognition of stock-based compensation expense was generally limited to the expense attributed to restricted stock unit awards and stock option modifications.

SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized as compensation expense over the service period (generally the vesting period) in the consolidated financial statements based on their fair values. Under the modified prospective method, awards that were granted, modified, or settled on or after January 1, 2006 are measured and accounted for in accordance with SFAS 123R. Unvested equity-based awards that were granted prior to January 1, 2006 continue to be accounted for in accordance with SFAS 123, except that all awards are recognized in the results of operations over the remaining vesting periods. The impact of forfeitures that may occur prior to vesting is also estimated and considered in the amount recognized. Also, the realization of tax benefits in excess of amounts recognized for financial reporting purposes is recognized in the Consolidated Statements of Cash Flows as a financing activity. In addition, the Company's ESPP is now considered compensatory under SFAS 123R, due to the ESPP's 15% purchase price discount. In accordance with the guidance set forth in SFAS 123R, the Company reversed the deferred compensation amount in Shareholders' Equity related to restricted stock as of January 1, 2006.

Note 13 - Stock–Based Compensation (continued)

The following table summarizes stock option activity for the years ended December 31, 2007, 2006 and 2005:

	Shares	Weighted-average exercise price per share
Outstanding as of December 31, 2004	2,948,936	$22.71
Granted	46,667	$29.28
Exercised	(312,064)	$15.01
Forfeited	(82,822)	$26.31
Outstanding as of December 31, 2005	2,600,717	$23.64
Granted	27,000	$24.73
Exercised	(203,283)	$16.28
Forfeited	(305,549)	$28.91
Outstanding as of December 31, 2006	2,118,885	$23.60
Granted	20,000	$23.75
Exercised	(308,800)	$13.88
Forfeited	(75,306)	$28.85
Outstanding as of December 31, 2007	1,754,779	$25.08
Exercisable as of December 31, 2007	1,617,112	$25.19

The weighted-average grant-date fair value of options granted during the years ended December 31, 2007 and 2006 was $0.2 million and $0.3 million, respectively. The weighted-average remaining term for stock options outstanding and exercisable, as of December 31, 2007, was 4.3 years and 4.1 years, respectively. The aggregate intrinsic value of stock options outstanding and exercisable as of December 31, 2007 was $1.0 million and $1.0 million, respectively. The intrinsic value for stock options is calculated based on the exercise price of the underlying awards and the market price of the Company's common stock as of the reporting date. The total fair value of options vested during the years ended December 31, 2007 and 2006 was $1.4 million and $2.1 million, respectively.

The intrinsic value related to the exercise of stock options was $2.9 million for the year ended December 31, 2007, which is currently deductible for tax purposes. The intrinsic value related to the exercise of stock options was $1.9 million for the year ended December 31, 2006. In addition, 368,242 treasury shares were re-issued for options exercised and restricted stock vestings during the year ended December 31, 2007.

Note 13 - Stock–Based Compensation (continued)

The following table summarizes restricted stock unit activity for the years ended December 31, 2007, 2006 and 2005. No shares of restricted stock were granted prior to 2005:

	Shares
Unvested as of January 1, 2005	-
Granted	158,044
Vested	(14,782)
Forfeited	(5,080)
Unvested as of December 31, 2005	138,182
Granted	515,616
Vested	(34,138)
Forfeited	(53,557)
Unvested as of December 31, 2006	566,103
Granted	305,044
Vested	(97,320)
Forfeited	(111,647)
Unvested as of December 31, 2007	662,180
Vested as of December 31, 2007	146,240

The weighted-average grant-date fair value of restricted stock awards granted during the years ended December 31, 2007 and 2006 was $7.2 million and $13.1 million, respectively. The total grant-date fair value of restricted shares vested during the years ended December 31, 2007 and 2006 was $2.6 million and $0.7 million, respectively. The weighted-average remaining contractual term of unvested shares of restricted stock as of December 31, 2007 and 2006 was 1.9 years and 2.5 years, respectively.

The following table summarizes the pro forma effect of stock-based compensation as if the fair value method of accounting for stock compensation had been applied for the year ended December 31, 2005:

	Year Ended December 31, 2005
Net income, as reported	$33,526,000
Add: Stock–based compensation, related to restricted stock, included in reported net income, net of related tax effect	852,000
Deduct: Stock-based employee compensation expense determined under fair value method, net of related tax effects	(7,318,000)
Pro forma net income	$27,060,000
Earnings per share:	
Basic - as reported	$1.69
Basic - pro forma	$1.36
Diluted - as reported	$1.65
Diluted - pro forma	$1.33

Note 13 - Stock–Based Compensation (continued)

In April 2005, the Company accelerated the vesting of 250,000 "out-of-the-money" stock options held by Kenneth D. Cole. The estimated future expense recognition that was eliminated was approximately $2,115,000. Also, in December 2005, the Company accelerated the vesting of 224,500 stock options held by various employees. The estimated future expense recognition that was eliminated was approximately $1,400,000. The following table summarizes the components of stock-based compensation expense, which is recorded in Selling, general and administrative expenses in the Consolidated Statements of Income, for the years ended December 31, 2007 and 2006.

