

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

ICON INTERNATIONAL HOLDINGS INC

CIK:**785312** | IRS No.: **841425493** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **333-93711-01** | Film No.: **041075466**

Business Address
C/O ICON HEALTH & FITNESS
INC
1500 SOUTH 100 WEST
LOGAN UT 84321

FREE MOTION FITNESS INC

CIK:**1174469** | IRS No.: **870666332** | State of Incorp.:**UT** | Fiscal Year End: **0531**
Type: **10-Q** | Act: **34** | File No.: **333-89440-02** | Film No.: **041075464**

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NORDICTRACK INC

CIK:**1174470** | IRS No.: **870674680** | State of Incorp.:**UT** | Fiscal Year End: **0531**
Type: **10-Q** | Act: **34** | File No.: **333-89440-01** | Film No.: **041075465**

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510152 N B LTD

CIK:**1101202** | State of Incorp.:**A0** | Fiscal Year End: **0531**
Type: **10-Q** | Act: **34** | File No.: **333-93711-04** | Film No.: **041075468**

Mailing Address
1500 SOUTH 1000 WEST
LOGAN UT 84321

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JUMPKING INC

CIK:**1101201** | IRS No.: **870481821** | State of Incorp.:**DE** | Fiscal Year End: **0531**
Type: **10-Q** | Act: **34** | File No.: **333-93711-03** | Film No.: **041075469**

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ICON HEALTH & FITNESS INC

CIK:**934798** | IRS No.: **870531206** | State of Incorp.:**DE** | Fiscal Year End: **0531**
Type: **10-Q** | Act: **34** | File No.: **033-87930** | Film No.: **041075462**
SIC: **3949** Sporting & athletic goods, nec

Mailing Address
1500 SOUTH 1000 WEST
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LOGAN UT 84321
4357507737

UNIVERSAL TECHNICAL SERVICES INC

CIK:**1101200** | IRS No.: **870468754** | State of Incorp.:**DE** | Fiscal Year End: **0531**
Type: **10-Q** | Act: **34** | File No.: **333-93711-02** | Film No.: **041075467**

Mailing Address
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ICON IP INC

Mailing Address
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Business Address
1500 SOUTH 1000 WEST
LOGAN UT 84321

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(Mark One)

Quarterly Report Pursuant To Section 13 Or 15(D) Of The Securities Exchange Act Of 1934
For the fiscal quarter ended **August 28, 2004**

Transition Report Under Section 13 Or 15(D) Of The Securities Exchange Act Of 1934
For the transition period from _____ to _____

COMMISSION FILE NUMBER: **333-93711**

ICON HEALTH & FITNESS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation or organization)

87-0531206

(I.R.S. Employer Identification No.)

1500 South 1000 West

Logan, UT, 84321

(Address and zip code of principal executive offices)

(435) 750-5000

(Registrant's telephone number, including area code)

Not Applicable

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

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. **Yes No**

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

ICON Health & Fitness, Inc., 1,000 shares.

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ITEM 1 - FINANCIAL STATEMENTS

ICON Health & Fitness, Inc.**Condensed Consolidated Balance Sheets**

(expressed in thousands)

	August 28, 2004	May 31, 2004	August 30, 2003
	(Unaudited)	(Audited)	(Restated) (Unaudited)
ASSETS			
Current assets			
Cash	\$4,821	\$5,122	\$4,442
Accounts receivable, net	170,840	210,498	182,064
Inventories, net:			
Raw materials	72,264	76,222	66,518
Finished goods	190,365	119,706	130,711
Total inventories, net	262,629	195,928	197,229
Income taxes receivable	-	-	162
Deferred income taxes	18,882	6,974	7,206
Other current assets	15,060	13,067	9,067
Total current assets	472,232	431,589	400,170
Property and equipment	120,821	111,981	103,708
Less accumulated depreciation	(57,099)	(53,453)	(52,862)
Property and equipment, net	63,722	58,528	50,846
Intangible assets, net	37,097	38,681	27,897
Deferred income taxes	6,717	6,309	9,573
Other assets, net	21,255	23,388	20,969
	\$601,023	\$558,495	\$509,455
LIABILITIES AND STOCKHOLDER'S EQUITY			
Current liabilities			
Current portion of long-term debt	\$191,430	\$135,879	\$144,469
Accounts payable	158,780	146,944	125,734
Accrued expenses	29,429	30,811	28,555
Income taxes payable	125	574	-
Interest payable	3,038	7,544	3,165
Total current liabilities	382,802	321,752	301,923
Long-term debt	153,145	153,111	153,009
Other liabilities	12,874	12,797	9,920
	548,821	487,660	464,852
Minority interest	3,500	3,500	3,100
Stockholder's equity			
Common stock and additional paid-in capital	204,155	204,155	204,155
Receivable from Parent	(2,200)	(2,200)	(2,200)
Accumulated deficit	(154,646)	(133,863)	(158,978)
Accumulated other comprehensive income (loss)	1,393	(757)	(1,474)

Total stockholder's equity	48,702	67,335	41,503
	<u>\$601,023</u>	<u>\$558,495</u>	<u>\$509,455</u>

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

ICON Health & Fitness, Inc.

Condensed Consolidated Statements of Operations (unaudited)

(expressed in thousands)

	For the Three Months Ended	
	August 28, 2004	August 30, 2003
Net sales	\$170,334	\$197,823
Cost of sales	134,954	134,248
Gross profit	35,380	63,575
Operating expenses:		
Selling	32,983	34,341
Research and development	3,271	3,251
General and administrative	23,517	21,212
Total operating expenses	59,771	58,804
Income (loss) from operations	(24,391)	4,771
Interest expense	6,038	5,993
Amortization of deferred financing fees	277	41
Loss before income taxes	(30,706)	(1,263)
(Benefit of) provision for income taxes	(9,923)	463
Net loss	(20,783)	(1,726)
Other comprehensive income (loss):		
Foreign currency translation adjustment, net of tax expense of \$1,318 in fiscal 2005 and net of tax benefit of \$680 in fiscal 2004	2,150	(1,109)
Comprehensive loss	\$(18,633)	\$(2,835)

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

ICON Health & Fitness, Inc.

Condensed Consolidated Statements of Cash Flows (unaudited)

(expressed in thousands)

	For the Three Months Ended	
	August 28, 2004	August 30, 2003
OPERATING ACTIVITIES:		
Net loss	\$ (20,783)	\$ (1,726)
Adjustments to reconcile net loss to net cash used in operating activities:		
Benefit for deferred taxes	(14,374)	(397)
Amortization of deferred financing fees	277	41
Amortization of debt discount	36	91
Depreciation and amortization	5,787	5,477
Changes in operating assets and liabilities:		
Accounts receivable, net	39,658	(6,900)
Inventories, net	(66,701)	(35,521)
Other assets, net	716	389
Accounts payable and accrued expenses	10,454	(852)
Income taxes payable	(449)	(4,390)
Interest payable	(4,506)	(4,319)
Other liabilities	(36)	(168)
Net cash used in operating activities	(49,921)	(48,275)
INVESTING ACTIVITIES:		
Purchase of property and equipment	(5,026)	(3,720)
Purchase of property and equipment-China	(3,969)	(1,840)
Purchase of intangible assets	(402)	(814)
Net cash used in investing activities	(9,397)	(6,374)
FINANCING ACTIVITIES:		
Borrowings on revolving credit facility, net	56,799	53,130
Payments on term note	(1,250)	-
Minority interest	-	3,100
Net cash provided by financing activities	55,549	56,230
Effect of exchange rates on cash	3,468	(1,789)
Net decrease in cash	(301)	(208)
Cash, beginning of period	5,122	4,650
Cash, end of the period	\$ 4,821	\$ 4,442

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

ICON Health & Fitness, Inc.

Notes to Condensed Consolidated Financial Statements (unaudited)

NOTE A - BASIS OF PRESENTATION

This report covers ICON Health & Fitness, Inc. and its subsidiaries (collectively, "the Company"). The Company's parent company, HF Holdings, Inc. ("HF Holdings"), is not a registrant.

The Company is one of the world's leading manufacturers and marketers of fitness equipment. The Company is headquartered in Logan, Utah and has approximately 5,000 employees worldwide. The Company develops, manufactures and markets fitness equipment under the following company-owned brand names: ProForm, NordicTrack, Weslo, HealthRider, Image, JumpKing, Weider, Epic, Free Motion Fitness and, under license, Reebok and Gold's Gym.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statement presentation. In addition, certain minor reclassifications of previously reported financial information were made to conform to the current period's presentation.

The Company, in its opinion, has included all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation of the results of operations for the three months ended August 28, 2004 and August 30, 2003. The condensed consolidated financial statements and notes thereto should be read in conjunction with the audited financial statements and notes for the year ended May 31, 2004 included in the Company's annual report on Form 10-K as filed with the Securities and Exchange Commission on August 30, 2004. Interim results, including comparative balance sheets, are not necessarily indicative of results for the full fiscal year due to the inherent seasonality in the Company's business. See "Seasonality" in Management's Discussion and Analysis of Financial Condition and Results of Operations.

Critical Accounting Policies

The Company's discussion of results of operations and financial condition relies on its consolidated financial statements that are prepared based on certain critical accounting policies that require management to make judgments and estimates that are subject to varying degrees of uncertainty. The Company believes that investors need to be aware of these policies and how they impact its financial statements as a whole, as well as its related discussion and analysis presented herein. While the Company believes that these accounting policies are based on sound measurement criteria, actual future events can and often do result in outcomes that can be materially different from these estimates or forecasts. The accounting policies and related risks described in the Company's annual report on Form 10-K as filed with the Securities and Exchange Commission on August 30, 2004 are those that depend most heavily on these judgments and estimates. As of August 28, 2004, there have been no material changes to any of the critical accounting policies contained therein.

Stock-Based Compensation Plans

The Company accounts for employee stock-based compensation arrangements in accordance with provisions of Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees." Accordingly, no compensation cost has been recognized for options granted to employees under its fixed stock option plan.

There were no stock options granted in the three months ended August 28, 2004 and August 30, 2003, respectively. All previously granted options were fully vested as of November 30, 2002. Therefore, there is no stock-based employee compensation for the three months ended August 28, 2004 and August 30, 2003.

Warranty Reserves

The Company maintains a warranty accrual for estimated future warranty obligations based upon the relationship between historical and anticipated costs and sales volumes. If actual warranty expenses are greater than those projected, additional reserves and other charges against earnings may be required. If actual warranty expenses are less than projected, prior reserves could be reduced providing a positive impact on the Company's reported results. The following table provides a reconciliation of the changes in the Company's product warranty reserve (table in thousands):

Three Months Ended	
August 28, 2004	August 30, 2003
_____	_____

Beginning balance	\$	2,505	\$2,694
Additions:			
Charged to costs and expenses		-	27
Deductions:			
Reduction in reserve		(241)	-
Ending balance	\$	2,264	\$2,721

NOTE B - ACCOUNTING CHANGES

See "Recent Accounting Standards" under Management's Discussion and Analysis of Financial Condition and Results of Operations.

NOTE C - COMMITMENTS AND CONTINGENCIES

Due to the nature of the Company's products, the Company is subject to product liability claims involving personal injuries allegedly related to the Company's products. These claims include injuries sustained by individuals using the Company's products. The Company currently carries an occurrence-based product liability insurance policy. The current policy provides coverage for the period from October 1, 2004 to October 1, 2005 with limits of \$10.0 million per occurrence and \$10.0 million in the aggregate. The policy has a deductible on each claim of \$1.0 million. For occurrences prior to October 1, 2004, the policy provided coverage of \$10.0 million per occurrence and \$10.0 million in the aggregate. The policy had a deductible on each claim of \$1.0 million. For occurrences prior to October 1, 2003, the policy provided coverage of \$5.0 million per occurrence and \$5.0 million in the aggregate. The policy had a deductible on each claim of \$1.0 million. The Company believes that its insurance is generally adequate to cover product liability claims. Nevertheless, currently pending claims and any future claims are subject to the uncertainties related to litigation, and the ultimate outcome of any such proceedings or claims cannot be predicted. Due to uncertainty with respect to the nature and extent of manufacturers' and distributors' liability for personal injuries, the Company cannot guarantee that its product liability insurance is or will be adequate to cover such claims. The Company vigorously defends any and all product liability claims brought against it and does not believe that any current pending claims or series of claims will have a material adverse effect on its results of operations, liquidity or financial position.

As of August 28, 2004, the Company is involved in various product reviews and recalls with the Consumer Product Safety Commission ("CPSC"). The Company believes that adverse resolutions of these reviews and recalls will not have a material adverse effect on its results of operations or financial position.

The Company is party to a variety of non-product liability commercial suits involving contract claims. The Company believes that adverse resolution of these lawsuits would not have a material adverse effect on its results of operations or financial position.

In December 2001, a claim was made against the Company alleging the Company received \$1.7 million of preferential transfers in connection with the 1999 Service Merchandise bankruptcy proceedings. The proposed claim is currently being vigorously defended by the Company's counsel. At this time, the Company and its counsel are unable to determine the likelihood of an unfavorable outcome or the amount or range of potential recovery or loss.

On December 3, 2002, the Nautilus Group, Inc. ("Nautilus") filed suit against the Company in the United States District Court, Western District of Washington (the "Court") alleging the Company infringed Nautilus' Bowflex patents. Nautilus seeks injunctive relief and monetary damages. In May 2003, the Court denied Nautilus' motion for a preliminary injunction and granted partial summary judgment to the Company on the issue of "literal infringement." Nautilus appealed this motion denying the preliminary injunction on literal patent infringement, and a trial has been scheduled for sometime in April of 2005. This case is currently being vigorously defended by the Company's counsel; however, it is not possible for the Company to quantify with any certainty the extent of any potential liability.

As part of the above suit, in July 2003, the Court ruled in favor of Nautilus on a motion for preliminary injunction on the issue of trademark infringement, and entered an order barring the Company from using the trademark "CrossBow" on any exercise equipment. In June of 2004, the United States Court of Appeals for the Federal Circuit affirmed the grant of a preliminary injunction as previously granted by the Federal District Court. Thus, the Company is barred from using the "CrossBow" trademark on any of its exercise equipment pending trial. The Company subsequently changed the name from "CrossBow" to "CrossBar" or "The Max" by Weider. In July of 2004, Nautilus filed an additional lawsuit in the United States District Court for the Western District of Washington alleging that the Company further infringed on the Bowflex trademark by using the "CrossBar" trademark. Nautilus seeks injunctive relief and monetary damages. The Company believes this additional lawsuit is without merit and will vigorously defend its right to use the "CrossBar" trademark.

The Company is also involved in several intellectual property and patent infringement claims, arising in the ordinary course of its business. The Company believes that the ultimate outcome of these matters will not have a material adverse effect upon its results of operations or financial position.

