



Edgar Filing: ICONIX BRAND GROUP, INC. - Form 10-K

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class            | Name of each exchange on which registered             |
|--------------------------------|---|
| Common Stock, \$.001 Par Value | The NASDAQ Stock Market LLC<br>(NASDAQ Global Market) |

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

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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

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

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

Large accelerated filer

Accelerated filer

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

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

The aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant as of the close of business on June 30, 2016 was approximately \$352.3 million. As of March 6, 2017, 56,951,225 shares of the registrant's Common Stock, par value \$.001 per share, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's proxy statement for its annual meeting of stockholders to be held in 2017, and to be filed with the SEC, are incorporated by reference in Items 10, 11, 12, 13 and 14 of Part III of this Form 10-K.



ICONIX BRAND GROUP, INC. - FORM 10-K

TABLE OF CONTENTS

|   | Page   |
|---|--------|
| <br><u>PART I</u>   |        |
| Item 1. <u>Business</u>   | 1      |
| Item 1A. <u>Risk Factors</u>  | 17     |
| Item 1B. <u>Unresolved Staff Comments</u>   | 30     |
| Item 2. <u>Properties</u>   | 30     |
| Item 3. <u>Legal Proceedings</u>  | 31     |
| Item 4. <u>Mine Safety Disclosures</u>  | 32     |
| <br><u>PART II</u>  |        |
| Item 5. <u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u> | 33     |
| Item 6. <u>Selected Financial Data</u>  | 34     |
| Item 7. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>                        | 36     |
| Item 7A. <u>Quantitative and Qualitative Disclosures about Market Risk</u>  | 48     |
| Item 8. <u>Financial Statements and Supplementary Data</u>  | 48     |
| Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>                         | 49     |
| Item 9A. <u>Controls and Procedures</u>   | 49     |
| Item 9B. <u>Other Information</u>   | 53     |
| <br><u>PART III</u>   |        |
| Item 10. <u>Directors, Executive Officers and Corporate Governance</u>  | 54     |
| Item 11. <u>Executive Compensation</u>  | 54     |
| Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>              | 54     |
| Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>                                   | 54     |
| Item 14. <u>Principal Accounting Fees and Services</u>  | 54     |
| <br><u>PART IV</u>  |        |
| Item 15. <u>Exhibits, Financial Statement Schedules</u>   | 55     |
| Item 16. <u>Form 10-K Summary</u>   | 55     |
| <br><u>Signatures</u>   | <br>56 |
| <br><u>Consolidated Financial Statements</u>  | <br>62 |



Unless the context requires otherwise, references in this Form 10-K to the “Company,” “Iconix,” “we,” “us,” “our,” or similar pronouns refer to Iconix Brand Group, Inc. and its consolidated subsidiaries.

---

## PART I

### Item 1. Business

#### General

Iconix Brand Group is a brand management company and owner of a diversified portfolio of over 30 global consumer brands across the women's, men's, entertainment, home and international segments. The Company's business strategy is to maximize the value of its brands primarily through strategic licenses and joint venture partnerships around the world, as well as to grow the portfolio of brands through strategic acquisitions.

As of December 31, 2016, the Company's brand portfolio includes Candie's<sup>®</sup>, Bongo<sup>®</sup>, Joe Boxer<sup>®</sup>, Rampage<sup>®</sup>, Mudd<sup>®</sup>, London Fog<sup>®</sup>, Mossimo<sup>®</sup>, Ocean Pacific/OP<sup>®</sup>, Danskin/Danskin Now<sup>®</sup>, Rocawear<sup>®</sup>/Roc Nation<sup>®</sup>, Cannon<sup>®</sup>, Royal Velvet<sup>®</sup>, Fieldcrest<sup>®</sup>, Charisma<sup>®</sup>, Starter<sup>®</sup>, Waverly<sup>®</sup>, Ecko Unltd<sup>®</sup>/Mark Ecko Cut & Sew<sup>®</sup>, Zoo York<sup>®</sup>, Umbro<sup>®</sup>, Lee Cooper<sup>®</sup>, Strawberry Shortcake<sup>®</sup> and Artful Dodger<sup>®</sup>; and interests in Material Girl<sup>®</sup>, Peanuts<sup>®</sup>, Ed Hardy<sup>®</sup>, Truth or Dare<sup>®</sup>, Modern Amusement<sup>®</sup>, Buffalo<sup>®</sup>, Nick Graham<sup>®</sup> Hydraulic<sup>®</sup>, and PONY<sup>®</sup>.