	Year ended December 31,	
	2007	2006
Stock options	**$1,714,000**	$1,137,000
Restricted stock units and employee stock purchase plan	**5,532,000**	2,056,000
Total stock-based compensation expense	**$7,246,000**	$3,193,000

Tax benefits were attributed to the stock-based compensation expense. The Company elected to adopt the alternative method of calculating the historical pool of windfall tax benefits as permitted by FASB Staff Position (FSP) No. SFAS 123R-c, *"Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards."* This is a simplified method to determine the pool of windfall tax benefits that is used in determining the tax effects of stock compensation in the results of operations and cash flow reporting for awards that were outstanding as of the adoption of SFAS 123R.

The fair value of stock options was estimated using the Black-Scholes option-pricing model. This model requires the input of subjective assumptions that will usually have a significant impact on the fair value estimate. The assumptions for the current period grants were developed based on SFAS 123R and SEC guidance contained in Staff Accounting Bulletin (SAB) No. 107, "Share-Based Payment."

The following table summarizes the assumptions used to compute the weighted-average fair value of stock option grants:

	Year Ended December 31,	
	2007	2006
Weighted-average volatility	**54.9%**	48.3%
Risk-free interest rate	**3.8 to 5.2%**	5.1%
Weighted-average dividend yield	**2.0%**	2.9%
Expected term	**3-9 years**	3-9 years

The weighted-average volatility for the options granted during the years ended December 31, 2007 and 2006 was developed using historical volatility for periods equal to the expected term of the options. An increase in the weighted-average volatility assumption will increase stock compensation expense. The expected volatility used in the calculation of the Company's stock-based compensation expense for the year ended December 31, 2007 ranged from 25.4% to 69.4%.

The risk-free interest rate was developed using the U.S. Treasury yield curve for periods equal to the expected term of the options on the grant date. An increase in the risk-free interest rate will increase stock compensation expense.

The dividend yield is a ratio that estimates the expected dividend payments to shareholders. The dividend yield is calculated by using the dividends declared per share and the Company's stock price on

Note 13 - Stock–Based Compensation (continued)

the date of grant. An increase in the dividend yield will increase stock compensation expense. The dividend yields used in the calculations of the Company's stock-based compensation expense for the year ended December 31, 2007 ranged from 0% (for grants prior to 2004) to 3.9%.

The expected term of the stock option grants was developed after considering vesting schedules, life of the option, historical experience and estimates of future exercise behavior patterns. An increase in the expected holding period will increase stock compensation expense.

The fair value of restricted stock was calculated by multiplying the Company's stock price on the date of grant by the number of shares granted and is being amortized on a straight-line basis over the vesting periods. SFAS 123R requires the recognition of stock-based compensation for the number of awards that are ultimately expected to vest. As a result, for most awards, recognized stock compensation was reduced for estimated forfeitures prior to vesting primarily based on historical annual forfeiture rates and by employee classification ranging from 0% to 100% for stock options, and 0% to 75% for restricted stock. Estimated forfeitures will continue to be reassessed in subsequent periods and may change based on new facts and circumstances.

As of December 31, 2007, approximately $10.9 million of unrecognized stock compensation related to unvested stock options and restricted stock awards (net of estimated forfeitures) is expected to be recognized over a weighted-average period of 1.9 years.

Note 14 - Income Taxes

The Company accounts for income taxes in accordance with SFAS 109 and FIN 48. As such, the Company's policy on classification of interest and penalties is to include these amounts in the provision for income taxes in the accompanying Consolidated Statements of Income. During the year ended December 31, 2007, the Company recognized a tax benefit of $0.2 million for interest and penalties. Interest and penalties accrued at December 31, 2007 were $0.9 million. The total amount of unrecognized tax benefits at December 31, 2007 is approximately $2.4 million; $1.3 million, if recognized, would affect the Company's effective tax rate. If settlements are effected in accordance with the Company's expectations, the total unrecognized tax benefits could decrease by approximately $1.3 million within the next twelve months.