In fiscal 2003, the Company formed a foreign subsidiary to build a manufacturing facility in Xiamen, China. The original project costs were anticipated to be approximately \$12.0 million. Due to the Company's decision to increase the size of one facility, it now anticipates the total project cost to be approximately \$30.5 million, with \$15.5 million to be funded in the form of equity by the subsidiary, and approximately \$15.0 million in the form of debt. The Company's share of the equity investment is expected to be approximately \$10.0 million. The Company is in the process of arranging for the debt portion of the financing, which is expected to be provided by the Bank of China. The Company's equity interest in the foreign subsidiary is 70%, which will be funded in the form of equity and debt. As of August 28, 2004, the Company has made contributions of \$5.0 million and the minority interest contributions were \$3.5 million. The minority interest shareholder is also a long-time vendor of the Company. The Company has recorded purchases from this vendor of approximately \$19.6 million and \$23.5 million during the three months ended August 28, 2004 and August 30, 2003, respectively. As a result of the Company's controlling interest in the foreign subsidiary, the investment has been reported on a consolidated basis beginning in the first quarter of fiscal 2004.

NOTE D - THE 2002 CREDIT AGREEMENT

On October 11, 2004, the Company amended its credit agreement (the "Amended Credit Agreement"). The Amended Credit Agreement increases the amount of availability from \$210 million to \$275 million. In addition, the remaining balance on the term note with accrued interest (approximately \$12.5 million) is converted to and becomes a part of the revolver balance. At the Company's option, revolving credit advances bear interest at either (a) a floating rate equal to the Index Rate plus the applicable margin of 1.375% or (b) a floating rate equal to the LIBOR rate plus the applicable margin of 2.75%. If the Company meets certain fixed charge coverage ratios, the applicable margins have lower rates. The Amended Credit Agreement waives any violation of financial covenants for the first quarter of fiscal 2005 and eliminates those financial covenants going forward. The Amended Credit Agreement also provides for the formation of certain Chinese sales corporations to facilitate doing business in China.

The Company is also required to maintain a lockbox arrangement whereby remittances from its customers reduce the borrowings outstanding under the Credit Agreement. The Credit Agreement also contains a Material Adverse Effect ("MAE") clause which grants the agent and lenders having more than 66 and 2/3% of the commitment or borrowings the right to block our requests for future advances. EITF Issue 95-22 "Balance Sheet Classification of Borrowings Outstanding Under Revolving Credit Agreements That Include both a Subjective Acceleration Clause and a Lockbox Arrangement" requires borrowings under credit agreements with these two provisions to be classified as current obligations.

The Company does not believe that any of these MAE's have occurred or can reasonably be expected to occur based upon its history and its relationship with the Credit Facility lenders. The Company intends to manage the Credit Facility as long-term debt with a final maturity date in 2007, as provided for in the Credit Agreement.

In addition, the Company has restated the August 30, 2003 balance sheet to properly reflect the borrowings as current as of August 30, 2003. This reclassification had no impact on the Company's debt covenants under the credit agreement, its ability to draw on existing facilities or its previously reported net income.

NOTE E - DISCONTINUED OPERATIONS

On September 17, 2004, management announced that JumpKing, Inc. ("JumpKing"), a wholly-owned subsidiary, will discontinue the manufacturing, marketing and distribution of trampolines ("trampoline operations"). As a result, approximately 415 jobs will be eliminated in the JumpKing plant in Mesquite, Texas. The Company expects the plant to cease trampoline operations by the end of the third quarter of fiscal 2005. Trampoline sales were approximately \$82.6 million and \$77.1 million for the fiscal years ended May 31, 2004 and 2003, respectively. As of August 28, 2004, the Company is unable in good faith to make a determination of the costs associated with the discontinuance of trampoline operations.

In conjunction with the discontinuance of trampoline operations, the Company has performed an evaluation of long-lived assets pursuant to Statements of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment of Long Lived Assets" ("SFAS 144") to determine if the manufacturing fixed assets will be subject to a possible impairment loss. As of August 28, 2004, the Company currently does not anticipate any material impairment of its long lived assets.

NOTE F - GUARANTOR / NON-GUARANTOR FINANCIAL INFORMATION

The Company's subsidiaries JumpKing, Inc., 510152 N.B. Ltd., Universal Technical Services, Inc., ICON International Holdings, Inc., NordicTrack, Inc. and Free Motion Fitness, Inc. ("Subsidiary Guarantors") have fully and unconditionally guaranteed on a joint and several basis, the obligation to pay principal and interest with respect to the 11.25% Notes. A significant portion of the Company's operating income and cash flow is generated by its subsidiaries. As a result, funds necessary to meet the Company's debt service obligations are provided in part by distributions or advances from its subsidiaries. Under certain circumstances, contractual and legal restrictions, as well as the financial condition and operating requirements of the Company's subsidiaries, could limit the Company's ability to obtain cash from its subsidiaries for the purpose of meeting its debt service obligations, including the payment of principal and interest on the 11.25% Notes. Although holders of the 11.25% Notes will be direct creditors of the Company's principal direct subsidiaries by virtue of the guarantees, the Company has indirect subsidiaries located primarily in Europe ("Non-Guarantor Subsidiaries") that are not included among the Guarantor Subsidiaries, and such subsidiaries will not be obligated with respect to the 11.25% Notes. As a result, the claims of creditors of the Non-Guarantor Subsidiaries will effectively have

priority with respect to the assets and earnings of such companies over the claims of creditors of the Company, including the holders of the 11.25% Notes.

The following supplemental condensed consolidating financial statements are presented (in thousands):

1. Condensed consolidating balance sheets as of August 28, 2004 (unaudited), May 31, 2004 (audited) and August 30, 2003 (unaudited) and condensed consolidating statements of operations and cash flows for the three months ended August 28, 2004 (unaudited) and August 30, 2003 (unaudited).
 2. The Company's combined Subsidiary Guarantors and combined Non-Guarantor Subsidiaries with their investments in subsidiaries accounted for using the equity method.
 3. Elimination entries necessary to consolidate the Company and all of its subsidiaries.
-

Supplemental Condensed Consolidating Balance Sheet
August 28, 2004

	ICON Health & Fitness, Inc.	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
<i>Current assets:</i>					
Cash	\$1,591	\$2,182	\$1,048	\$-	\$4,821
Accounts receivable, net	105,284	78,179	13,735	(26,358)	170,840
Inventories, net	165,888	83,094	14,890	(1,243)	262,629
Deferred income taxes	18,382	-	500	-	18,882
Other current assets	5,487	5,878	3,695	-	15,060
<i>Total current assets</i>	<i>296,632</i>	<i>169,333</i>	<i>33,868</i>	<i>(27,601)</i>	<i>472,232</i>
Property and equipment, net	39,254	23,130	1,338	-	63,722
Receivable from affiliates	149,306	49,769	-	(199,075)	-
Intangible assets, net	29,524	6,355	1,218	-	37,097
Deferred income taxes	5,611	1,106	-	-	6,717
Investment in subsidiaries	33,077	-	-	(33,077)	-
Other assets, net	14,907	5,483	865	-	21,255
Total assets	\$568,311	\$255,176	\$37,289	\$(259,753)	\$601,023
LIABILITIES & STOCKHOLDER'S EQUITY					
<i>Current liabilities:</i>					
Current portion of long-term debt	\$187,766	\$3,664	\$-	\$-	\$191,430
Accounts payable	109,426	39,251	36,461	(26,358)	158,780
Accrued liabilities	17,509	8,339	3,581	-	29,429
Accrued income taxes	3,902	(3,917)	140	-	125
Interest payable	3,038	-	-	-	3,038
<i>Total current liabilities</i>	<i>321,641</i>	<i>47,337</i>	<i>40,182</i>	<i>(26,358)</i>	<i>382,802</i>
Long-term debt	153,138	7	-	-	153,145
Other long-term liabilities	6,836	6,038	-	-	12,874
Payable to affiliates	37,994	138,051	23,030	(199,075)	-
Minority interest	-	-	-	3,500	3,500
<i>Stockholder's equity (deficit):</i>					
Common stock and additional paid-in capital	204,155	45,759	5,481	(51,240)	204,155
Receivable from Parent	(2,200)	-	-	-	(2,200)
Retained earnings (accumulated deficit)	(154,646)	15,074	(29,405)	14,331	(154,646)
Accumulated other comprehensive income (loss)	1,393	2,910	(1,999)	(911)	1,393
<i>Total stockholder's equity (deficit)</i>	<i>48,702</i>	<i>63,743</i>	<i>(25,923)</i>	<i>(37,820)</i>	<i>48,702</i>
Total liabilities & stockholder's equity (deficit)	\$568,311	\$255,176	\$37,289	\$(259,753)	\$601,023

Supplemental Condensed Consolidating Balance Sheet
May 31, 2004

	ICON Health & Fitness, Inc.	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
<i>Current assets:</i>					
Cash	\$1,246	\$2,450	\$1,426	\$-	\$5,122
Accounts receivable, net	132,027	85,132	15,045	(21,706)	210,498
Inventories, net	118,310	67,227	11,096	(705)	195,928
Deferred income taxes	6,469	-	505	-	6,974
Other current assets	4,716	4,156	4,195	-	13,067
<i>Total current assets</i>	<i>262,768</i>	<i>158,965</i>	<i>32,267</i>	<i>(22,411)</i>	<i>431,589</i>
Property and equipment, net	38,302	19,058	1,168	-	58,528
Receivable from affiliates	141,561	55,579	-	(197,140)	-
Intangible assets, net	30,868	6,595	1,218	-	38,681
Deferred income taxes	5,570	-	739	-	6,309
Investment in subsidiaries	39,130	-	-	(39,130)	-
Other assets, net	15,071	7,452	865	-	23,388
Total assets	\$533,270	\$247,649	\$36,257	\$(258,681)	\$558,495
LIABILITIES & STOCKHOLDER'S EQUITY					
<i>Current liabilities:</i>					
Current portion of long-term debt	\$135,879	\$-	\$-	\$-	\$135,879
Accounts payable	97,860	36,676	34,114	(21,706)	146,944
Accrued liabilities	18,800	8,340	3,671	-	30,811
Accrued income taxes	2,509	(2,299)	364	-	574
Interest payable	7,544	-	-	-	7,544
<i>Total current liabilities</i>	<i>262,592</i>	<i>42,717</i>	<i>38,149</i>	<i>(21,706)</i>	<i>321,752</i>
Long-term debt	153,102	9	-	-	153,111
Other long-term liabilities	6,723	6,074	-	-	12,797
Payable to affiliates	43,518	130,942	22,680	(197,140)	-
Minority interest	-	-	-	3,500	3,500
<i>Stockholder's equity (deficit):</i>					
Common stock and additional paid-in capital	204,155	45,759	5,481	(51,240)	204,155
Receivable from Parent	(2,200)	-	-	-	(2,200)
Retained earnings (accumulated deficit)	(133,863)	20,295	(26,961)	6,666	(133,863)
Accumulated other comprehensive income (loss)	(757)	1,853	(3,092)	1,239	(757)
<i>Total stockholder's equity (deficit)</i>	<i>67,335</i>	<i>67,907</i>	<i>(24,572)</i>	<i>(43,335)</i>	<i>67,335</i>
Total liabilities & stockholder's equity (deficit)	\$533,270	\$247,649	\$36,257	\$(258,681)	\$558,495

Supplemental Condensed Consolidating Balance Sheet
August 30, 2003
(Revised)

	ICON Health & Fitness, Inc.	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
<i>Current assets:</i>					
Cash	\$880	\$2,978	\$584	\$-	\$4,442
Accounts receivable, net	116,651	73,435	9,953	(17,975)	182,064
Inventories, net	129,861	57,524	10,471	(627)	197,229
Income taxes receivable	1,018	(313)	(543)	-	162
Deferred income taxes	6,743	238	225	-	7,206
Other current assets	493	4,786	3,788	-	9,067
Total current assets	255,646	138,648	24,478	(18,602)	400,170
Property and equipment, net	38,383	11,221	1,242	-	50,846
Receivable from affiliates	113,303	23,229	-	(136,532)	-
Intangible assets, net	19,363	7,316	1,218	-	27,897
Deferred income taxes	8,543	1,030	-	-	9,573
Investment in subsidiaries	26,882	-	-	(26,882)	-
Other assets, net	13,316	7,632	21	-	20,969
Total assets	\$475,436	\$189,076	\$26,959	\$(182,016)	\$509,455
LIABILITIES & STOCKHOLDER'S EQUITY					
<i>Current liabilities:</i>					
Current portion of long-term debt	\$144,469	\$-	\$-	\$-	\$144,469
Accounts payable	87,472	29,169	27,068	(17,975)	125,734
Accrued liabilities	18,191	7,429	2,935	-	28,555
Interest payable	3,165	-	-	-	3,165
Total current liabilities	253,297	36,598	30,003	(17,975)	301,923
Long-term debt	152,995	14	-	-	153,009
Other long-term liabilities	4,412	5,508	-	-	9,920
Payable to affiliates	23,229	91,574	21,729	(136,532)	-
Minority interest	-	-	-	3,100	3,100
<i>Stockholder's equity (deficit):</i>					
Common stock and additional paid-in capital	204,155	42,359	5,481	(47,840)	204,155
Receivable from Parent	(2,200)	-	-	-	(2,200)
Retained earnings (accumulated deficit)	(158,978)	11,390	(26,666)	15,276	(158,978)
Accumulated other comprehensive income (loss)	(1,474)	1,633	(3,588)	1,955	(1,474)
Total stockholder's equity (deficit)	41,503	55,382	(24,773)	(30,609)	41,503
Total liabilities & stockholder's equity (deficit)	\$475,436	\$189,076	\$26,959	\$(182,016)	\$509,455

Supplemental Condensed Consolidating Statement of Operations
Three months ended August 28, 2004

	ICON Health & Fitness, Inc.	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$81,926	\$75,934	\$12,474	\$-	\$170,334
Cost of sales	71,223	55,087	8,106	538	134,954
Gross profit	10,703	20,847	4,368	(538)	35,380
Total operating expenses	24,925	28,530	6,316	-	59,771
Loss from operations	(14,222)	(7,683)	(1,948)	(538)	(24,391)
Interest expense	5,541	-	497	-	6,038
Amortization of deferred financing fees	277	-	-	-	277
Equity in earnings of subsidiaries	8,204	-	-	(8,204)	-
Income (loss) before income taxes	(28,244)	(7,683)	(2,445)	7,666	(30,706)
Benefit from income taxes	(7,461)	(2,462)	-	-	(9,923)
Net loss	\$(20,783)	\$(5,221)	\$(2,445)	\$7,666	\$(20,783)

Supplemental Condensed Consolidating Statement of Operations
Three months ended August 30, 2003

	ICON Health & Fitness, Inc.	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$112,576	\$76,141	\$9,106	\$-	\$197,823
Cost of sales	82,253	46,262	5,662	71	134,248
Gross profit	30,323	29,879	3,444	(71)	63,575
Total operating expenses	24,430	28,821	5,553	-	58,804
Income (loss) from operations	5,893	1,058	(2,109)	(71)	4,771
Interest expense	5,517	1	475	-	5,993
Amortization of deferred financing fees	41	-	-	-	41
Equity in earnings (losses) of subsidiaries	2,061	-	-	(2,061)	-
Income (loss) before income taxes	(1,726)	1,057	(2,584)	1,990	(1,263)
Provision for income tax	-	859	(396)	-	463
Net income (loss)	\$(1,726)	\$198	\$(2,188)	\$1,990	\$(1,726)