The Company seeks to monetize the Intellectual Property (herein referred to as "IP") related to its brands throughout the world and in all relevant categories by licensing directly with leading retailers (herein referred to as "direct to retail" or "DTR"), through consortia of wholesale licensees, through joint ventures in specific territories and via other activity such as corporate sponsorships and content as well as the sale of IP for specific categories or territories. Products bearing the Company's brands are sold across a variety of distribution channels from the mass tier (e.g. Wal-Mart) to better department stores (e.g. Macy's) and, in the case of the Peanuts and Strawberry Shortcake brands, through various media outlets, including television, movies, digital and mobile content. The licensees are responsible for designing, manufacturing and distributing the licensed products. The Company supports its brands with marketing, advertising and promotional campaigns designed to increase brand awareness. Additionally, the Company provides its licensees with coordinated trend direction to enhance product appeal and help build and maintain brand integrity. In the case of Peanuts and Strawberry Shortcake brands, we also provide content for licensed media categories.

Globally, the Company has over 75 direct-to-retail licenses and more than 1,450 total licenses. Licensees are selected based upon the Company's belief that such licensees will be able to produce and sell quality products in the categories and distribution channels of their specific expertise and that they are capable of exceeding minimum sales targets and royalties that the Company generally requires for each brand. This licensing strategy is designed to permit the Company to operate its licensing business, leverage its core competencies of marketing and brand management with minimal working capital, and without inventory, production or distribution costs or risks, and maintain high margins. The majority of the Company's licensing agreements include minimum guaranteed royalty revenue which provides the Company with greater visibility into future cash flows. As of January 1, 2017, the Company had over \$720 million of aggregate guaranteed royalty revenue over the terms of its existing contracts excluding renewals.

A key initiative in the Company's global brand expansion plans has been the formation of international joint ventures. The strategy in forming international joint ventures is to partner with best-in-class, local partners to bring the Company's brands to market more quickly and efficiently, generating greater short- and long-term value from its IP, than the Company believes is possible if it were to build-out wholly-owned operations ourselves across a multitude of regional or local offices. Since September 2008, the Company has established the following international joint

ventures: Iconix China, Iconix Latin America, Iconix Europe, Iconix India, Iconix Canada, Iconix Australia, Iconix Southeast Asia, Iconix Israel, Iconix Middle East, Umbro China and Danskin China.

The Company also plans to continue to build and maintain its brand portfolio by acquiring additional brands directly or through joint ventures. In assessing potential acquisitions or investments, the Company primarily evaluates the strength of the target brand as well as the expected viability and sustainability of future royalty streams. The Company believes that this focused approach allows it to effectively screen a wide pool of consumer brand candidates and other asset light businesses, strategically evaluate acquisition targets and complete due diligence for potential acquisitions efficiently.

The Company's primary goal of maximizing the value of its IP also includes, in certain instances, the sale to third parties of a brand's trademark in specific territories or categories. As such, the Company evaluates potential offers to acquire some or all of a brand's IP by comparing whether the offer is more valuable than the Company's estimate of the current and potential revenue streams to be earned via the Company's traditional licensing model. Further, as part of the Company's evaluation process it also considers whether or not the buyer's future development of the brand may help to expand the brand's overall recognition and global revenue potential.



The Company has acquired the following brands on the dates indicated:

| Date acquired           | Brand   |
|-------------------------|---|
| October 2004            | Badgley Mischka <sup>(1)</sup>  |
| July 2005               | Joe Boxer   |
| September 2005          | Rampage   |
| April 2006              | Mudd  |
| August 2006             | London Fog  |
| October 2006            | Mossimo   |
| November 2006           | Ocean Pacific/ OP   |
| March 2007              | Danskin/ Danskin Now  |
| March 2007              | Rocawear/ Roc Nation  |
| October 2007            | Official-Pillowtex brands (Cannon, Royal Velvet, Fieldcrest and Charisma) |
| December 2007           | Starter   |
| October 2008            | Waverly   |
| October 2009, July 2011 | Zoo York <sup>(2)</sup>   |
| October 2011            | Sharper Image <sup>(3)</sup>  |
| November 2012           | Umbro   |
| February 2013           | Lee Cooper <sup>(4)</sup>   |
| October 2009, May 2013  | Ecko Unltd/ Marc Ecko Cut & Sew <sup>(5)</sup>                            |
| March 2015              | Strawberry Shortcake  |

<sup>1</sup>In February 2016, the Company sold the rights to the Badgley Mischka intellectual property to Titan Industries, Inc. Refer to Note 4 in Notes to Consolidated Financial Statements for further details.