Unrecognized tax benefits consist of the following:

Balance as of January 1, 2007	$2,160,000
Additions to current period positions	504,000
Additions for positions of prior years	301,000
Reductions for tax positions of prior years	(542,000)
Balance as of December 31, 2007	$2,423,000

The Company and certain of its subsidiaries are subject to U.S. federal income tax as well as income tax of multiple state, local, and foreign jurisdictions. U.S. federal income tax returns have been examined through 2003. In addition, audits are currently being conducted for certain state and federal tax jurisdictions ranging from 2003 to 2006.

Note 14 - Income Taxes (continued)

In 2006, the Company reached agreements with various taxing authorities which closed certain outstanding audit periods, for which the Company had previously established reserves. The Company recorded a tax benefit of approximately $600,000, net of certain tax liabilities that were established, during the year ended December 31, 2006.

Internal Revenue Code Section 965 was enacted in 2004, as part of the American Jobs Creation Act. This was a temporary provision that allows U.S. companies to repatriate earnings from their foreign subsidiaries at a reduced tax rate provided that specified conditions and restrictions are satisfied. In addition, FASB Staff Position FAS 109-2 was issued to provide accounting and disclosure guidance relating to the repatriation provision. The Company's Board of Directors approved and adopted a repatriation plan and, as such, the Company repatriated $12.5 million of unremitted foreign earnings, which resulted in a tax benefit of approximately $3.0 million for the year ended December 31, 2005, as a result of the Company providing for taxes for the foreign earnings at the prior statutory rate.

The components of income before provision for income taxes are as follows:

Year Ended December 31,	2007	2006	2005
Domestic	**$3,286,000**	$35,649,000	$44,425,000
International	**6,965,000**	6,214,000	5,089,000
	$10,251,000	$41,863,000	$49,514,000

Significant items comprising the Company's deferred tax assets and liabilities are as follows:

	December 31,	
	2007	2006
Deferred tax assets:		
Inventory allowances and capitalization	**$ 2,274,000**	$ 2,197,000
Allowance for doubtful accounts and sales allowances	**819,000**	538,000
Deferred rent	**4,536,000**	4,451,000
Deferred compensation	**13,558,000**	11,337,000
Depreciation and asset impairment	**5,450,000**	1,562,000
Stock-based compensation	**3,017,000**	1,246,000
Losses on available-for-sale securities	**406,000**	--
Deferred income, customer obligations, and other	**1,956,000**	628,000
Non-deductible accruals	**950,000**	--
	$32,966,000	$21,959,000
Deferred tax liabilities:		
Amortization of intangible assets	**(106,000)**	--
Unrealized gains on available-for-sale securities	**--**	(703,000)
Undistributed foreign earnings	**(3,027,000)**	(3,407,000)
	(3,133,000)	(4,110,000)
Net deferred tax assets	**$29,833,000**	$17,849,000

Note 14 - Income Taxes (continued)

The provision for income taxes consists of the following:

	December 31, **2007**	2006	2005
Current:			
Federal	**$13,045,000**	$13,402,000	$19,477,000
State and local	**414,000**	1,465,000	1,882,000
Foreign	**698,000**	231,000	420,000
	14,157,000	15,098,000	21,779,000
Deferred:			
Federal	**(10,104,000)**	-	(5,486,000)
State and local	**(885,000)**	-	(305,000)
	(10,989,000)	-	(5,791,000)
	$3,168,000	$15,098,000	$15,988,000

The reconciliation of income tax computed at the U.S. federal statutory tax rate to the effective income tax rate for 2007, 2006 and 2005 is as follows:

	2007	2006	2005
Federal income tax at statutory rate	**35.0%**	35.0%	35.0%
State and local taxes, net of federal tax benefit	**0.7%**	2.5%	3.0%
Repatriation benefit	**--**	--	(5.7)%
Adjustment to accruals	**(1.8)%**	(1.4)%	--
Effect of rate changes	**(4.8)%**	--	--
Other permanent differences	**1.8%**	--	--
	30.9%	36.1%	32.3%

Note 15 - Commitments and Contingencies

A. Operating leases and Other Property Agreements

The Company leases office, retail and warehouse facilities under non-cancelable operating leases between 5 and 20 years with options to renew at varying terms. Future minimum lease payments for non-cancelable leases with initial terms of one year or more consisted of the following at December 31, 2007:

2008	$ 24,990,000
2009	23,767,000
2010	21,980,000
2011	20,343,000
2012	18,139,000
Thereafter	43,142,000
Total minimum cash payments	$152,361,000

In addition, certain of these leases contain rent escalation provisions and require additional percentage rent payments to be made. Step rent provisions and escalation clauses are taken into account in computing the minimum lease payments, recognized on a straight-line basis over the minimum lease term. The Company may also receive capital improvement funding from landlords, primarily as an

Note 15 - Commitments and Contingencies (continued)

A. Operating leases and Other Property Agreements (continued)

incentive for the Company to lease retail and outlet store space from the landlords. Such amounts are amortized as a reduction of rent expense over the life of the related lease.