Supplemental Condensed Consolidating Statement of Cash Flows
Three months ended August 28, 2004

	ICON Health & Fitness, Inc.	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating Activities:					
Net cash used in operating activities	\$ (35,286)	\$ (13,108)	\$ (1,527)	\$ -	\$ (49,921)
Investing Activities:					
Net cash used in investing activities	(4,308)	(4,795)	(294)	-	(9,397)
Financing Activities:					
Borrowings on revolving credit facility, net	53,138	3,661	-	-	56,799
Payments on term note	(1,250)	-	-	-	(1,250)
Other	(13,268)	12,918	350	-	-
Net cash provided by financing activities	38,620	16,579	350	-	55,549
Effect of exchange rates on cash	1,319	1,056	1,093	-	3,468
Net increase (decrease) in cash	345	(268)	(378)	-	(301)
Cash, beginning of period	1,246	2,450	1,426	-	5,122
Cash, end of period	\$ 1,591	\$ 2,182	\$ 1,048	\$ -	\$ 4,821

Supplemental Condensed Consolidating Statement of Cash Flows
Three months ended August 30, 2003

	ICON Health & Fitness, Inc.	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating Activities:					
Net cash used in operating activities	\$ (46,967)	\$ (908)	\$ (400)	\$ -	\$ (48,275)
Investing Activities:					
Net cash (used in) provided by investing activities	(4,060)	(2,333)	19	-	(6,374)
Financing Activities:					
Borrowings on revolving credit facility, net	53,130	-	-	-	53,130
Minority interest	(2,000)	5,100	-	-	3,100
Other	515	(892)	377	-	-
Net cash provided by financing activities	51,645	4,208	377	-	56,230
Effect of exchange rates on cash	(680)	(372)	(737)	-	(1,789)
Net increase (decrease) in cash	(62)	595	(741)	-	(208)
Cash, beginning of period	941	2,385	1,324	-	4,650

Cash, end of period

\$879

\$2,980

\$583

\$-

\$4,442

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Three Months Ended August 28, 2004 Compared to Three Months Ended August 30, 2003

We are one of the world's leading manufacturers and marketers of fitness equipment. We are headquartered in Logan, Utah and have approximately 5,000 employees worldwide. We develop, manufacture and market fitness equipment under the following company-owned brand names: ProForm, NordicTrack, Weslo, HealthRider, Image, JumpKing, Weider, Epic, Free Motion Fitness and, under license, Reebok and Gold's Gym.

This Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The forward-looking statements contained in this report involve risks and uncertainties. The statements contained in this report that are not purely historical are forward-looking statements. Forward-looking statements include, without limitation, statements containing the words "anticipates," "believes," "expects," "intends," "future" and words and terms of similar substance. Such words and terms express management's belief, expectations or intentions regarding future performance. Our actual results could differ materially from our historical operating results and from those anticipated in these forward-looking statements as a result of certain factors, including without limitation, those set forth in our Annual Report on Form 10-K and other factors and uncertainties contained in our other filings with the Securities and Exchange Commission. You are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date they were made. We disclaim any obligation or undertaking to provide any updates or revisions to any forward-looking statement to reflect any change in our expectations or any change in events, conditions or circumstances on which the forward-looking statement is based.

Net sales for the first quarter of fiscal 2005 decreased \$27.5 million, or 13.9%, to \$170.3 million from \$197.8 million in the comparable period in fiscal 2004. Sales for the first quarter of fiscal 2004 were historically high, and therefore the Company expected a softer first quarter in fiscal 2005. Due to soft consumer demand in a challenging economic environment through the summer, results were lower than anticipated. Sales of our cardiovascular and other equipment in the first quarter of fiscal 2005 decreased \$15.3 million, or 9.6%, to \$143.4 million. Sales of our strength training equipment in the first quarter of fiscal 2005 decreased \$12.3 million, or 31.4%, to \$26.8 million.

Gross profit in the first quarter of fiscal 2005 was \$35.4 million, or 20.8% of net sales, compared to \$63.6 million, or 32.2% of net sales, in the first quarter of fiscal 2004. This decrease was due in part to increased commodity prices; particularly steel, plastics, wood and paper products, increases in transportation costs and unfavorable manufacturing variances.

Selling expenses decreased \$1.3 million, or 3.8%, to \$33.0 million in the first quarter of fiscal 2005. This decrease reflected lower advertising and bad debt expenses offset by an increase in freight charges. Expressed as a percentage of net sales, selling expenses were 19.4% in the first quarter of fiscal 2005 compared to 17.3% in the first quarter of fiscal 2004.

Research and development expenses in the first quarter of fiscal 2005 were \$3.3 million, compared to \$3.3 million in the first quarter of fiscal 2004. Expressed as a percentage of net sales, research and development expenses were 1.9% in first quarter of fiscal 2005 and 1.7% in the first quarter of fiscal 2004.

General and administrative expenses increased \$2.3 million, or 10.8%, to \$23.5 million in the first quarter of fiscal 2005. This increase for the period can be attributed to increased legal fees due to ongoing litigation, the cost of insurance plans and rent and lease expenses. Expressed as a percentage of net sales, general and administrative expenses were 13.8% in the first quarter of fiscal 2005 and 10.7% in the first quarter of fiscal 2004.

As a result of the foregoing factors, the loss from operations was \$24.4 million in the first quarter of fiscal 2005 compared to income from operations of \$4.8 million in the first quarter of fiscal 2004.

As a result of the foregoing factors, EBITDA (as defined under "Seasonality") was a negative \$18.6 million in the first quarter of fiscal 2005 compared to EBITDA of \$10.2 million in the first quarter of fiscal 2004.

Interest expense, including amortization of deferred financing fees, increased \$0.3 million, or 5.0%, to \$6.3 million in the first quarter of fiscal 2005. Expressed as a percentage of net sales, interest expense, including amortization of deferred financing fees, was 3.7% in the first quarter of fiscal 2005 and 3.0% in the first quarter of fiscal 2004.

The benefit from income taxes was \$9.9 million in the first quarter of fiscal 2005, compared to a provision of \$0.4 million in the first quarter of fiscal 2004. This decrease in income taxes for the period can be attributed to the income tax benefit from the net operating loss for the period.

As a result of the foregoing factors, the net loss was \$20.8 million in the first quarter of fiscal 2005, compared to a net loss of \$1.7 million in the first quarter of fiscal 2004.

Seasonality

The market for exercise equipment is highly seasonal, with peak periods occurring from late fall through early spring. As a result, the first and fourth quarters of every fiscal year are generally our weakest periods in terms of sales. During these periods, we build product inventory to prepare for the heavy demand anticipated during the upcoming peak season. This operating strategy helps us to realize the efficiencies of a steady pace of year-round production.

The following are net sales, net income (loss) and EBITDA by quarter for fiscal years 2005, 2004 and 2003 (in millions):

	First Quarter⁽¹⁾	Second Quarter⁽²⁾	Third Quarter⁽³⁾	Fourth Quarter⁽⁴⁾
Net Sales				
2005	\$170.3	\$-	\$-	\$-
2004	197.8	331.8	328.0	238.1
2003	170.2	292.7	344.0	204.6
Net income (loss)				
2005	\$(20.8)	\$-	\$-	\$-
2004	(1.7)	15.4	18.2	(8.5)
2003	(3.4)	13.7	20.3	(3.9)

The following is a reconciliation of net income (loss) to EBITDA ⁽⁵⁾ by quarter (in millions):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal Year 2005				
Net income (loss)	\$(20.8)	\$-	\$-	\$-
Add back:				
Depreciation and amortization	5.8	-	-	-
Benefit of income taxes	(9.9)	-	-	-
Interest expense	6.0	-	-	-
Amortization of deferred financing fees	0.3	-	-	-
EBITDA	\$(18.6)	\$-	\$-	\$-
Fiscal Year 2004				
Net income (loss)	\$(1.7)	\$15.4	\$18.2	\$(8.5)
Add back:				
Depreciation and amortization	5.5	5.6	6.2	4.1
Provision for income taxes	0.4	9.1	5.2	1.2
Interest expense	6.0	6.4	6.4	6.3
Amortization of deferred financing fees	-	0.3	0.3	0.3
EBITDA	\$10.2	\$36.8	\$36.3	\$3.4
Fiscal Year 2003				
Net income (loss)	\$(3.4)	\$13.7	\$20.3	\$(3.9)
Add back:				
Depreciation and amortization	4.2	4.0	5.0	6.0
Provision (benefit) for income taxes	(1.2)	8.3	10.7	(0.2)
Interest expense	6.4	6.5	6.3	5.9
Amortization of deferred financing fees	0.3	0.2	0.2	0.5
EBITDA	\$6.3	\$32.7	\$42.5	\$8.3

(1) Our first quarter ended August 28, August 30 and August 31 for fiscal years 2005, 2004 and 2003, respectively.

- (2) Our second quarter ended November 27, November 29 and November 30 for fiscal years 2005, 2004 and 2003, respectively.
- (3) Our third quarter ended February 26, February 28 and March 1 for fiscal years 2005, 2004 and 2003, respectively.
- (4) Our fourth quarter ended May 31 for the fiscal years 2005, 2004 and 2003, respectively.
- (5) EBITDA is a presentation of "earnings before interest, taxes, depreciation and amortization." EBITDA data is included because management understands that such information is considered by bankers and certain investors as an additional basis on evaluating a company's ability to pay interest, repay debt and make capital expenditures. Pursuant to our credit agreement, EBITDA is a significant covenant used by our creditors to measure operating results. EBITDA may not be comparable to similarly titled measures reported by other companies. In addition, EBITDA is a non-GAAP measure and should not be considered an alternative to operating or net income in measuring company results.

Liquidity and Capital Resources

Working Capital

Working capital decreased to \$89.4 million at August 28, 2004, from \$109.9 million at May 31, 2004. The decrease was attributable to an increase in the current portion of long term debt and accounts payable due to build up of inventory for the upcoming busy season. During the first quarter of fiscal 2005, our primary source of cash consisted of borrowings under our credit facilities, which increased by \$56.8 million to \$178.9 million at August 28, 2004 from \$122.1 million at May 31, 2004. Our primary uses of cash in the first quarter of fiscal 2005 included \$49.9 million to fund operating activities, compared to \$48.3 million in the same period of fiscal 2004, and \$9.0 million for capital expenditures, compared to \$5.6 million in the same period of fiscal 2004. Cash used in operating activities was primarily attributable to in the increase in inventory to support the upcoming busy season, higher commodity prices particularly steel, plastics and wood and changes in inventory mix.

Capital Expenditures

Capital expenditures were \$9.0 million in the first quarter of fiscal 2005 and \$5.6 in the first quarter of fiscal 2004. Capital expenditures in the first quarter of fiscal 2005 were primarily for routine replacement of machinery and equipment, facility improvements and expansions, including \$4.0 million for the facility we are building in China, and the purchase of computer hardware and software. Capital expenditures in the first quarter of fiscal 2004 were primarily for routine replacement of machinery and equipment, facility improvements and expansions, including \$1.8 million for the facility we are building in China, and the purchase of computer hardware and software.

Sources of Liquidity

As of August 28, 2004, our primary sources of liquidity were available borrowings of \$34.7 million under our domestic credit facility.

China Subsidiary Liquidity

Our China subsidiary has available its own credit facilities of up to \$11.0 million, consisting of a revolving credit facility of \$15.0 million.

Future Needs

Our ongoing cash requirements for debt service and related obligations are expected to consist primarily of interest payments under our domestic credit facility, interest payments on our 11.25% senior subordinated notes and capital expenditures.

We believe our sources of liquidity and capital resources are sufficient to meet all currently anticipated short-term and long-term operating cash requirements, including debt service payment on our credit facility and 11.25% senior secured noted prior to their scheduled maturities in fiscal 2012 and fiscal 2012, respectively. However, we may need to replace or to refinance all or a portion of our credit facility and the 11.25% notes prior to their respective maturities. If we are unable to satisfy our debt obligations or to timely refinance or replace our debt, we may need to sell assets, reduce or delay capital investments or raise additional capital to be able to effectively operate our business.

Total assets for the three-month period ended August 28, 2004 and the fiscal year ended May 31, 2004 were \$601.0 million and \$558.5 million,

respectively. The increase in assets was primarily attributable to the increase in inventory. Inventory increased as a result of higher commodity prices particularly steel, plastics and wood, changes in inventory mix and production for the upcoming busy season. In addition, first quarter sales for fiscal 2005 were below Company expectations and inventory purchases for the first quarter of fiscal 2005 were based upon those expectations. However, at this point in the Company's business cycle, the Company expects the inventory to be absorbed through normal business channels, consistent with past experience, primarily in the second and third quarter of fiscal 2005. Net debt (current portion of long-term debt plus long-term debt less cash) for the three-month period ended August 28, 2004 and the fiscal year ended May 31, 2004 was \$339.7 million and \$283.9 million, respectively. This increase represents the amounts to fund operating activities for the period, including capital expenditures purchases which were \$9.0 million compared to capital expenditures of \$5.6 million if the first quarter of fiscal 2004.

The Credit Agreement

On October 11, 2004, we amended our credit agreement (the "Amended Credit Agreement"). The Amended Credit Agreement increases the amount of our availability from \$210 million to \$275 million. In addition, the remaining balance on the term note with accrued interest (approximately \$12.5 million) is converted to and becomes a part of the revolver balance. At our option, revolving credit advances bear interest at either (a) a floating rate equal to the Index Rate plus the applicable margin of 1.375% or (b) a floating rate equal to the LIBOR rate plus the applicable margin of 2.75%. If we meet certain fixed charge coverage ratios, the applicable margins have lower rates. The Amended Credit Agreement waives any violation of financial covenants for the first quarter of fiscal 2005 and eliminates those financial covenants going forward. The Amended Credit Agreement also provides for the formation of certain Chinese sales corporations to facilitate our doing business in China.

We are also required to maintain a lockbox arrangement whereby remittances from our customers reduce the borrowings outstanding under the Credit Agreement. The Credit Agreement also contains a Material Adverse Effect ("MAE") clause which grants the agent and lenders having more than 66 and 2/3% of the commitment or borrowings the right to block our requests for future advances. EITF Issue 95-22 "Balance Sheet Classification of Borrowings Outstanding Under Revolving Credit Agreements That Include both a Subjective Acceleration Clause and a Lockbox Arrangement" requires borrowings under credit agreements with these two provisions to be classified as current obligations.

We do not believe that any of these MAE's have occurred or can reasonably be expected to occur based upon our history and our relationship with the Credit Facility lenders. We intend to manage the Credit Facility as long-term debt with a final maturity date in 2007, as provided for in the Credit Agreement.