<sup>2</sup>In July 2011, the Company, through its wholly-owned subsidiary ZY Holdings, purchased the Zoo York brand and related assets from its IPH Unltd joint venture, increasing the Company's effective ownership in the Zoo York brand from 51% to 100%.

<sup>3</sup>The Company sold its rights to the Sharper Image intellectual property and related assets in December 2016. Refer to Note 4 in Notes to the Consolidated Financial Statements for further details.

<sup>4</sup>In December 2016, the Company repurchased the remaining 50% ownership interest in the joint venture that held domestic assets relating to the Lee Cooper brand, LC Partners US, LLC, from its joint venture partner, increasing the Company's ownership interest in LC Partners US to 100%. Refer to Note 3 in Notes to Consolidated Financial Statements for further details.

<sup>5</sup>In May 2013, the Company purchased the remaining 49% of the equity interest in IPH Unltd from its minority partner, increasing the Company's effective ownership of the Ecko portfolio of brands from 51% to 100%.

In addition to the acquisitions above, the Company has acquired ownership interests in the following brands through its investments in joint ventures as of December 31, 2016:

| Date Acquired/Invested | Brand                           | Investment / Joint Venture | Iconix's Interest |
|------------------------|---------------------------------|----------------------------|-------------------|
| November 2007          | Artful Dodger                   | Scion <sup>(2)</sup>       | 100 %             |
| May 2009, April 2011   | Ed Hardy <sup>(1)</sup>         | Hardy Way                  | 85 %              |
| March 2010             | Material Girl and Truth or Dare | MG Icon                    | 50 %              |
| June 2010              | Peanuts                         | Peanuts Holdings           | 80 %              |

Edgar Filing: ICONIX BRAND GROUP, INC. - Form 10-K

|               |                  |                       |    |   |
|---------------|------------------|-----------------------|----|---|
| December 2012 | Modern Amusement | Icon Modern Amusement | 51 | % |
| February 2013 | Buffalo          | Alberta ULC           | 51 | % |
| October 2014  | Nick Graham      | NGX                   | 51 | % |
| December 2014 | Hydraulic        | Hydraulic IP Holdings | 51 | % |
| February 2015 | PONY             | US Pony Holdings      | 75 | % |

<sup>(1)</sup>In April 2011, the Company acquired an additional interest in Hardy Way LLC, increasing its effective ownership of the brand from 50% to 85%.

<sup>(2)</sup>In July 2015, the Company acquired the remaining 50% interest in Scion, increasing its effective ownership of the brand from 50% to 100%. Refer to Note 3 in Notes to Consolidated Financial Statements for further details.

2

---

As of December 31, 2016, the Company was party to the following joint ventures to develop and market its brands in specific international markets, herein collectively referred to as the Company's "International Joint Ventures":

| Date Created   | Investment /Joint Venture            | Iconix's Interest |   |
|----------------|--------------------------------------|-------------------|---|
| September 2008 | Iconix China <sup>(1)</sup>          | 100               | % |
| December 2008  | Iconix Latin America <sup>(2)</sup>  | 100               | % |
| December 2009  | Iconix Europe <sup>(3)</sup>         | 51                | % |
| May 2012       | Iconix India                         | 50                | % |
| June 2013      | Iconix Canada                        | 50                | % |
| September 2013 | Iconix Australia                     | 50                | % |
| October 2013   | Iconix Southeast Asia                | 50                | % |
| December 2013  | Iconix Israel                        | 50                | % |
| December 2014  | Iconix Middle East <sup>(4)</sup>    | 55                | % |
| July 2016      | Umbro China Limited <sup>(5)</sup>   | 95                | % |
| October 2016   | Danskin China Limited <sup>(6)</sup> | 100               | % |

<sup>(1)</sup>In March 2015, the Company purchased 50% of the outstanding equity interests in Iconix China from its partner, increasing the Company's ownership from 50% to 100%.

<sup>(2)</sup>In February 2014, the Company purchased 50% of the outstanding equity interests in Iconix Latin America from its partner, increasing the Company's ownership from 50% to 100%.