Rent expense is as follows:

	2007	2006	2005
Minimum rent	**$26,835,000**	$27,894,000	$27,711,000
Contingent rent and other	**8,414,000**	6,972,000	6,413,000
Total rent expense	**$35,249,000**	$34,866,000	$34,124,000

Sub-tenants rental income for 2007, 2006, and 2005 was $171,000, $855,000, and $849,000, respectively. Future minimum rental income from sub-tenants is $208,000 for 2008. Future minimum rental income from sub-tenants does not include rent escalation and other charges that are subsequently passed through to the sub-tenant.

The Company leases 51,000 square feet of office space in Secaucus, New Jersey for its administrative offices. In addition, the Company also leases a 23,500 square foot facility in Secaucus used for Company Store space, as well as an additional distribution warehousing facility. The Company also has a technical and administrative office in Florence, Italy, and a similar office in Dongguan, China, which began operating in 2005. The Company does not own or operate any manufacturing facilities.

The Company leases space for all of its 49 full-priced retail stores (aggregating approximately 237,000 square feet) and 42 Company Stores (aggregating approximately 208,000 square feet). Generally, the leases provide for an initial term of five to ten years and certain leases provide for renewal options permitting the Company to extend the term thereafter.

B. Letters of credit

The Company was contingently liable for $175,000 and $196,000 of open letters of credit as of December 31, 2007 and 2006, respectively. In addition, at December 31, 2007 and 2006, stand-by letters of credit amounted to approximately $2,520,000 and $3,067,000, respectively.

C. Concentrations

In the normal course of business, the Company sells to major department stores and specialty retailers and believes that its broad customer base will mitigate the impact that financial difficulties of any such retailers might have on the Company's operations. The Company had no customer account for more than 10% of consolidated net sales for the years ended December 31, 2007, 2006, and 2005.

The Company sources each of its product lines separately, based on the individual design, styling and quality specifications of such products. The Company primarily sources its products directly or indirectly through manufacturers in Italy, Spain, Brazil, and China. However, approximately 47% and 46% of total handbag purchases came from two manufacturers in China during the years ended December 31, 2007 and 2006, respectively. Approximately 42% and 39% of *Kenneth Cole* and *Kenneth Cole Reaction* men's footwear purchases were from one manufacturer in China utilizing many different factories during the years ended December 31, 2007 and December 31, 2006, respectively.

Note 15 - Commitments and Contingencies (continued)

C. Concentrations (continued)

Approximately 52% and 55% of *Kenneth Cole Reaction* ladies' footwear purchases were sourced through two Chinese manufacturers during the years ended December 31, 2007 and December 31, 2006, respectively. The Company believes it has alternative manufacturing sources available to meet its current and future production requirements in the event the Company is required to change current manufacturers or current manufacturers are unavailable to fulfill the Company's production needs.

D. Lines of Credit Facilities

In December 2006, the Company entered into a five-year senior unsecured revolving credit facility (the "Revolving Credit Facility"), with various lenders, which provides up to $100.0 million to finance working capital requirements and letters of credit to finance the Company's inventory purchases. A portion of the Revolving Credit Facility not in excess of $25.0 million shall be available for the issuance of standby letters of credit. The full amount of the Revolving Credit Facility shall be available for the issuance of commercial letters of credit. The Revolving Credit Facility requires, among other things, that the Company comply with a maximum leverage ratio and various covenants on indebtedness, dissolutions, mergers, asset sales, pledges and changes in lines of business, as defined. Failure by the Company to comply with these covenants could reduce the borrowings available under the Revolving Credit Facility. If an event of default occurs, borrowings and interest are payable immediately, unless cured as defined, allowing borrowings to continue during the cure period. Loans under the Revolving Credit Facility bear an interest rate equal to the Alternate Base Rate (defined as the higher of the Prime Rate or the Federal Funds Rate plus 0.5%) or the Adjusted LIBOR rate plus applicable margin as defined within the agreement as elected by the Company. The Company incurs facility fees of ten basis points on the face amount of the Revolving Credit Facility. During 2007, the Company incurred facility fees of approximately $100,000. There were no outstanding advances under this agreement at December 31, 2007 and 2006. Amounts available under the Revolving Credit Facility at December 31, 2007 were reduced by $2,695,000 of standby and open letters of credit. During 2007, the Company did not borrow under the Revolving Credit Facility.