The balance outstanding under the existing Credit Agreement consisted of (in millions):

	August 28, 2004	May 31, 2004	August 30, 2003
Revolver	\$ 178.9	\$122.1	\$125.7
Term Loan	12.5	13.8	18.7
Total	\$ 191.4	\$135.9	\$144.4

As of August 28, 2004, our consolidated indebtedness was approximately \$344.5 million, of which approximately \$191.4 million was senior indebtedness. With the exception of the increases in the revolver noted above, our contractual cash obligations and commercial commitments remained consistent with those at the end of fiscal 2004.

Critical Accounting Policies

Our discussion of financial condition and results of operations relies on our consolidated financial statements that are prepared based on certain critical accounting policies that require management to make judgments and estimates that are subject to varying degrees of uncertainty. We believe that investors need to be aware of these policies and how they impact our financial statements as a whole, as well as our related discussion and analysis presented herein. While we believe that these accounting policies are based on sound measurement criteria, actual future events can and often do result in outcomes that can be materially different from these estimates or forecasts. The accounting policies and related risks described in our annual report on Form 10-K as filed with the Securities and Exchange Commission on August 30, 2004 are those that depend most heavily on these judgments and estimates. As of August 28, 2004, there have been no material changes to any of the critical accounting policies contained therein.

Recent Accounting Pronouncements

In December 2003, the FASB issued Interpretation No. 46R, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51." This accounting standard became effective in fiscal 2004. The adoption of FIN 46 did not have a material impact on our consolidated financial statements.

Risk Factors

We are exposed to the risks associated with the slowdown in the U.S. and worldwide economy.

Among other factors, concerns about inflation, decreased consumer confidence and spending and reduced corporate profits and capital spending resulted in a downturn in the U.S. economy generally. If the adverse economic conditions continue or worsen, our business, financial condition and results of operations may be seriously effected.

Our future operating results are likely to fluctuate and therefore may fail to meet expectations.

Our operating results have varied widely in the past and may continue to fluctuate in the future. In addition, our operating results may not follow any past trends. Our future operating results will depend on many factors and may fluctuate and fail to meet our expectations or those of others for a variety of reasons, including the following:

1. competitive pricing pressure and
2. the need for constant, rapid, new product introductions present an ongoing design and manufacturing challenge.

As a result of these or other factors, we could fail to achieve our expectations as to future revenues, gross profit and income from operations. Any downward fluctuation or failure to meet expectations will likely adversely affect our financial results.

Our financial results could be seriously harmed if the markets in which we sell our products do not grow.

Our continued success depends in large part on the continued growth of the exercise equipment market. Any reduction in the growth of, or decline in the demand for exercise equipment could seriously harm our business, financial condition and results of operations. In addition, certain of our products, may in the future, experience significant fluctuations in demand. We may also be seriously harmed by slower growth in the other markets in which we sell our products. Even in the absence of an industry downturn, the average selling prices of our products have historically decreased during the products' lives and we expect this trend to continue. In order to offset selling price decreases, we attempt to decrease the manufacturing costs of our products and to introduce new, higher priced products that incorporate advanced features. If these efforts are not successful or do not occur in a timely manner, or if our newly introduced products do not gain market acceptance, our business, financial condition and results of operations could be seriously harmed.

In addition to following the general pattern of decreasing average selling prices, the selling prices for certain products fluctuate significantly with real and perceived changes in the balance of supply and demand for these products. In the event we are unable to decrease per unit manufacturing costs at a rate equal to or faster than the rate at which selling prices continue to decline, our business, financial condition and results of operations will be seriously harmed. Furthermore, we expect our competitors to invest in new manufacturing capacity and achieve significant manufacturing yield improvements in the future. These developments could dramatically increase the worldwide supply of competitive products and result in further downward pressure on prices.

We are functioning under new operating management

On July 1, 2004, we announced the appointment of David Watterson as Chairman and Chief Executive Officer, replacing the then-current Chairman and Chief Executive Officer, Scott Watterson. Until that time, David Watterson was the President of North America Operations. Additionally, Matthew Allen, moved to the position of President and Chief Merchandising Officer, Joseph Brough became the Chief Operating Officer, replacing Gary Stevenson, and Jace Jergensen became the Senior Vice President. There can be no assurance that the transition to this new management, or the new structure itself, will be successful.

We may face product liability claims that are disproportionately higher than the value of the products involved.

Although all of our products sold are covered by our standard warranty, we could incur costs not covered by our warranties including, but not limited to, labor and other costs of replacing defective parts, lost profits and other damages. These costs could be disproportionately higher than the revenue and profits we receive from the products involved. If we are required to pay for damages resulting from quality or other, our business, financial condition and results of operations could be adversely affected.

We are subject to extensive government regulation

Our business is subject to the provisions of, among other laws, the Federal Consumer Products Safety Act and the Federal Hazardous Substances Act, and rules and regulations promulgated under these acts. These statutes are administered by the Consumer Product Safety Commission ("CPSC") which has the authority to remove products from the market that are found to be defective and present a substantial hazard or risk of serious injury or death. The CPSC can require us to recall, repair, or replace these products under certain circumstances. We cannot assure that defects in our products will not be alleged or found. Products that we develop or sell may also expose us to liability for the costs related to

product recalls. These costs can include legal expenses, advertising, collection and destruction of product, and free goods. Our product liability insurance coverage generally excludes such costs and damages resulting from product recalls.

We may be unable to protect our intellectual property rights adequately and may face significant expenses as a result of ongoing or future litigation.

Protection of our intellectual property rights is essential to keep others from copying the innovations that are central to our existing and future products. Consequently, we may become involved in litigation to enforce our patents or other intellectual property rights, to protect our trade secrets and know-how, to determine the validity or scope of the proprietary rights of others or to defend against claims of invalidity. This type of litigation can be expensive, regardless of whether we win or lose.

We are now and may again become involved in litigation relating to alleged infringement by us of others' patents or other intellectual property rights. This type of litigation is frequently expensive to both the winning party and the losing party and could take up significant amounts of management's time and attention. In addition, if we lose such a lawsuit, a court could require us to pay substantial damages and/or royalties or prohibit us from using essential technologies. For these and other reasons, this type of litigation could seriously harm our business, financial condition and results of operations. Also, although in certain instances we may seek to obtain a license under a third party's intellectual property rights in order to bring an end to certain claims or actions asserted against us, we may not be able to obtain such a license on reasonable terms or at all.

For a variety of reasons, we have entered into license agreements with third parties that give those parties the right to use patents and other technology developed by us and that gives us the right to use patents and other technology developed by them. We anticipate that we will continue to enter into these kinds of licensing arrangements in the future. It is possible, however, that licenses we want will not be available to us on commercially reasonable terms or at all. If we lose existing licenses to key technology, or are unable to enter into new licenses that we deem important, our business, financial condition and results of operations could be seriously harmed.

It is critical to our success that we are able to prevent competitors from copying our innovations. We, therefore intend to continue to seek patent, trade secret and mask work protection for our manufacturing technologies. The process of seeking patent protection can be long and expensive and we cannot be certain that any currently pending or future applications will actually result in issued patents, or that, even if patents are issued, they will be of sufficient scope or strength to provide meaningful protection or any commercial advantage to us. Furthermore, others may develop technologies that are similar or superior to our technology or design around the patents we own.

We also rely on trade secret protection for our technology, in part through confidentiality agreements with our employees, consultants and third parties. However, these parties may breach these agreements and we may not have adequate remedies for any breach. Also, others may come to know about or determine our trade secrets through a variety of methods. In addition, the laws of certain countries in which we develop, manufacture or sell our products may not protect our intellectual property rights to the same extent as the laws of the United States.

Our ability to meet our cash requirements depends on a number of factors, many of which are beyond our control.

Our ability to meet our cash requirements (including our debt service obligations) is dependent upon our future performance, which will be subject to financial, business and other factors affecting our operations, many of which are beyond our control. We cannot guarantee that our business will generate sufficient cash flows from operations to fund our cash requirements. If we were unable to meet our cash requirements from operations, we would be required to fund these cash requirements by alternative financing. The degree to which we may be leveraged could materially and adversely affect our ability to obtain financing for working capital, acquisitions or other purposes, could make us more vulnerable to industry downturns and competitive pressures or could limit our flexibility in planning for, or reacting to changes and opportunities in our industry, which may place us at a competitive disadvantage compared to our competitors. There can be no assurance that we will be able to obtain alternative financing, that any such financing would be on acceptable terms or that we will be permitted to do so under the terms of our existing financing arrangements. In the absence of such financing, our ability to respond to changing business and economic conditions, make future acquisitions, react to adverse operating results, meet our debt service obligations or fund required capital expenditures or increased working capital requirements may be adversely affected.

Interruptions in the availability of raw materials can harm our financial performance.

Our manufacturing operations require raw materials that must meet exacting standards. We generally have more than one source available for these materials, but for certain of our products there are only a limited number of suppliers capable of delivering the raw materials that meet our standards. If we need to use other companies as suppliers, they must go through a qualification process, which can be difficult and lengthy. In addition, the raw materials we need for certain of our products could become scarcer as worldwide demand for these materials increases. Interruption of our sources of raw materials could seriously harm our business, financial condition and results of operations.

We spend heavily on equipment to stay competitive and will be adversely impacted if we are unable to secure financing for such investments.

In order to remain competitive, exercise equipment manufacturers generally must spend heavily on equipment to maintain or increase technology and design development and manufacturing capacity and capability. We currently plan for approximately \$41.0 million in capital

expenditures in fiscal 2005, and anticipate significant continuing capital expenditures in subsequent years. In the past, we have reinvested a substantial portion of our cash flow from operations in tooling, design development and capacity expansion and improvement programs. If we are unable to decrease costs for our products at a rate at least as fast as the rate of the decline in selling prices for such products, we may not be able to generate enough cash flow from operations to maintain or increase manufacturing capability and capacity as necessary. In such a situation, we would need to seek financing from external sources to satisfy our needs for manufacturing equipment and, if cash flow from operations declines too much, for operational cash needs as well. Such financing, however, may not be available on terms that are satisfactory to us or at all, in which case our business, financial condition and results of operations would seriously be harmed.

We depend on third parties to transport our products.

We rely on independent carriers and freight haulers to move our products between manufacturing plants and our customers. Any transport or delivery problems because of their errors or because of unforeseen interruptions in their activities due to factors such as strikes, political instability, terrorism, natural disasters and accidents could seriously harm our business, financial condition and results of operations and ultimately impact our relationship with our customers.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

Fluctuations in the general level of interest rates on our current and future fixed and variable rate debt obligations expose us to market risk. We are vulnerable to significant fluctuations in interest rates on our variable rate debt and on any future repricing or refinancing of our fixed rate debt and on future debt.

We use long-term and medium-term debt as a source of capital. At August 28, 2004, we had approximately \$153.1 million in outstanding fixed rate debt, consisting of 11.25% subordinated notes maturing in April 2012. When debt instruments of this type mature, we typically refinance such debt at the then-existing market interest rates, which may be more or less than the interest rates on the maturing debt.

Our Credit Agreement has variable interest rates and any fluctuation in interest rates could increase or decrease our interest expense. At August 28, 2004, we had approximately \$191.4 million in outstanding variable rate debt.

In addition to the United States, we have operations or transact business in Canada, the United Kingdom, France, Italy, Germany and Asia. The operations in these foreign countries conduct business in their local currencies as well as other regional currencies. To mitigate our exposure to transactions denominated in currencies other than the functional currency of each entity, we enter into forward exchange contracts from time to time to manage foreign currency risk related to the procurement of merchandise from foreign sources. As of August 28, 2004, the Company had foreign currency contracts in the form of forward exchange contracts in the amounts of approximately \$1.2 million in U.S. dollars and \$0.8 million in Canadian dollars. Unrealized gains associated with these contracts were not significant. These unrealized gains are included in the statement of operations. The market risk inherent in these instruments was not material to the Company's consolidated financial condition, results of operations, or cash flow for the period ended August 28, 2004. Because of the variety of currencies in which purchases and sales are transacted, it is not possible to predict the impact of a movement in foreign currency exchange rates on future operating results. However, we intend to continue to mitigate our exposure to foreign exchange gains or losses.

ITEM 4 - CONTROLS AND PROCEDURES

- (a)** Evaluation of Disclosure Controls and Procedures. Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of August 28, 2004 (the "Evaluation Date"). Based on such evaluation, such officers have concluded that, as of the Evaluation Date, our disclosure controls and procedures are effective in alerting them, on a timely basis, to material information relating to us (including our consolidated subsidiaries) required to be included in our periodic filings under the Exchange Act.
- (b)** Changes in Internal Controls. Since the Evaluation Date, there have not been any significant changes in our internal controls or in other factors that could significantly affect such controls.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

See Note C in Item 1 of Part I.

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

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

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

99.01 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.

99.02 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.

(b) Reports on Form 8-K

Report on Form 8-K dated August 31, 2004 containing the Company's press release dated August 31, 2004 announcing earnings for the fourth quarter and fiscal 2004 which ended May 31, 2004. ([press release](#))

SIGNATURES

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

By: /s/ David J. Watterson

David J. Watterson, Chairman of the Board of Directors
and Chief Executive Officer (Principal Executive Officer)
Date: October 12, 2004

By: /s/ S. Fred Beck

S. Fred Beck, Vice President, Chief Financial Officer
(Principal Accounting Officer), and Treasurer
Date: October 12, 2004

CERTIFICATION

I, David J. Watterson, certify that:

1. I have reviewed this quarterly report of ICON Health & Fitness, Inc.;
2. Based on my knowledge, this quarterly 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 this report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 this report;
4. The registrant's other certifying officer(s) 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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(s) 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 registrant's board of directors (or persons performing the equivalent function):
 - 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.

Date: October 12, 2004

/s/ David J. Watterson

(Signature)

Chief Executive Officer

(Title)

CERTIFICATION

I, S. Fred Beck, certify that:

1. I have reviewed this quarterly report of ICON Health & Fitness, Inc.;
2. Based on my knowledge, this quarterly 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 this report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 this report;
4. The registrant's other certifying officer(s) 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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(s) 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 registrant's board of directors (or persons performing the equivalent function):
 - 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.

Date: October 12, 2004

/s/ S. Fred Beck

(Signature)

Chief Financial Officer

(Title)

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
99.01	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
99.02	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
10.11C	Third Amendment to Credit Agreement and Amended and Restated Revolving Note

LIMITED CONSENT, LIMITED WAIVER AND THIRD AMENDMENT TO
CREDIT AGREEMENT

This LIMITED CONSENT, LIMITED WAIVER AND THIRD AMENDMENT TO CREDIT AGREEMENT (this "Amendment") is dated as of October 11, 2004 by and among ICON HEALTH & FITNESS, INC., a Delaware corporation ("Borrower"), the other Credit Parties signatory hereto, GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation ("Agent"), for itself as a Lender and as Agent for Lenders, and the other Lenders signatory hereto. Unless otherwise specified herein, capitalized terms used in this Amendment shall have the meanings ascribed to them in Annex A to the Credit Amendment (as hereinafter defined).