<sup>(3)</sup>In January 2014, the Company purchased an additional 1% of the equity interests in Iconix Europe from its partner, increasing the Company's ownership from 50% to 51% and acquiring additional rights resulting in effective control.

<sup>(4)</sup>In December 2016, the Company irrevocably exercised its call option to acquire an additional 5% of the equity interests in Iconix Middle East from its partner, in order to increase the Company's ownership from 50% to 55%. Such acquisition closed in February 2017.

<sup>(5)</sup>In July 2016, the Company sold a 5% interest in a newly formed entity, Umbro China Limited, to MH Umbro International Co. Limited. Refer to Note 3 in Notes to Consolidated Financial Statements for further details.

<sup>(6)</sup>In October 2016, the Company entered into an agreement with Li-Ning (China) Sports Goods Co., Ltd. ("LiNing") to sell up to a 50% interest (and no less than 30% interest) in its wholly-owned indirect subsidiary, Danskin China Limited ("Danskin China"), a new Hong Kong registered company which holds the intellectual property and related assets in respect of the Danskin brand in mainland China and Macau. Refer to Note 3 in Notes to Consolidated Financial Statements for further details.

#### Corporate Information

The Company was incorporated under the laws of the state of Delaware in 1978. Its principal executive offices are located at 1450 Broadway, New York, New York 10018, and its telephone number is (212) 730-0030. The Company's website address is [www.iconixbrand.com](http://www.iconixbrand.com). The information on the Company's website does not constitute part of this Form 10-K. The Company has included its website address in this document as an inactive textual reference only.

#### The Company's brands

The Company owns a diversified portfolio of over 30 iconic brands across the Company's five operating segments: women's, men's, home, entertainment and international. The Company's objective is to grow its existing portfolio organically, both domestically and internationally, and acquire new brands, both of which leverage its

brand management expertise, platform and infrastructure, and where third parties offer similar leverage of their relationships and infrastructures, enter into joint ventures or other partnerships. To achieve this objective, the Company intends to:

- extend its existing brands by adding additional product categories, expanding the brands' distribution and retail presence and optimizing its licensees' sales through marketing that increases consumer awareness and loyalty;
- continue its international expansion through additional licenses, partnerships, joint ventures and other arrangements with leading retailers and wholesalers worldwide;
- continue acquiring consumer brands or the rights to such brands with high consumer awareness, broad appeal, applicability to a range of product categories and an ability to diversify the Company's portfolio; and
- use advertising and marketing to keep brands relevant and create long term value.

3

---

In managing its brands, the Company seeks to capitalize on its heritage and authenticity, while simultaneously working to keep its brands relevant to today's consumer.

Women's

Brands Wholly-Owned by Iconix:

**Candie's.** Candie's is known as a junior lifestyle brand, with products in the footwear, apparel and accessories categories, and the brand has achieved high recognition for its flirty and fun image and affiliations with celebrity spokespeople. Candie's was established as a brand in 1977 and is Iconix's longest held trademark. The primary licensee for Candie's is Kohl's Department Stores, Inc., herein referred to as Kohl's, which commenced the roll out of the brand in July 2005 in all of its stores in the United States with a multi-category line of Candie's lifestyle products, including sportswear, denim, footwear, handbags and intimate apparel. Additionally, the brand has signed three new wholesale license agreements to launch in channels outside of Kohl's in the following categories: Kids, Kids Underwear and Sleepwear and Home. Candie's award-winning advertising is known for its sexy but playful concepts. Over the years the brand has created omni-channel marketing campaigns leveraging its talent of "It" girls including Britney Spears, Fergie, Destiny's Child, Lea Michele, Vanessa Hudgens, Hilary Duff, Bella Thorne, Kelly Clarkson & Jenny McCarthy. In 2016, the brand introduced Sarah Hyland as the first ever Creative Director. In addition to starring in each campaign, Sarah will be influencing the development and design of each new collection.

**Bongo.** The Bongo brand is positioned as a California lifestyle brand, with a broad range of women's casual apparel and accessories, including denim, sportswear, eyewear and footwear. The brand was established in 1982. In February 2010, the Company signed an exclusive direct-to-retail license agreement with Kmart Corporation, a wholly-owned subsidiary of Sears Holding Corporation (herein referred to as Kmart/Sears), for the brand in the United States. Bongo is a highly visible brand at Sears, with strong presence across women's apparel, accessories and footwear. In 2016, Bongo worked to increase its digital footprint by developing a social/digital campaign that reached millennial consumers via their mobile devices with focuses on Influencers and amplification through Instagram, Facebook and SnapChat.