E. Other

On April 17, 2007, a class action was filed in Superior Court for the State of California, County of San Diego. The class action alleged that the Company's policies and practices regarding the request of personal information during credit card purchases violated California Civil Code Section 1747.08 (the Song-Beverly Credit Card Act). On October 29, 2007, the parties participated in mediation and reached an agreement in principle to settle the dispute. The amounts reserved at December 31, 2007 were sufficient to cover the proposed settlement preliminarily approved by the court on January 25, 2008. A hearing on final approval is scheduled for March 21, 2008.

A former store manager brought suit against the Company seeking back overtime pay for time worked in the store in excess of forty hours per week. On appeal the California Supreme Court ruled that amounts owed to employees for meal breaks should be treated as wage claims subject to a three-year statute of limitations. The Company has fully satisfied the judgment including attorneys' fees for the original trial. The plaintiff petitioned the court of appeals for attorneys' fees for the appellate proceedings, and the court of appeals subsequently referred the petition back to the trial court. On October 3, 2007, the trial court heard oral argument on the parties' positions and made preliminary

Note 15 - Commitments and Contingencies (continued)

E. Other (continued)

rulings. Based on those rulings, the Company established a reserve in September 2007. The amounts reserved at December 31, 2007 were sufficient to cover the judgment that was settled and paid in January 2008.

The Company is, from time to time, a party to other litigation that arises in the normal course of its business operations. The Company is not presently a party to any other litigation that it believes might have a material adverse effect on its business operations.

Note 16 - Shareholders' Equity

A. Common stock

Class A Common Shareholders are entitled to one vote for each share held of record and Class B Common Shareholders are entitled to ten votes for each share held of record. Each share of Class B Common Stock is convertible into one share of Class A Common Stock at the option of the Class B Shareholder. The Class A Common Shareholders vote together with Class B Common Shareholders on all matters subject to shareholder approval, except that Class A Common Shareholders vote separately as a class to elect 25% of the Board of Directors of the Company. Shares of neither class of common stock have preemptive or cumulative voting rights.

B. Preferred Stock

The Company's Certificate of Incorporation authorizes the issuance of 1,000,000 shares of preferred stock. The preferred stock may be issued from time to time as determined by the Board of Directors of the Company, without shareholder approval. Such preferred stock may be issued in such series and with such preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications or other provisions, as may be fixed by the Board of Directors.

C. Common Stock Repurchase

In 2006, the Company's Board of Directors increased the authorization for the Company's common stock repurchase plan by approximately 1,138,400 shares to an aggregate of 5,388,400 of shares of Class A common stock. During 2007, the Company repurchased 1,008,000 of its shares at an aggregate price of $19.2 million and during 2006, repurchased 300,000 of its shares at an aggregate price of $7.2 million. The Company had 692,000 and 1,700,000 shares available for repurchase as of December 31, 2007 and 2006, respectively.

Note 17 - Licensing Agreements

A. Kenneth Cole and Reaction

In 2006, the Company amended its license agreement with Paul Davril Inc. ("PDI"), which covered the manufacture and distribution of men's and women's sportswear under the *Kenneth Cole New York* trademark and men's sportswear under the *Kenneth Cole Reaction* trademark. The amended agreement allows the Company to assume control of its *Kenneth Cole New York* sportswear categories in 2007. In January 2007, the Company reached an agreement with PDI to end its license agreement at the end of 2007 and assume control over its *Kenneth Cole Reaction* sportswear business in 2007.

Note 17 - Licensing Agreements (continued)

B. Le Tigre

In conjunction with the purchase of the *Le Tigre* trademark, as described in Note 6, Intangible Assets, the Company entered into a license agreement with Le Tigre, LLC ("the Seller") to continue manufacturing and selling sportswear under the *Le Tigre* brand. During January 2008, the Company announced an agreement with JCPenney to launch sportswear under the *Le Tigre* brand with possible expansion into other categories effectively ending the aforementioned license agreement with the former Seller of the trademark.