RECITALS

WHEREAS, Borrower, the other Credit Parties signatory thereto, Agent and the Lenders have entered into that certain Credit Agreement, dated as of April 9, 2002 (as amended, supplemented, restated or otherwise modified from time to time, the "Credit Agreement");

WHEREAS, Borrower has informed the Agent and the Lenders that Borrower desires to (i) indefinitely postpone the construction of and investment in a new manufacturing facility in Qingdao, China and the formation of the Qingdao Subsidiary; (ii) increase its investment in the Xiamen Subsidiary; (iii) cause its Subsidiary, ICON Cayman to form certain new Chinese Subsidiaries in order to facilitate the sale and retail distribution of the health and fitness products manufactured and/or distributed by Borrower and its Subsidiaries, including, without limitation, the Chinese Subsidiaries and/or third-party contract manufacturers within the territory of the People's Republic of China; (iv) amend certain provisions of the Credit Agreement to permit the foregoing transactions; and (v) increase the Revolving Loan Commitment to Two Hundred Seventy-Five Million Dollars (\$275,000,000) and amend certain other provisions of the Credit Agreement as set forth herein; and

WHEREAS, Borrower, the other Credit Parties, Agent and the Lenders have agreed to amend certain provisions of the Credit Agreement as set forth herein.

NOW THEREFORE, in consideration of the foregoing recitals, mutual agreements contained herein and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Agent, the Lenders, Borrower and the Credit Parties agree as follows:

Section 1. Limited Consent. Subject to the terms and conditions set forth herein and notwithstanding Sections 5.1, 6.1, 6.5 or 6.15 of the Credit Agreement, the Agent and the Lenders consent to:

(a) The formation by ICON Cayman of (i) a trading company which shall be a wholly-owned Subsidiary of ICON Cayman incorporated in China and shall operate in Xiamen and/or Shanghai (the "Chinese Trading Company") and (ii) a retail

sales company which shall be a wholly-owned Subsidiary of ICON Cayman incorporated in China (the "Chinese Retail Sales Company" and together with the Chinese Trading Company are collectively, the "Chinese Sales Companies"); provided that ICON Cayman will own 100% of the issued and outstanding Stock of each of the Chinese Trading Company and the Chinese Retail Sales Company; and

(b) The formation by the Chinese Retail Sales Company of (i) a retail sales company incorporated in China which shall be a wholly-owned Subsidiary of the Chinese Retail Sales Company and shall operate in Beijing (the "Beijing Retail Company"); (ii) a retail sales company incorporated in China which shall be a wholly-owned Subsidiary of the Chinese Retail Sales Company and shall operate in Shanghai (the "Shanghai Retail Company") and (iii) a retail sales company incorporated in China which shall be a wholly-owned Subsidiary of the Chinese Retail Sales Company and shall operate in Guangzhou (the "Guangzhou Retail Company" and together with the Beijing Retail Company, the Shanghai Retail Company and the Chinese Sales Companies are collectively, the "New Chinese Subsidiaries"); provided that the Chinese Retail Sales Company will own 100% of the issued and outstanding Stock of each of the Beijing Retail Company, the Shanghai Retail Company and the Guangzhou Retail Company (it being understood and agreed by the parties hereto that the Chinese Retail Sales Company may elect to establish the foregoing retail sales companies as branches of the Chinese Retail Sales Company instead of being incorporated as wholly-owned Subsidiaries thereof, in which case the requirements set forth in this clause (b) and Section 2 hereof shall not be applicable and hereby waived with respect to each of the Beijing Retail Company, the Shanghai Retail Company and the Guangzhou Retail Company).

Section 2. The consents set forth in Section 1 above shall be effective upon satisfaction of the following conditions precedent (all documents to be in form and substance satisfactory to Agent):

(a) Agent shall have received, in form and substance satisfactory to Agent, a certificate executed by the corporate secretary or an assistant secretary (or equivalent thereof) of each New Chinese Subsidiary attaching and certifying (i) the articles of association (or equivalent thereof) of each New Chinese Subsidiary together with all amendments thereto; and (ii) good standing certificates (including verification of tax status) (or applicable equivalent) for each New Chinese Subsidiary in its the state (or province) of incorporation, certified by the applicable authorized Governmental Authority; and

(b) Agent shall have received, in form and substance satisfactory to Agent, a memorandum prepared by Sidley Austin Brown & Wood confirming (x) certain tax benefits available to the New Chinese Subsidiaries, including, without limitation, (i) the compliance with Chinese tax and other laws of proposed transfer pricing applicable to the New Chinese Subsidiaries, (ii) VAT and income tax exemptions and limitations applicable to the New Chinese Subsidiaries and (iii) the New Chinese Subsidiaries' status as wholly owned foreign enterprises under Chinese law, and (y) the feasibility of the new Chinese retail sales structure presented by the New Chinese Subsidiaries under Chinese foreign exchange control laws and customs laws.

Section 3. Limited Consent. Subject to the terms and conditions set forth herein and notwithstanding Sections 5.1 or 6.5 of the Credit Agreement, the Agent and the Lenders consent to the discontinuation of the trampoline business line of Jumpking.

Section 4. Limited Waivers. The Agent and the Requisite Revolving Lenders hereby waive any breach or violation of the Credit Agreement (and any resulting Event of Default) which has occurred solely as a result of Borrower's failure to comply with (i) the Minimum Fixed Charge Coverage Ratio covenant set forth in clause (b) of Annex G to the Credit Agreement for the Fiscal Quarter ending on or about August 31, 2004 and (ii) the Minimum EBITDA covenant set forth in clause (c) of Annex G to the Credit Agreement for the Fiscal Quarter ending on or about August 31, 2004.

Section 5. Amendments to Credit Amendment.

(a) The parties hereto agree that Section 1.1(b)(ii) of the Credit Amendment is hereby amended and restated to read in its entirety as follows:

"(ii) Borrower, Agent and each Lender hereby acknowledge and agree that as of the date of the Third Amendment (i) the aggregate outstanding principal balance of the Term Loan equals Twelve Million Five Hundred Thousand Dollars (\$12,500,000) (the "Existing Term Loan") and (ii) the aggregate accrued, but unpaid interest in respect of the Term Loan equals Thirty Four Thousand Three Hundred Ninety Two Dollars and Forty Cents (\$34,392.40) (the "Term Loan Interest Amount"). Notwithstanding anything to the contrary contained herein, Borrower, Agent and each Lender hereby acknowledge and agree that on the Third Amendment Effective Date (i) the entire principal balance of the Existing Term Loan shall be allocated to and constitute the entire amount of the Fixed Asset Availability, (ii) the entire principal balance of the Existing Term Loan and the Term Loan Interest Amount shall be converted into and shall constitute a portion of the principal balance of the Revolving Loan and that each Revolving Lender shall be deemed to have fulfilled all of its Revolving Loan Commitment to provide its Pro Rata Share of such portion of the Revolving Loan by virtue of such conversion of the entire balance of the Existing Term Loan and the Term Loan Interest Amount to a portion of the principal balance of the Revolving Loan, which shall be deemed to be extended by Revolving Lenders to Borrower on the Third Amendment Effective Date and (iii) as a result of the foregoing conversion, the Term Loan Commitment is terminated and the Revolving Loan Commitment of each Revolving Lender shall be deemed to be increased with its respective Pro Rata Share of the entire principal balance of the Existing Term Loan and the Term Loan Interest Amount.

Fixed Asset Availability shall be automatically and permanently reduced by ten (10) consecutive quarterly installments on the last day of February, May, August and November of each year, commencing November 30, 2004, as follows:

Reduction Dates	Installment Amounts
November 30, 2004	\$1,250,000

February 28, 2005	\$1,250,000
May 31, 2005	\$1,250,000
August 31, 2005	\$1,250,000
November 30, 2005	\$1,250,000
February 28, 2006	\$1,250,000
May 31, 2006	\$1,250,000
August 31, 2006	\$1,250,000
November 30, 2006	\$1,250,000
February 28, 2007	\$1,250,000"

(b) The parties hereto agree that Section 1.5(a) of the Credit Amendment is hereby amended and restated to read in its entirety as follows:

"(a) Borrower shall pay interest in cash to Agent, for the ratable benefit of Lenders in accordance with the various Loans being made by each Lender, in arrears on each applicable Interest Payment Date, at the following rates: (A) with respect to the Revolving Credit Advances, the Index Rate plus the Applicable Revolver Index Margin per annum or, at the election of Borrower, the applicable LIBOR Rate plus the Applicable Revolver LIBOR Margin per annum, based on the aggregate Revolving Credit Advances outstanding from time to time; and (B) with respect to the Swing Line Loan, the Index Rate plus the Applicable Revolver Index Margin per annum.

The Applicable Margins are as follows:

Applicable Revolver Index Margin	1.375%
Applicable Revolver LIBOR Margin	2.750%
Applicable L/C Margin	2.000%
Applicable Unused Line Fee Margin (subject to adjustment in accordance with Section 1.9(b))	0.500%

The Applicable Revolver Index Margin and the Applicable Revolver LIBOR Margin may be adjusted by reference to the following grids:

If Fixed Charge Coverage Ratio is:	Level of Applicable Margins:
-----	-----
Less than 1.25 to 1.00	Level I
Equal to or greater than 1.25 to 1.00	Level II

Level I	Level II
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Applicable Revolver Index Margin	1.375%	1.125%
Applicable Revolver LIBOR Margin	2.750%	2.500%

Adjustments in the Applicable Revolver Index Margin and the Applicable Revolver LIBOR Margin commencing with the Fiscal Quarter ending on or about May 31, 2005 shall be implemented quarterly on a prospective basis, for each calendar month commencing at least five (5) days after the date of delivery to Lenders of the quarterly unaudited or annual audited (as applicable) Financial Statements evidencing the need for an adjustment. Concurrently with the delivery of those Financial Statements, Borrower shall deliver to Agent and Lenders a certificate, signed by its chief financial officer, setting forth in reasonable detail the basis for the continuance of, or any change in, the Applicable Revolver Index Margin and the Applicable Revolver LIBOR Margin. Failure to timely deliver such Financial Statements shall, in addition to any other remedy provided for in this Agreement, result in an increase in the Applicable Revolver Index Margin and the Applicable Revolver LIBOR Margin to the highest level set forth in the foregoing grid, until the first day of the first calendar month following the delivery of those Financial Statements demonstrating that such an increase is not required. If an Event of Default has occurred and is continuing at the time any reduction in the Applicable Revolver Index Margin and the Applicable Revolver LIBOR Margin is to be implemented, that reduction shall be deferred until the first day of the first calendar month following the date on which such Event of Default is waived or cured."

(c) The parties hereto agree that Section 5.12 of the Credit Amendment is hereby amended and restated to read in its entirety as follows:

"Section 5.12 Sales of Inventory by Chinese Subsidiaries. Borrower agrees that all Inventory manufactured by or purchased for resale by any of the Chinese Subsidiaries and intended for resale to Borrower's customers located in the United States shall be sold to Borrower's customers through Borrower. Although Chinese Subsidiaries may drop ship Inventory directly to Borrower's customers, Chinese Subsidiaries shall first sell such Inventory to Borrower based on purchase orders issued by Borrower to Chinese Subsidiaries and invoices issued by Chinese Subsidiaries to Borrower; Borrower shall then sell such Inventory to its customers; Borrower shall issue all invoices to the relevant Account Debtors; and Borrower shall require that payments on all such invoices be made to a Depository Account in the United States subject to a Blocked Account Agreement (reasonably acceptable to Agent) in favor of Agent pursuant to which the Depository Bank shall have limited set-off rights."

(d) The parties hereto agree that Section 5 of the Credit Amendment is hereby amended by adding the following new Section 5.13 at the end thereof:

"Section 5.13 Chinese Sales Companies. The Credit Parties hereby agree that in the event any of the Chinese Sales Companies shall sell export products manufactured by the Xiamen Subsidiary outside of China, the Credit Parties shall cause the Xiamen Subsidiary and the Chinese Sales Companies (as applicable) to execute and deliver to Agent export sales agreements, in form and substance substantially similar to the form attached to the Third Amendment as Exhibit A,

pursuant to which the Xiamen Subsidiary may sell its export products to the Chinese Sales Companies, except for finished goods intended for resale to Borrower's customers located in the United States, which finished goods will be sold to Borrower for resale to such customers."

(e) The parties hereto agree that clauses (i) and (j) of Section 6.2 of the Credit Amendment are hereby amended and restated to read in their entirety as follows:

"(i) Borrower may make investments in Xiamen Subsidiary not to exceed \$10,000,000 in the aggregate (the "Xiamen Subsidiary Investments") on or prior to November 30, 2004, as follows: (a) Borrower has already made the first portion of the Xiamen Subsidiary Investments in the amount of \$5,000,000 on or prior to April 15, 2004 and (b) Borrower may make the second portion of the Xiamen Subsidiary Investments not to exceed \$5,000,000 on or prior to November 30, 2004 so long as prior to such investment Agent shall have received, in form and substance satisfactory to Agent, written evidence that Ming-Tsung Johnny Lee has provided an additional cash equity contribution of not less than \$3,500,000 to the Xiamen Subsidiary; and (j) Borrower may make investments in (a) the Chinese Retail Sales Company not to exceed \$600,000 in the aggregate and (v) the Chinese Trading Company not to exceed \$600,000 in the aggregate."

(f) The parties hereto agree that clause (xi) of Section 6.3(a) of the Credit Amendment is hereby amended and restated to read in its entirety as follows and that clause (xii) of Section 6.3(a) of the Credit Amendment is hereby deleted:

"and (xi) Indebtedness incurred by Xiamen Subsidiary from Bank of China not to exceed \$5,000,000."

(g) The parties hereto agree that the Section 6 of the Credit Amendment is hereby amended by adding the following new Section 6.21 at the end thereof:

"Section 6.21. ICON Cayman, Cayman Sales Company and Chinese Subsidiaries. None of the Chinese Subsidiaries, ICON Cayman, Cayman Sales Company or any other Credit Party shall, without Agent's prior written consent, (i) change or amend the terms of any of the existing articles of organization, articles of association, bylaws, shareholders' agreements, operating agreements, consulting agreements or similar agreements of, or relating to, ICON Cayman, ICON Sales Company and any Chinese Subsidiary, or (ii) enter into any shareholders' agreements, operating agreements, consulting agreements or similar agreements of, or relating to, ICON Cayman, ICON Sales Company and any Chinese Subsidiary."

(h) The parties hereto agree that the first sentence of the second paragraph of Section 9.2 of the Credit Amendment is hereby amended and restated to read in its entirety as follows:

"If Agent shall request instructions from Requisite Lenders, Requisite Revolving Lenders, Supermajority Revolving Lenders or all affected Lenders with respect to any act or action (including failure to act) in connection with this Agreement or any other Loan Document, then Agent shall be entitled to refrain

from such act or taking such action unless and until Agent shall have received instructions from Requisite Lenders, Requisite Revolving Lenders, Supermajority Revolving Lenders or all affected Lenders, as the case may be, and Agent shall not incur liability to any Person by reason of so refraining."