Note 18 - Related Party Transactions

The Company has an exclusive license agreement with Iconix Brand Group, Inc., and its trademark holding company, IP Holdings, LLC ("Iconix"), to use the *Bongo* trademark in connection with worldwide manufacture, sale and distribution of women's, men's and children's footwear. The Chief Executive Officer and Chairman of Iconix is the brother of the Company's Chief Executive Officer and Chairman. The term of the agreement is through December 31, 2010. Management believes that the license agreement with Iconix was entered into at arm's-length. During these periods, the Company is obligated to pay Iconix a percentage of net sales based upon the terms of the agreement. The Company recorded approximately $1,083,000 and $1,400,000 in aggregate royalty and advertising expense under the agreement for the years ended December 31, 2007 and December 31, 2006, respectively.

During 2007, the Company recorded expenses of approximately $510,000 and $515,000 for the years ended December 31, 2007 and 2006 to a third-party aviation company which hires and uses an aircraft partially owned by Emack LLC, a company which is wholly-owned by the Company's Chief Executive Officer and Chairman. Management believes that all transactions were made on terms and conditions similar to or more favorable than those available in the marketplace from unrelated parties.

Note 19 - New Accounting Pronouncements

In September 2006, the FASB issued FASB Statement No. 157, *"Fair Value Measurements"* ("SFAS 157"), which addresses how companies should measure fair value when they are required to use a fair value measure for recognition or disclosure purposes under generally accepted accounting principles. The FASB believes that the new standard will make the measurement of fair value more consistent and comparable and improve disclosures about those measures. SFAS 157 is effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB deferred the effective date of SFAS 157 for one year for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The Company adopted the provisions on January 1, 2008, and has determined that it will not have a material impact on the Company's consolidated financial statements.

In February 2007, the FASB issued FASB Statement No. 159, *"The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No.115"* ("SFAS 159"). SFAS 159 allows entities to choose, at specified election dates, to measure eligible financial assets and liabilities at fair value in situations in which they are not otherwise required to be measured at fair value. If a company elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting periods must be recognized in current period earnings. SFAS 159 also establishes presentation and disclosure requirements designed to draw comparison between entities that elect different measurement attributes for similar assets and liabilities. The Company adopted the provisions

Note 19 - New Accounting Pronouncements (continued)

on January 1, 2008, and has determined that it will not have a material impact on the Company's consolidated financial statements.

In December 2007, the FASB issued FASB Statement No. 141 (R), "*Business Combinations*" ("SFAS 141R"). SFAS 141R requires an acquirer to measure the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at their fair values on the acquisition date, with goodwill being the excess value over the net identifiable assets acquired. SFAS 141R is effective for all business combinations for which the acquisition date is on or after the beginning of the first annual period subsequent to December 15, 2008. The Company is currently evaluating the requirements and impact of FAS 141R on the Company's consolidated financial statements.

In December 2007, the FASB issued FASB Statement No. 160, "*Noncontrolling Interests in Consolidated Financial Statements-an amendment of ARB No. 51*" ("SFAS 160"). SFAS 160 clarifies that a noncontrolling interest in a subsidiary should be reported as equity in the consolidated financial statements. The calculation of earnings per share will continue to be based on income amounts attributable to the parent. SFAS 160 is effective for financial statements issued for fiscal years beginning after December 15, 2008. The Company is currently evaluating the requirements and impact of SFAS 160 on the Company's consolidated financial statements.

Note 20- Quarterly Financial Data (Unaudited)

Summarized quarterly financial data for 2007 and 2006 appear below (in thousands, except per share and dividend data):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2007				
Net sales	$119,868	$108,337	$118,644	$119,556
Royalty revenue	9,470	10,612	11,669	12,564
Net revenues	129,338	118,949	130,313	132,120
Gross profit	52,554	52,725	57,851	60,182
Operating income/(loss)	4,333	3,819	4,057	(7,324)
Net income	3,440	3,304	3,433	(3,094)
Earnings per share basic	$0.17	$0.16	$0.17	$(0.16)
Earnings per share diluted	$0.17	$0.16	$0.17	$(0.16)
Dividends declared	$0.18	$0.18	$0.18	$0.18
2006				
Net sales	$112,201	$124,877	$132,839	$122,365
Royalty revenue	10,374	10,384	10,850	12,609
Net revenues	122,575	135,261	143,689	134,974
Gross profit	51,297	56,736	62,372	61,422
Operating income	3,650	8,145	13,622	11,571
Net income	3,064	6,487	9,220	7,994
Earnings per share basic	$0.15	$0.32	$0.46	$0.40
Earnings per share diluted	$0.15	$0.32	$0.45	$0.39
Dividends declared	$0.18	$0.18	$0.18	$0.18

Note 21- Subsequent Events

On March 3, 2008, the Board of Directors declared a quarterly cash dividend of $0.09 per share payable on March 28, 2008 to shareholders of record at the close of business on March 14, 2008.