(i) The parties hereto agree that the last sentence of the second paragraph of Section 9.2 of the Credit Amendment is hereby amended and restated to read in its entirety as follows:

"Without limiting the foregoing, no Lender shall have any right of action whatsoever against Agent as a result of Agent acting or refraining from acting hereunder or under any other Loan Document in accordance with the instructions of Requisite Lenders, Requisite Revolving Lenders, Supermajority Revolving Lenders or all affected Lenders, as applicable."

(j) The parties hereto agree that the second sentence of Section 9.9(d) of the Credit Amendment is hereby amended and restated to read in its entirety as follows:

"Notwithstanding anything set forth herein to the contrary, a Non-Funding Lender shall not have any voting or consent rights under or with respect to any Loan Document or constitute a "Lender" or a "Revolving Lender" (or be included in the calculation of "Requisite Lenders," "Requisite Revolving Lenders" or "Supermajority Revolving Lenders" hereunder) for any voting or consent rights under or with respect to any Loan Document."

(k) The parties hereto agree that the first sentence of Section 11.2(a) of the Credit Amendment is hereby amended and restated to read in its entirety as follows:

"Except for actions expressly permitted to be taken by Agent, no amendment, modification, termination or waiver of any provision of this Agreement or any other Loan Document, or any consent to any departure by any Credit Party therefrom, shall in any event be effective unless the same shall be in writing and signed by Agent and Borrower, and by Requisite Lenders, Requisite Revolving Lenders, Supermajority Revolving Lenders or all affected Lenders, as applicable."

(l) The parties hereto agree that Section 11.2(b) of the Credit Amendment is hereby amended by adding the following new sentence at the end thereof:

"No amendment, modification, or waiver of, the definition of Minimum Excess Availability Reserve" shall be effective unless the same shall be in writing and signed by Agent, Supermajority Revolving Lenders and Borrower."

(m) The parties hereto agree that clause (vii) in the first sentence of Section 11.2(c) of the Credit Amendment is hereby amended and restated to read in its entirety as follows:

"(vii) amend or waive this Section 11.2 or the definitions of the terms "Requisite Lenders", "Requisite Revolving Lenders" or "Supermajority Revolving

Lenders" insofar as such definitions affect the substance of this Section 11.2;"

(n) The parties hereto agree that Section 11.2(d) of the Credit Amendment is hereby amended and restated to read in its entirety as follows:

"(d) If, in connection with any proposed amendment, modification, waiver or termination (a "Proposed Change"):

(i) requiring the consent of all affected Lenders, the consent of Requisite Lenders is obtained, but the consent of other Lenders whose consent is required is not obtained (any such Lender whose consent is not obtained as described in this clause (i) and in clauses (ii) and (iii) below being referred to as a "Non-Consenting Lender"),

(ii) requiring the consent of Supermajority Revolving Lenders, the consent of Requisite Revolving Lenders is obtained, but the consent of Supermajority Revolving Lenders is not obtained;

(iii) requiring the consent of Requisite Revolving Lenders, the consent of Revolving Lenders holding 51% or more of the aggregate Revolving Loan Commitments is obtained, but the consent of Requisite Revolving Lenders is not obtained, or

(iv) requiring the consent of Requisite Lenders, the consent of Lenders holding 51% or more of the aggregate Commitments is obtained, but the consent of Requisite Lenders is not obtained,

then, so long as Agent is not a Non-Consenting Lender, at Borrower's request Agent, or a Person acceptable to Agent, shall have the right with Agent's consent and in Agent's sole discretion (but shall have no obligation) to purchase from such Non-Consenting Lenders, and such Non-Consenting Lenders agree that they shall, upon Agent's request, sell and assign to Agent or such Person, all of the Commitments of such Non-Consenting Lenders for an amount equal to the principal balance of all Loans held by the Non-Consenting Lenders and all accrued interest and Fees with respect thereto through the date of sale, such purchase and sale to be consummated pursuant to an executed Assignment Agreement."

(o) The parties hereto agree to add the following new definitions in Annex A to the Credit Amendment in alphabetical order:

"Cayman Sales Company" means Xiamen Cowell Industrial Sales, Inc., a Cayman Islands corporation, the wholly-owned Subsidiary of International Holdings.

"Chinese Retail Sales Company" shall mean a retail sales company to be formed subject to the terms and conditions set forth in Sections 1 and 2 of the Third Amendment, which shall be a wholly-owned Subsidiary of ICON Cayman incorporated in China.

"Chinese Sales Companies" shall mean the Chinese Retail Sales Company, the

Chinese Trading Company and those certain other new Chinese Subsidiaries to be formed subject to the terms and conditions set forth in Sections 1 and 2 of the Third Amendment.

"Chinese Trading Company" shall mean a trading company to be formed subject to the terms and conditions set forth in Sections 1 and 2 of the Third Amendment, which shall be a wholly-owned Subsidiary of ICON Cayman incorporated in China and shall operate in Xiamen and/or Shanghai.

"Fixed Asset Availability" shall mean Twelve Million Five Hundred Thousand Dollars (\$12,500,000), which shall be automatically and permanently reduced pursuant to Section 1.1(b)(ii) hereof.

"Minimum Excess Availability Reserve" shall mean a special Reserve established by Agent on the Third Amendment Effective Date and maintained by Agent until the Termination Date in an amount equal to Twenty Five Million Dollars (\$25,000,000).

"Third Amendment" means that certain Limited Consent, Limited Waiver and Third Amendment dated as of October 11, 2004 by and among Borrower, Credit Parties, Agent and the Lenders party thereto.

"Supermajority Revolving Lenders" means Lenders having (a) 80% or more of the Revolving Loan Commitments of all Lenders, or (b) if the Revolving Loan Commitments have been terminated, 80% or more of the aggregate outstanding amount of the Revolving Loan (with the Swing Line Loan being attributed to the Lender making such Loan) and Letter of Credit Obligations.

"Third Amendment Effective Date" shall mean the date on which each of the conditions precedent to the effectiveness of the Third Amendment set forth in Section 6 thereof is satisfied."

(p) The parties hereto agree that the following definitions in Annex A to the Credit Amendment shall be amended and restated to read in their entirety as follows:

"Borrowing Base" means, as of any date of determination by Agent, from time to time, an amount equal to the sum at such time of:

(a) up to eighty-five percent (85%) of the book value of Borrower's and its domestic and Canadian Subsidiaries' Eligible Accounts, less any Reserves established by Agent at such time; plus

(b) up to the lesser of (i) sixty percent (60%) (seventy percent (70%) during the period of July 1 to November 30 of each year) of the book value of Borrower's and its domestic and Canadian Subsidiaries' Eligible Inventory valued on a first-in, first-out basis (at the lower of cost or market), less any Reserves established by Agent at such time or (ii) eighty-five percent (85%) (ninety-five percent (95%) during the period of July 1 to November 30 of each year) of the appraised net orderly liquidation value (less liquidation costs in an amount determined by Agent in its reasonable discretion) of Inventory based

on an appraisal, such appraisal to be conducted by an appraiser acceptable to Agent and in form and substance satisfactory to Agent; plus

(c) in the sole and absolute discretion of Agent, up to 50% of the book value of Eligible In-Transit Inventory valued at the lower of cost (determined on a first-in, first-out basis) or market, excluding individual shipments (per vessel) with an aggregate book value of less than \$250,000; plus

(d) Fixed Asset Availability;

less the Minimum Excess Availability Reserve.

For the purpose of valuing the Collateral of each of Borrower's Canadian Subsidiaries that is denominated in Canadian Dollars or Borrower's Accounts that are denominated in pounds sterling or Australian dollars, such Collateral shall be converted into the Equivalent Amount thereof in Dollars, in each case, as determined as of the last day of each Fiscal Month unless Agent has notified Borrower that, in light of recent or expected currency fluctuations, the conversion shall be made on a more current basis.

"Chinese Subsidiaries" collectively means the Xiamen Subsidiary and each of the Chinese Sales Companies.

"Commitments" means (a) as to any Lender, the aggregate of such Lender's Revolving Loan Commitment (including without duplication the Swing Line Lender's Swing Line Commitment as a subset of its Revolving Loan Commitment) as set forth on Annex J to the Agreement or in the most recent Assignment Agreement executed by such Lender and (b) as to all Lenders, the aggregate of all Lenders' Revolving Loan Commitments (including without duplication the Swing Line Lender's Swing Line Commitment as a subset of its Revolving Loan Commitment, which aggregate commitment shall be Two Hundred Seventy-Five Million Dollars (\$275,000,000) on the Third Amendment Effective Date, as to each of clauses (a) and (b), as such Commitments may be reduced, amortized or adjusted from time to time in accordance with the Agreement.

"Revolving Loan Commitment" means (a) as to any Revolving Lender, the aggregate commitment of such Revolving Lender to make Revolving Credit Advances (including without duplication Swing Line Advances as a subset of the Swing Line Lender's Revolving Loan Commitment) or incur Letter of Credit Obligations as set forth on Annex J to the Agreement or in the most recent Assignment Agreement executed by such Revolving Lender and (b) as to all Revolving Lenders, the aggregate commitment of all Revolving Lenders to make Revolving Credit Advances (including without duplication Swing Line Advances as a subset of the Swing Line Lender's Revolving Loan Commitment) or incur Letter of Credit Obligations, which aggregate commitment shall be Two Hundred Seventy-Five Million Dollars (\$275,000,000) on the Third Amendment Effective Date, as such amount may be adjusted, if at all, from time to time in accordance with the Agreement."

(q) The parties hereto agree that the following sentence is added to the end of the definition of Eligible In-Transit Inventory: "Inventory in-transit from any of the Chinese Subsidiaries, which meets the criteria set forth above

shall constitute Eligible In-Transit Inventory only if it is being shipped to destinations owned or leased by Borrower."

(r) The parties hereto agree that Clause (b) of Annex F to Credit Agreement is hereby amended and restated to read in its entirety as follows:

"(b) To Lenders, upon Agent's request, and in any event no less frequently than three (3) Business Days after the end of each month (as of the last Business Day of each month), a Borrowing Base Certificate, accompanied by such supporting detail and documentation as shall be requested by Agent in its reasonable discretion; provided that, so long as Borrowing Availability is less than \$25,000,000, the Borrowing Base and accompanying information will be provided no less frequently than three (3) Business Days after the end of each week."

(s) The parties hereto agree that Clauses (a), (b) and (c) of Annex G to Credit Agreement are hereby amended and restated to read in their entirety as follows:

"(a) [Intentionally omitted.] (b) [Intentionally omitted.] (c) [Intentionally omitted.]"

(t) The parties hereto agree that Annex J to Credit Agreement are hereby amended and restated to read in its entirety as set forth on Annex J attached hereto.

Section 6. Conditions to Effectiveness. This Amendment shall be effective upon the satisfaction of each of the below conditions precedent, each in form and substance satisfactory to Agent: (a) this Amendment shall have been executed and delivered by Borrower, each of the other Credit Parties, Agent and each Lender; and

(b) Borrower shall have executed and delivered to Agent new Revolving Notes for each Lender evidencing the increase in their respective Revolving Loan Commitments set forth herein.

Section 7. Representations And Warranties Of Credit Parties.

(a) the execution, delivery and performance by each Credit Party of this Amendment has been duly authorized by all necessary corporate action and this Amendment is a legal, valid and binding obligation of such Credit Party enforceable against such Credit Party in accordance with its terms, except as the enforcement thereof may be subject to (i) the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally and (ii) general principles of equity (regardless of whether such enforcement is sought in a proceeding in equity or at law);

(b) each of the representations and warranties contained in the Credit Agreement is true and correct in all material respects on and as of the date hereof as if made on the date hereof, except to the extent that such representations and warranties expressly relate to an earlier date; and

(c) neither the execution, delivery and performance of this Amendment by each Credit Party nor the consummation of the transactions contemplated hereby does or shall contravene, result in a breach of, or violate (i) any provision of such Credit Party's certificate or articles of incorporation or bylaws, (iii) any law or regulation, or any order or decree of any court or government instrumentality, or (iii) any indenture, mortgage, deed of trust, lease, agreement or other instrument to which such Credit Party or any of its Subsidiaries is a party or by which such Credit Party or any of its Subsidiaries or any of their property is bound, except in any such case to the extent such conflict or breach has been waived by a written waiver document, a copy of which has been delivered to Agent on or before the date hereof.

Section 8. Reference To And Effect Upon The Credit Agreement.

(a) Except as specifically set forth above, the Credit Agreement and the other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed.

(b) The consents, waivers and amendments set forth in this Amendment are effective solely for the purposes set forth herein and shall be limited precisely as written, and shall not be deemed to (i) be a consent to any amendment, waiver or modification of any other term or condition of the Credit Agreement or any other Loan Document, (ii) operate as a waiver or otherwise prejudice any right, power or remedy that the Agent or the Lenders may now have or may have in the future under or in connection with the Credit Agreement or any other Loan Document, (iii) be a waiver of any Default or Event of Default arising out of any other failure of the Credit Parties to comply with the terms of the Credit Agreement, or (iv) constitute a waiver of or an amendment to any provision of the Credit Agreement or any Loan Document, except as specifically set forth herein. Upon the effectiveness of this Amendment, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of similar import shall mean and be a reference to the Credit Agreement as amended hereby.

Section 9. Costs And Expenses. As provided in Section 11.3 of the Credit Amendment, Borrower agrees to reimburse Agent for all fees, costs and expenses, including the fees, costs and expenses of counsel or other advisors for advice, assistance, or other representation in connection with this Amendment.

Section 10. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AS OPPOSED TO CONFLICTS OF LAWS PROVISIONS) OF THE STATE OF ILLINOIS.

Section 11. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purposes.

Section 12. Counterparts. This Amendment may be executed in any number of counterparts, each of which when so executed shall be deemed an original, but all such counterparts shall constitute one and the same instrument.

(signature page follows)

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Amendment as of the date first written above.

BORROWER

ICON HEALTH & FITNESS, INC.

By: /s/ S. Fred Beck

Name: S. Fred Beck

Title: CFO

GENERAL ELECTRIC CAPITAL
CORPORATION, as Agent and Lender

By: Joseph Valallo

Duly Authorized Signatory

THE CIT GROUP/BUSINESS CREDIT, INC.,
as a Lender

/s/ Arthur R. Cordweller

By: Arthur R. Cordweller

Duly Authorized Signatory

JPMORGAN CHASE BANK,
as a Lender

/s/ Thomas N. Vertin

By: Thomas N. Vertin

Duly Authorized Signatory

FLEET CAPITAL CORPORATION,
as a Lender

/s/ Daniel P. Corcoran, Jr.

By: Daniel P. Corcoran, Jr.

Duly Authorized Signatory

SIEMENS FINANCIAL SERVICES, INC.,
as a Lender

/s/ Frank Amodio

By: Frank Amodio

Duly Authorized Signatory

ZIONS FIRST NATIONAL BANK,
as a Lender

/s/ Jim C. Stanchfield

By: Jim C. Stanchfield

Duly Authorized Signatory

GMAC COMMERCIAL FINANCE, LLC (f/k/a GMAC
Business Credit, LLC),
as a Lender

/s/ Robert F. McIntyre

By: Robert F. McIntyre

Duly Authorized Signatory

WELLS FARGO FOOTHILL, LLC,
as a Lender

/s/ Maged Ghebrail

By: Maged Ghebrail

Duly Authorized Signatory

The following Persons are signatories to this Amendment in their capacity
as Credit Parties and not as Borrowers.