Also, on March 3, 2008, the Board of Directors approved a four million share increase to the Company's authorized stock buyback plan.

Kenneth Cole Productions, Inc.
Schedule II
Valuation and Qualifying Accounts
For the Years Ended December 31, 2007, 2006, and 2005

Description	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions	Balance at End of Period
Year ended December 31, 2007				
Allowance for doubtful accounts	$ (249,000)	$ (188,000)	$ 207,000	$ (230,000)
Reserve for returns and sales allowances	$(8,956,000)	$(24,910,000)	$23,310,000	$(10,556,000)
	$(9,205.000)	$(25,098,000)	$23,517,000	$(10,786.000)
Year ended December 31, 2006				
Allowance for doubtful accounts	$ (298,000)	$ (211,000)	$ 260,000	$ (249,000)
Reserve for returns and sales allowances	$(8,068,000)	$(18,735,000)	$17,847,000	$(8,956,000)
	$(8,366,000)	$(18,946,000)	$18,107,000	$(9,205,000)
Year ended December 31, 2005				
Allowance for doubtful accounts	$ (302,000)	$ (290,000)	$ 294,000	$ (298,000)
Reserve for returns and sales allowances	$(8,377,000)	$(20,064,000)	$20,373,000	$(8,068,000)
	$(8,679,000)	$(20,354,000)	$20,667,000	$(8,366,000)

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.

KENNETH COLE PRODUCTIONS, INC.

By: /s/ KENNETH D. COLE
Kenneth D. Cole
Chief Executive Officer

Date: March 7, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ KENNETH D. COLE Kenneth D. Cole	Chief Executive Officer and Chairman of the Board	March 7, 2008
/s/ DAVID P. EDELMAN David P. Edelman	Chief Financial Officer	March 7, 2008
/s/ ROBERT C. GRAYSON Robert C. Grayson	Director	March 7, 2008
/s/ DENIS F. KELLY Denis F. Kelly	Director	March 7, 2008
/s/ PHILIP R. PELLER Philip R. Peller	Director	March 7, 2008
/s/ MARTIN E. FRANKLIN Martin E. Franklin	Director	March 7, 2008

Exhibit 21.01

Kenneth Cole Productions, Inc.
Affiliate Group Members

Subsidiaries at: 12/31/2007	Location of incorporation
Cole 57th. St., LLC	Delaware
Cole Amsterdam, B.V.	Amsterdam
Cole Amsterdam, Inc.	Delaware
Cole Broadway, Inc.	New York
Cole Camarillo, LLC	Delaware
Cole Dawsonville, Inc.	Delaware
Cole Forum, Inc.	Delaware
Cole Garden State, Inc.	Delaware
Cole Georgetown, Inc.	District of Columbia
Cole Grand Central, Inc.	Delaware
Cole Grant, Inc.	Delaware
Cole Las Vegas, Inc.	Delaware
Cole Michigan Avenue, Inc.	Delaware
Cole Nassau, Inc.	Delaware
Cole New Orleans, Inc.	Delaware
Cole Pike, Inc.	Delaware
Cole SFC, LLC	Delaware
Cole South Beach, Inc.	Florida
Cole South Side, LLC	Delaware
Cole Tyson, Inc.	Virginia
KCP Beneficiary Services, LLC	Delaware
KCP Consulting (Dongguan), Co. Ltd.	PRC
KCP Trust, LLC	Delaware
Kenneth Cole Asia, Inc.	Delaware
Kenneth Cole Canada, Inc.	Canada
Kenneth Cole Catalog, Inc.	Virginia
Kenneth Cole Productions, (LIC), Inc.	Bahamas
Kenneth Cole Productions, Inc.	New York
Kenneth Cole Productions, LP	Delaware
Kenneth Cole Services (NY), Inc.	Delaware
Kenneth Cole Services, Inc.	Delaware
Kenneth Cole Trading, Inc.	Delaware
Kenneth Cole, Inc.	New Jersey
Kenneth Productions, Inc.	Delaware
Kenth, Ltd.	Hong Kong
Riviera Holding, LLC	Delaware
Kenneth Cole International Services, LLC	Delaware

Exhibit 23.01

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-92094) pertaining to the Kenneth Cole Productions, Inc. 1994 Stock Option Plan, Registration Statement (Form S-8 No. 333-31868) pertaining to the Kenneth Cole Productions, Inc. Employee Stock Purchase Plan, Registration Statement (Form S-8 No. 333-119101) pertaining to the Kenneth Cole Productions, Inc. 2004 Stock Incentive Plan, and Registration Statement (Form S-8 No. 333-131724) pertaining to the Kenneth Cole Productions, Inc. 2004 Stock Incentive Plan of our reports dated March 5, 2008, with respect to the consolidated financial statements and schedule of Kenneth Cole Productions, Inc., and the effectiveness of internal control over financial reporting of Kenneth Cole Productions, Inc., included in the Annual Report (Form 10-K) for the year ended December 31, 2007.