HF HOLDINGS, INC.

By: /s/ S. Fred Beck

Name: S. Fred Beck

Title: CFO

JUMPKING, INC.

By: /s/ Charlie B. Alley

Name: Charlie B. Alley

Title: Secretary / Treasurer

ICON INTERNATIONAL HOLDINGS, INC.

By:/s/ Matthew Allen

Name: Matthew Allen

Title: President

UNIVERSAL TECHNICAL SERVICES

By:/s/ Matthew Allen

Name: Matthew Allen

Title: President

ICON DU CANADA INC./ICON OF CANADA INC.

By:/s/ S. Fred Beck

Name: S. Fred Beck

Title: Treasurer

510152 N.B. LTD.

By: /s/ M. Joseph Brough

Name: M. Joseph Brough

Title: President

NORDICTRACK, INC.

By:/s/ Matthew Allen

Name: Matthew Allen

Title: President

ICON IP., INC.

By:/s/ S. Fred Beck

Name: S. Fred Beck

Title: President

FREE MOTION FITNESS, INC.

By:/s/ Brad H. Bearnson

Name: Brad H. Bearnson

Title: Secretary

EXHIBIT A

FORM OF EXPORT SALES AGREEMENT

ANNEX J (from Annex A - Commitments definition)
to
CREDIT AGREEMENT

Lenders:

General Electric Capital Corporation

Revolving Loan Commitment

(including a Swing Line Commitment
of \$10,000,000):

\$110,000,000.00

The CIT Group/Business Credit, Inc.

Revolving Loan Commitment:	\$25,000,000.00
JPMorgan Chase Bank	
Revolving Loan Commitment:	\$33,000,000.00
Fleet Capital Corporation	
Revolving Loan Commitment:	\$33,000,000.00
Siemens Financial Services, Inc.	
Revolving Loan Commitment:	\$15,000,000.00
Zions First National Bank	
Revolving Loan Commitment:	\$11,500,000.00
GMAC Commercial Finance, LLC	
Revolving Loan Commitment:	\$20,000,000.00
Wells Fargo Foothill, LLC	
Revolving Loan Commitment:	\$27,500,000.00

Document processed with L&W WPClean by Latham & Watkins (L & W) on Tuesday, June 17, 1997 at 8:02 PM

AMENDED AND RESTATED REVOLVING NOTE

\$110,000,000.00

Chicago, Illinois
October 11, 2004

FOR VALUE RECEIVED, the undersigned, ICON HEALTH & FITNESS, INC., a Delaware corporation ("Borrower"), HEREBY PROMISES TO PAY to the order of GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation ("Lender"), at the offices of GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation, as Agent for Lenders ("Agent"), at its address at 500 West Monroe Street, Chicago, Illinois, 60661, or at such other place as Agent may designate from time to time

in writing, in lawful money of the United States of America and in immediately available funds, the amount of ONE HUNDRED TEN MILLION DOLLARS AND ZERO CENT (\$110,000,000.00) or, if less, the aggregate unpaid amount of all Revolving Credit Advances made to the undersigned under the "Credit Agreement" (as hereinafter defined). All capitalized terms used but not otherwise defined herein have the meanings given to them in the Credit Agreement or in Annex A thereto.

This Revolving Note is one of the Revolving Notes issued pursuant to that certain Credit Agreement dated as of April 9, 2002 by and among Borrower, the other Persons named therein as Credit Parties, Agent and the other Persons signatory thereto from time to time as Lenders (including all annexes, exhibits and schedules thereto, and as from time to time amended, restated, supplemented or otherwise modified, the "Credit Agreement"), and is entitled to the benefit and security of the Credit Agreement, the Security Agreement and all of the other Loan Documents referred to therein. Reference is hereby made to the Credit Agreement for a statement of all of the terms and conditions under which the Loans evidenced hereby are made and are to be repaid. The date and amount of each Revolving Credit Advance made by Lenders to Borrower, the rates of interest applicable thereto and each payment made on account of the principal thereof, shall be recorded by Agent on its books; provided that the failure of Agent to make any such recordation shall not affect the obligations of Borrower to make a payment when due of any amount owing under the Credit Agreement or this Note in respect of the Revolving Credit Advances made by Lender to Borrower.

The principal amount of the indebtedness evidenced hereby shall be payable in the amounts and on the dates specified in the Credit Agreement, the terms of which are hereby incorporated herein by reference. Interest thereon shall be paid until such principal amount is paid in full at such interest rates and at such times, and pursuant to such calculations, as are specified in the Credit Agreement.

If any payment on this Revolving Note becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension.

Upon and after the occurrence of any Event of Default, this Revolving Note may, as provided in the Credit Agreement, and without demand, notice or legal process of any kind, be declared, and immediately shall become, due and payable.

Time is of the essence of this Revolving Note. Demand, presentment, protest and notice of nonpayment and protest are hereby waived by Borrower.

Except as provided in the Credit Agreement, this Revolving Note may not be assigned by Lender to any Person.

THIS REVOLVING NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ILLINOIS APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT STATE.

This Revolving Note supersedes and replaces the Revolving Note issued by Borrower to Lender on April 29, 2002 (the "Prior Note"). The Revolving Loans outstanding under the Prior Note are continuing in all respects. This Revolving Note does not evidence a novation of, or a repayment and reborrowing of amounts outstanding under the Prior Note.

[Signature page follows]

IN WITNESS WHEREOF, the undersigned has executed and delivered this Revolving Note as of the date first written above.

ICON HEALTH & FITNESS, INC.

By: /s/ S. Fred Beck

Title: CFO

Document processed with L&W WPClean by Latham & Watkins (L & W) on Tuesday, June 17, 1997 at 8:02 PM

AMENDED AND RESTATED REVOLVING NOTE

\$25,000,000.00

Chicago, Illinois

October 11, 2004

FOR VALUE RECEIVED, the undersigned, ICON HEALTH & FITNESS, INC., a Delaware corporation ("Borrower"), HEREBY PROMISES TO PAY to the order of THE CIT GROUP/BUSINESS CREDIT, INC., a New York Corporation ("Lender"), at the offices of GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation, as Agent for Lenders ("Agent"), at its address at 500 West Monroe Street, Chicago, Illinois, 60661, or at such other place as Agent may designate from time to time in writing, in lawful money of the United States of America and in immediately available funds, the amount of TWENTY FIVE MILLION DOLLARS AND ZERO CENT (\$25,000,000.00) or, if less, the aggregate unpaid amount of all Revolving Credit Advances made to the undersigned under the "Credit Agreement" (as hereinafter defined). All capitalized terms used but not otherwise defined herein have the meanings given to them in the Credit Agreement or in Annex A thereto.

This Revolving Note is one of the Revolving Notes issued pursuant to that certain Credit Agreement dated as of April 9, 2002 by and among Borrower, the other Persons named therein as Credit Parties, Agent and the other Persons signatory thereto from time to time as Lenders (including all annexes, exhibits and schedules thereto, and as from time to time amended, restated, supplemented or otherwise modified, the "Credit Agreement"), and is entitled to the benefit and security of the Credit Agreement, the Security Agreement and all of the other Loan Documents referred to therein. Reference is hereby made to the Credit

Agreement for a statement of all of the terms and conditions under which the Loans evidenced hereby are made and are to be repaid. The date and amount of each Revolving Credit Advance made by Lenders to Borrower, the rates of interest applicable thereto and each payment made on account of the principal thereof, shall be recorded by Agent on its books; provided that the failure of Agent to make any such recordation shall not affect the obligations of Borrower to make a payment when due of any amount owing under the Credit Agreement or this Note in respect of the Revolving Credit Advances made by Lender to Borrower.

The principal amount of the indebtedness evidenced hereby shall be payable in the amounts and on the dates specified in the Credit Agreement, the terms of which are hereby incorporated herein by reference. Interest thereon shall be paid until such principal amount is paid in full at such interest rates and at such times, and pursuant to such calculations, as are specified in the Credit Agreement.

If any payment on this Revolving Note becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension.

Upon and after the occurrence of any Event of Default, this Revolving Note may, as provided in the Credit Agreement, and without demand, notice or legal process of any kind, be declared, and immediately shall become, due and payable.

Time is of the essence of this Revolving Note. Demand, presentment, protest and notice of nonpayment and protest are hereby waived by Borrower.

Except as provided in the Credit Agreement, this Revolving Note may not be assigned by Lender to any Person.

THIS REVOLVING NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ILLINOIS APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT STATE.

This Revolving Note supersedes and replaces the Revolving Note issued by Borrower to Lender on April 9, 2002 (the "Prior Note"). The Revolving Loans outstanding under the Prior Note are continuing in all respects. This Revolving Note does not evidence a novation of, or a repayment and reborrowing of amounts outstanding under the Prior Note.

[Signature page follows]

IN WITNESS WHEREOF, the undersigned has executed and delivered this Revolving Note as of the date first written above.

ICON HEALTH & FITNESS, INC.

By: /s/ S. Fred Beck

Title: CFO

Document processed with L&W WPClean by Latham & Watkins (L & W) on Tuesday, June 17, 1997 at 8:02 PM

AMENDED AND RESTATED REVOLVING NOTE

\$33,000,000.00

Chicago, Illinois
October 11, 2004

FOR VALUE RECEIVED, the undersigned, ICON HEALTH & FITNESS, INC., a Delaware corporation ("Borrower"), HEREBY PROMISES TO PAY to the order of JPMORGAN CHASE BANK, a New York banking corporation ("Lender"), at the offices of GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation, as Agent for Lenders ("Agent"), at its address at 500 West Monroe Street, Chicago, Illinois, 60661, or at such other place as Agent may designate from time to time in writing, in lawful money of the United States of America and in immediately available funds, the amount of THIRTY THREE MILLION DOLLARS AND ZERO CENT (\$33,000,000.00) or, if less, the aggregate unpaid amount of all Revolving Credit Advances made to the undersigned under the "Credit Agreement" (as hereinafter defined). All capitalized terms used but not otherwise defined herein have the meanings given to them in the Credit Agreement or in Annex A thereto.

This Revolving Note is one of the Revolving Notes issued pursuant to that certain Credit Agreement dated as of April 9, 2002 by and among Borrower, the other Persons named therein as Credit Parties, Agent and the other Persons signatory thereto from time to time as Lenders (including all annexes, exhibits and schedules thereto, and as from time to time amended, restated, supplemented or otherwise modified, the "Credit Agreement"), and is entitled to the benefit and security of the Credit Agreement, the Security Agreement and all of the other Loan Documents referred to therein. Reference is hereby made to the Credit Agreement for a statement of all of the terms and conditions under which the Loans evidenced hereby are made and are to be repaid. The date and amount of each Revolving Credit Advance made by Lenders to Borrower, the rates of interest applicable thereto and each payment made on account of the principal thereof, shall be recorded by Agent on its books; provided that the failure of Agent to make any such recordation shall not affect the obligations of Borrower to make a payment when due of any amount owing under the Credit Agreement or this Note in respect of the Revolving Credit Advances made by Lender to Borrower.

The principal amount of the indebtedness evidenced hereby shall be payable in the amounts and on the dates specified in the Credit Agreement, the terms of which are hereby incorporated herein by reference. Interest thereon shall be paid until such principal amount is paid in full at such interest rates and at such times, and pursuant to such calculations, as are specified in the Credit Agreement.

If any payment on this Revolving Note becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension.

Upon and after the occurrence of any Event of Default, this Revolving Note may, as provided in the Credit Agreement, and without demand, notice or legal process of any kind, be declared, and immediately shall become, due and payable.

Time is of the essence of this Revolving Note. Demand, presentment, protest and notice of nonpayment and protest are hereby waived by Borrower.

Except as provided in the Credit Agreement, this Revolving Note may not be assigned by Lender to any Person.

THIS REVOLVING NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ILLINOIS APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT STATE.

This Revolving Note supersedes and replaces the Revolving Note issued by Borrower to Lender on April 9, 2002 (the "Prior Note"). The Revolving Loans outstanding under the Prior Note are continuing in all respects. This Revolving Note does not evidence a novation of, or a repayment and reborrowing of amounts outstanding under the Prior Note.

[Signature page follows]

IN WITNESS WHEREOF, the undersigned has executed and delivered this Revolving Note as of the date first written above.

ICON HEALTH & FITNESS, INC.

By: /s/ S. Fred Beck

Title: CFO

Document processed with L&W WPClean by Latham & Watkins (L & W) on Tuesday, June 17, 1997 at 8:02 PM

AMENDED AND RESTATED REVOLVING NOTE

\$33,000,000.00

Chicago, Illinois
October 11, 2004

FOR VALUE RECEIVED, the undersigned, ICON HEALTH & FITNESS, INC., a Delaware corporation ("Borrower"), HEREBY PROMISES TO PAY to the order of FLEET CAPITAL CORPORATION, a Rhode Island corporation ("Lender"), at the offices of

GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation, as Agent for Lenders ("Agent"), at its address at 500 West Monroe Street, Chicago, Illinois, 60661, or at such other place as Agent may designate from time to time in writing, in lawful money of the United States of America and in immediately available funds, the amount of THIRTY THREE MILLION DOLLARS AND ZERO CENT (\$33,000,000.00) or, if less, the aggregate unpaid amount of all Revolving Credit Advances made to the undersigned under the "Credit Agreement" (as hereinafter defined). All capitalized terms used but not otherwise defined herein have the meanings given to them in the Credit Agreement or in Annex A thereto.

This Revolving Note is one of the Revolving Notes issued pursuant to that certain Credit Agreement dated as of April 9, 2002 by and among Borrower, the other Persons named therein as Credit Parties, Agent and the other Persons signatory thereto from time to time as Lenders (including all annexes, exhibits and schedules thereto, and as from time to time amended, restated, supplemented or otherwise modified, the "Credit Agreement"), and is entitled to the benefit and security of the Credit Agreement, the Security Agreement and all of the other Loan Documents referred to therein. Reference is hereby made to the Credit Agreement for a statement of all of the terms and conditions under which the Loans evidenced hereby are made and are to be repaid. The date and amount of each Revolving Credit Advance made by Lenders to Borrower, the rates of interest applicable thereto and each payment made on account of the principal thereof, shall be recorded by Agent on its books; provided that the failure of Agent to make any such recordation shall not affect the obligations of Borrower to make a payment when due of any amount owing under the Credit Agreement or this Note in respect of the Revolving Credit Advances made by Lender to Borrower.

The principal amount of the indebtedness evidenced hereby shall be payable in the amounts and on the dates specified in the Credit Agreement, the terms of which are hereby incorporated herein by reference. Interest thereon shall be paid until such principal amount is paid in full at such interest rates and at such times, and pursuant to such calculations, as are specified in the Credit Agreement. If any payment on this Revolving Note becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension.

Upon and after the occurrence of any Event of Default, this Revolving Note may, as provided in the Credit Agreement, and without demand, notice or legal process of any kind, be declared, and immediately shall become, due and payable.

Time is of the essence of this Revolving Note. Demand, presentment, protest and notice of nonpayment and protest are hereby waived by Borrower.

Except as provided in the Credit Agreement, this Revolving Note may not be assigned by Lender to any Person.

THIS REVOLVING NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ILLINOIS APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT

STATE.

This Revolving Note supersedes and replaces the Revolving Note issued by Borrower to Lender on April 9, 2002 (the "Prior Note"). The Revolving Loans outstanding under the Prior Note are continuing in all respects. This Revolving Note does not evidence a novation of, or a repayment and reborrowing of amounts outstanding under the Prior Note. [Signature page follows]

IN WITNESS WHEREOF, the undersigned has executed and delivered this Revolving Note as of the date first written above.

ICON HEALTH & FITNESS, INC.

By: /s/ S. Fred Beck

Title: CFO

Document processed with L&W WPClean by Latham & Watkins (L & W) on Tuesday, June 17, 1997 at 8:02 PM

AMENDED AND RESTATED REVOLVING NOTE

\$15,000,000.00

Chicago, Illinois
October 11, 2004

FOR VALUE RECEIVED, the undersigned, ICON HEALTH & FITNESS, INC., a Delaware corporation ("Borrower"), HEREBY PROMISES TO PAY to the order of SIEMENS FINANCIAL SERVICES, INC. ("Lender"), at the offices of GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation, as Agent for Lenders ("Agent"), at its address at 500 West Monroe Street, Chicago, Illinois, 60661, or at such other place as Agent may designate from time to time in writing, in lawful money of the United States of America and in immediately available funds, the amount of FIFTEEN MILLION DOLLARS AND ZERO CENT (\$15,000,000.00) or, if less, the aggregate unpaid amount of all Revolving Credit Advances made to the undersigned under the "Credit Agreement" (as hereinafter defined). All capitalized terms used but not otherwise defined herein have the meanings given to them in the Credit Agreement or in Annex A thereto.

This Revolving Note is one of the Revolving Notes issued pursuant to that certain Credit Agreement dated as of April 9, 2002 by and among Borrower, the other Persons named therein as Credit Parties, Agent and the other Persons signatory thereto from time to time as Lenders (including all annexes, exhibits and schedules thereto, and as from time to time amended, restated, supplemented or otherwise modified, the "Credit Agreement"), and is entitled to the benefit and security of the Credit Agreement, the Security Agreement and all of the other Loan Documents referred to therein. Reference is hereby made to the Credit Agreement for a statement of all of the terms and conditions under which the Loans evidenced hereby are made and are to be repaid. The date and amount of

each Revolving Credit Advance made by Lenders to Borrower, the rates of interest applicable thereto and each payment made on account of the principal thereof, shall be recorded by Agent on its books; provided that the failure of Agent to make any such recordation shall not affect the obligations of Borrower to make a payment when due of any amount owing under the Credit Agreement or this Note in respect of the Revolving Credit Advances made by Lender to Borrower.

The principal amount of the indebtedness evidenced hereby shall be payable in the amounts and on the dates specified in the Credit Agreement, the terms of which are hereby incorporated herein by reference. Interest thereon shall be paid until such principal amount is paid in full at such interest rates and at such times, and pursuant to such calculations, as are specified in the Credit Agreement.

If any payment on this Revolving Note becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension.

Upon and after the occurrence of any Event of Default, this Revolving Note may, as provided in the Credit Agreement, and without demand, notice or legal process of any kind, be declared, and immediately shall become, due and payable.

Time is of the essence of this Revolving Note. Demand, presentment, protest and notice of nonpayment and protest are hereby waived by Borrower.

Except as provided in the Credit Agreement, this Revolving Note may not be assigned by Lender to any Person.

THIS REVOLVING NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ILLINOIS APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT STATE.

This Revolving Note supersedes and replaces the Revolving Note issued by Borrower to Lender on April 29, 2002 (the "Prior Note"). The Revolving Loans outstanding under the Prior Note are continuing in all respects. This Revolving Note does not evidence a novation of, or a repayment and reborrowing of amounts outstanding under the Prior Note.

[Signature page follows]

IN WITNESS WHEREOF, the undersigned has executed and delivered this Revolving Note as of the date first written above.

ICON HEALTH & FITNESS, INC.

By: /s/ S. Fred Beck

Title: CFO

AMENDED AND RESTATED REVOLVING NOTE

\$11,500,000.00

Chicago, Illinois
October 11, 2004

FOR VALUE RECEIVED, the undersigned, ICON HEALTH & FITNESS, INC., a Delaware corporation ("Borrower"), HEREBY PROMISES TO PAY to the order of ZIONS FIRST NATIONAL BANK, a national banking association ("Lender"), at the offices of GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation, as Agent for Lenders ("Agent"), at its address at 500 West Monroe Street, Chicago, Illinois, 60661, or at such other place as Agent may designate from time to time in writing, in lawful money of the United States of America and in immediately available funds, the amount of ELEVEN MILLION FIVE HUNDRED THOUSAND DOLLARS AND ZERO CENT (\$11,500,000.00) or, if less, the aggregate unpaid amount of all Revolving Credit Advances made to the undersigned under the "Credit Agreement" (as hereinafter defined). All capitalized terms used but not otherwise defined herein have the meanings given to them in the Credit Agreement or in Annex A thereto.

This Revolving Note is one of the Revolving Notes issued pursuant to that certain Credit Agreement dated as of April 9, 2002 by and among Borrower, the other Persons named therein as Credit Parties, Agent and the other Persons signatory thereto from time to time as Lenders (including all annexes, exhibits and schedules thereto, and as from time to time amended, restated, supplemented or otherwise modified, the "Credit Agreement"), and is entitled to the benefit and security of the Credit Agreement, the Security Agreement and all of the other Loan Documents referred to therein. Reference is hereby made to the Credit Agreement for a statement of all of the terms and conditions under which the Loans evidenced hereby are made and are to be repaid. The date and amount of each Revolving Credit Advance made by Lenders to Borrower, the rates of interest applicable thereto and each payment made on account of the principal thereof, shall be recorded by Agent on its books; provided that the failure of Agent to make any such recordation shall not affect the obligations of Borrower to make a payment when due of any amount owing under the Credit Agreement or this Note in respect of the Revolving Credit Advances made by Lender to Borrower.

The principal amount of the indebtedness evidenced hereby shall be payable in the amounts and on the dates specified in the Credit Agreement, the terms of which are hereby incorporated herein by reference. Interest thereon shall be paid until such principal amount is paid in full at such interest rates and at such times, and pursuant to such calculations, as are specified in the Credit Agreement.

If any payment on this Revolving Note becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension.

Upon and after the occurrence of any Event of Default, this Revolving Note may, as provided in the Credit Agreement, and without demand, notice or legal process of any kind, be declared, and immediately shall become, due and payable.

Time is of the essence of this Revolving Note. Demand, presentment, protest and notice of nonpayment and protest are hereby waived by Borrower.

Except as provided in the Credit Agreement, this Revolving Note may not be assigned by Lender to any Person.

THIS REVOLVING NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ILLINOIS APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT STATE.

This Revolving Note supersedes and replaces the Revolving Note issued by Borrower to Lender on April 29, 2002 (the "Prior Note"). The Revolving Loans outstanding under the Prior Note are continuing in all respects. This Revolving Note does not evidence a novation of, or a repayment and reborrowing of amounts outstanding under the Prior Note.

[Signature page follows]

IN WITNESS WHEREOF, the undersigned has executed and delivered this Revolving Note as of the date first written above.
ICON HEALTH & FITNESS, INC.

By: /s/ S. Fred Beck

Title: CFO

Document processed with L&W WPClean by Latham & Watkins (L & W) on Tuesday, June 17, 1997 at 8:02 PM

AMENDED AND RESTATED REVOLVING NOTE

\$20,000,000.00

Chicago, Illinois
October 11, 2004

FOR VALUE RECEIVED, the undersigned, ICON HEALTH & FITNESS, INC., a Delaware corporation ("Borrower"), HEREBY PROMISES TO PAY to the order of GMAC COMMERCIAL FINANCE, LLC (f/k/a GMAC Business Credit, LLC) ("Lender"), at the offices of GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation, as Agent for Lenders ("Agent"), at its address at 500 West Monroe Street, Chicago, Illinois, 60661, or at such other place as Agent may designate from time to time in writing, in lawful money of the United States of America and in immediately available funds, the amount of TWENTY MILLION DOLLARS AND ZERO CENT (\$20,000,000.00) or, if less, the aggregate unpaid amount of all Revolving Credit Advances made to the undersigned under the "Credit Agreement" (as

hereinafter defined). All capitalized terms used but not otherwise defined herein have the meanings given to them in the Credit Agreement or in Annex A thereto.

This Revolving Note is one of the Revolving Notes issued pursuant to that certain Credit Agreement dated as of April 9, 2002 by and among Borrower, the other Persons named therein as Credit Parties, Agent and the other Persons signatory thereto from time to time as Lenders (including all annexes, exhibits and schedules thereto, and as from time to time amended, restated, supplemented or otherwise modified, the "Credit Agreement"), and is entitled to the benefit and security of the Credit Agreement, the Security Agreement and all of the other Loan Documents referred to therein. Reference is hereby made to the Credit Agreement for a statement of all of the terms and conditions under which the Loans evidenced hereby are made and are to be repaid. The date and amount of each Revolving Credit Advance made by Lenders to Borrower, the rates of interest applicable thereto and each payment made on account of the principal thereof, shall be recorded by Agent on its books; provided that the failure of Agent to make any such recordation shall not affect the obligations of Borrower to make a payment when due of any amount owing under the Credit Agreement or this Note in respect of the Revolving Credit Advances made by Lender to Borrower.

The principal amount of the indebtedness evidenced hereby shall be payable in the amounts and on the dates specified in the Credit Agreement, the terms of which are hereby incorporated herein by reference. Interest thereon shall be paid until such principal amount is paid in full at such interest rates and at such times, and pursuant to such calculations, as are specified in the Credit Agreement.

If any payment on this Revolving Note becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension.

Upon and after the occurrence of any Event of Default, this Revolving Note may, as provided in the Credit Agreement, and without demand, notice or legal process of any kind, be declared, and immediately shall become, due and payable.

Time is of the essence of this Revolving Note. Demand, presentment, protest and notice of nonpayment and protest are hereby waived by Borrower.

Except as provided in the Credit Agreement, this Revolving Note may not be assigned by Lender to any Person.

THIS REVOLVING NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ILLINOIS APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT STATE.

This Revolving Note supersedes and replaces the Revolving Note issued by Borrower to Lender on April 29, 2002 (the "Prior Note"). The Revolving Loans outstanding under the Prior Note are continuing in all respects. This Revolving Note does not evidence a novation of, or a repayment and reborrowing of amounts

outstanding under the Prior Note.

[Signature page follows]

IN WITNESS WHEREOF, the undersigned has executed and delivered this Revolving Note as of the date first written above.
ICON HEALTH & FITNESS, INC.

By: /s/ S. Fred Beck

Title: CFO

Document processed with L&W WPClean by Latham & Watkins (L & W) on Tuesday, June 17, 1997 at 8:02 PM

AMENDED AND RESTATED REVOLVING NOTE

\$27,500,000.00

Chicago, Illinois
October 11, 2004

FOR VALUE RECEIVED, the undersigned, ICON HEALTH & FITNESS, INC., a Delaware corporation ("Borrower"), HEREBY PROMISES TO PAY to the order of WELLS FARGO FOOTHILL, LLC ("Lender"), at the offices of GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation, as Agent for Lenders ("Agent"), at its address at 500 West Monroe Street, Chicago, Illinois, 60661, or at such other place as Agent may designate from time to time in writing, in lawful money of the United States of America and in immediately available funds, the amount of TWENTY SEVEN MILLION FIVE HUNDRED THOUSAND DOLLARS AND ZERO CENT (\$27,500,000.00) or, if less, the aggregate unpaid amount of all Revolving Credit Advances made to the undersigned under the "Credit Agreement" (as hereinafter defined). All capitalized terms used but not otherwise defined herein have the meanings given to them in the Credit Agreement or in Annex A thereto.

This Revolving Note is one of the Revolving Notes issued pursuant to that certain Credit Agreement dated as of April 9, 2002 by and among Borrower, the other Persons named therein as Credit Parties, Agent and the other Persons signatory thereto from time to time as Lenders (including all annexes, exhibits and schedules thereto, and as from time to time amended, restated, supplemented or otherwise modified, the "Credit Agreement"), and is entitled to the benefit and security of the Credit Agreement, the Security Agreement and all of the other Loan Documents referred to therein. Reference is hereby made to the Credit Agreement for a statement of all of the terms and conditions under which the Loans evidenced hereby are made and are to be repaid. The date and amount of each Revolving Credit Advance made by Lenders to Borrower, the rates of interest applicable thereto and each payment made on account of the principal thereof,

shall be recorded by Agent on its books; provided that the failure of Agent to make any such recordation shall not affect the obligations of Borrower to make a payment when due of any amount owing under the Credit Agreement or this Note in respect of the Revolving Credit Advances made by Lender to Borrower.

The principal amount of the indebtedness evidenced hereby shall be payable in the amounts and on the dates specified in the Credit Agreement, the terms of which are hereby incorporated herein by reference. Interest thereon shall be paid until such principal amount is paid in full at such interest rates and at such times, and pursuant to such calculations, as are specified in the Credit Agreement.

If any payment on this Revolving Note becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension.

Upon and after the occurrence of any Event of Default, this Revolving Note may, as provided in the Credit Agreement, and without demand, notice or legal process of any kind, be declared, and immediately shall become, due and payable.

Time is of the essence of this Revolving Note. Demand, presentment, protest and notice of nonpayment and protest are hereby waived by Borrower.

Except as provided in the Credit Agreement, this Revolving Note may not be assigned by Lender to any Person.

THIS REVOLVING NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ILLINOIS APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT STATE.

This Revolving Note supersedes and replaces the Revolving Note issued by Borrower to Lender on June 16, 2003 (the "Prior Note"). The Revolving Loans outstanding under the Prior Note are continuing in all respects. This Revolving Note does not evidence a novation of, or a repayment and reborrowing of amounts outstanding under the Prior Note.

[Signature page follows]

IN WITNESS WHEREOF, the undersigned has executed and delivered this Revolving Note as of the date first written above.

ICON HEALTH & FITNESS, INC.

By: /s/ S. Fred Beck

Name: S. Fred Beck

Title: CFO

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 Quarterly Report of ICON Health & Fitness, Inc. (the "Company") on Form 10-Q for the period ending August 28, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David J. Watterson, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

David J. Watterson
Chief Executive Officer
October 12, 2004

A signed original of this written statement is required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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 Quarterly Report of ICON Health & Fitness, Inc. (the "Company") on Form 10-Q for the period ending August 28, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, S. Fred Beck, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

S. Fred Beck
Chief Financial Officer
October 12, 2004

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.