/s/ Ernst & Young LLP

New York, New York
March 5, 2008

Exhibit 23.02

CONSENT OF INDEPENDENT APPRAISAL FIRM

We hereby consent to the inclusion in Note 6 to the Financial Statements included in the Annual Report on Form 10-K of Kenneth Cole Productions, Inc. for the year ended December 31, 2007 of references to our report, dated October 15, 2007, relating to the fair value of the assets of Le Tigre, LLC.

/s/ Corporate Valuation Advisors, Inc.

Brookfield, Wisconsin
March 5, 2008

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Kenneth D. Cole, certify that:

1. I have reviewed this annual report on Form 10-K of Kenneth Cole Productions, Inc.;

2. Based on my knowledge, the report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the report;

3. Based on my knowledge, the financial statements, and other financial information included in the report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in the report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ KENNETH D. COLE

Kenneth D. Cole
Chief Executive Officer

Date: March 7, 2008

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, David P. Edelman, certify that:

1. I have reviewed this annual report on Form 10-K of Kenneth Cole Productions, Inc.;

2. Based on my knowledge, the report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the report;

3. Based on my knowledge, the financial statements, and other financial information included in the report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in the report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ DAVID P. EDELMAN

David P. Edelman
Chief Financial Officer

Date: March 7, 2008

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Kenneth Cole Productions, Inc. (the "Company") on Form 10-K for the period ending December 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kenneth D. Cole, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ KENNETH D. COLE

Kenneth D. Cole
Chairman and Chief Executive Officer
Kenneth Cole Productions, Inc
March 7, 2008

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Kenneth Cole Productions, Inc. (the "Company") on Form 10-K for the period ending December 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David P. Edelman, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DAVID P. EDELMAN

David P. Edelman
Chief Financial Officer
Kenneth Cole Productions, Inc.
March 7, 2008

Corporate Directory

Board of Directors

Kenneth D. Cole
Chairman of the Board and Chief Executive Officer

Martin E. Franklin*
Chairman and Chief Executive Officer Jarden Corporation

Robert C. Grayson*
President, Robert C. Grayson & Associates, Inc.

Denis F. Kelly*
Managing Partner, Scura, Rise & Partners, LLC

Philip R. Peller*
Independent Consultant Retired Partner, Arthur Andersen LLP

*Member of the Audit Committee, Compensation Committee and Corporate Governance/Nominating Committee

Executive Officers and Senior Management

Kenneth D. Cole
Chairman of the Board and Chief Executive Officer

David P. Edelman
Chief Financial Officer

Michael F. Colosi
Senior Vice President, General Counsel and Secretary

Douglas Jakubowski
President, Kenneth Cole—Apparel and Corporate Relations

Jeff Cohen
Divisional President, Consumer Direct

Michael DeVirgilio
Executive Vice President, Business Development

Richard Olicker
Executive Vice President, Wholesale

Linda Nash Merker
Senior Vice President of Human Resources

Corporate Headquarters

Kenneth Cole Productions, Inc.
603 West 50th Street
New York, New York 10019

Internet Addresses

www.kennethcole.com
www.kennethcolereaction.com

Annual Meeting

The Annual Meeting of Shareholders will be held at 10:00 a.m. Thursday, May 29, 2008 at the Company's Administrative Offices, 400 Plaza Drive, Secaucus, New Jersey 07094.

Class A Common Stock

Shares of the Company's Class A Common Stock are listed and traded on the New York Stock Exchange (trading symbol KCP).

Corporate Governance

The Company's Corporate Governance Guidelines are available through the Investor Relations Corporate Governance link on our website www.kennethcole.com.

Independent Auditors

Ernst & Young LLP
5 Times Square
New York, New York 10036

Transfer Agent

BNY Mellon Shareowner Services
480 Washington Boulevard
Jersey City, NJ 07310-1900
http://www.bnymellon.com/shareowner/isd
Telephone: 1-866-210-6999

Information Requests

Copies of the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission are available free of charge to shareholders either on the Company's website or upon request to:

Investor Relations

Kenneth Cole Productions, Inc.
400 Plaza Drive
Secaucus, New Jersey 07094
(201) 864-8080 ext. 28451
investorrelations@kennethcole.com

END