**Badgley Mischka.** The Badgley Mischka brand is known for luxury couture eveningwear. The brand was established in 1988 and was acquired by the Company in October 2004. The Company sold the Badgley Mischka brand in February 2016.

**Joe Boxer.** Joe Boxer is a highly recognized lifestyle brand known for its irreverent and humorous image and provocative promotional events. The brand was established in 1985 and was acquired by the Company in July 2005. Since August 2001, Kmart/Sears has held the exclusive license for the brand in the United States covering apparel, fashion accessories and home products for men, women, teens and children. In 2016, Joe Boxer partnered with the Eh Bee family to develop a social media and digital focused campaign that created awareness, consideration and attracted new millennial consumers to shop Joe Boxer at Sears.

**Rampage.** Rampage was established in 1982 and is known as a contemporary/junior women's sportswear brand. The brand was acquired by the Company in September 2005. Rampage products are sold through better department stores such as Macy's and Belk Stores, with the largest retail categories being footwear, accessories, handbags, denim and outerwear. Previous campaigns have featured Petra Nemcova, Gisele Bündchen, Bar Refaeli, Irina Shayk, and most recently Olivia Culpo.

**Mudd.** Mudd is a highly recognizable junior lifestyle brand, particularly in the denim, footwear and accessories categories. It was established in 1995 and acquired by the Company in April 2006. In November 2008, the Company entered into a multi-year licensing agreement with Kohl's under which Kohl's became the exclusive retailer in the

United States for apparel, footwear, fashion accessories and jewelry. The brand was launched at Kohl's in July 2009 and is currently sold in all Kohl's stores in numerous categories. Mudd launched its national marketing campaign in 2015 with a mixed cast of web stars, both male and female. Focusing on a digital strategy to reach its core demographic, 2017 kicked off with a new cast of social media influencers, including Lauren Rihimaki, Jordyn Jones and Nash Grier.

London Fog. London Fog is a classic brand known worldwide for its outerwear, cold weather accessories, umbrellas, luggage and travel products. The brand was established over 80 years ago and was acquired by the Company in August 2006. The brand is sold in a variety of categories through wholesale licenses in the United States, primarily through the department store channel including Macy's and Nordstrom's Department Store. Further, the Company has a direct-to-retail license agreement for London Fog with Hudson's Bay Corporation in Canada, covering outerwear, apparel, accessories and lifestyle products. The brand relaunched in 2007, with a celebrity-fueled advertising campaign featuring Kevin Bacon, Teri Hatcher, Michael Bolton, Nicolette Sheridan and Cheryl Hines. Other celebrity campaigns include Neil Patrick Harris, David Burtka, Gisele Bündchen, Eva Longoria, Tony Parker, and Christina Hendricks. The most recent campaign, shot in the heart of Brooklyn, starred David Duchovny and Martha Hunt.

Mossimo. Mossimo is known as a contemporary, active and youthful lifestyle brand and is one of the largest apparel brands in the United States. The brand was established in 1986 and acquired by the Company in October 2006. Since 2000, Target Corporation, herein referred to as Target, has held the exclusive license in the United States, covering apparel products for men, women and children, including casual sportswear, denim, swimwear, bodywear, watches, handbags and other fashion accessories. Target sells Mossimo apparel and other products chain-wide.

Ocean Pacific/OP. Ocean Pacific and OP are global action-sports lifestyle apparel brands which trace their heritage to Ocean Pacific's roots as a 1960's surfboard label. The Company acquired the Ocean Pacific/OP brands in November 2006 and in 2007, the OP business in the United States was converted to a direct-to-retail license with Wal-Mart Stores, Inc. (herein referred to as Wal-Mart). In Spring 2008, OP launched exclusively in select Wal-Mart stores in the United States, and was expanded to all stores in 2009. Currently the brand is distributed by Wal-Mart as a direct-to-retail license in the United States, with products that include footwear and swim for men, women and children. In 2016, OP developed a custom social media campaign across our media partners' most impactful channels. During the spring/summer season, OP launched a social campaign igniting a social conversation with OP's messaging and must-have products. The campaign boasted OP as the brand to have and Wal-Mart as the destination for all of a consumer's summer essentials.

Danskin/Danskin Now. Danskin is a 135 year-old iconic brand of women's activewear, athleisure, legwear, dancewear, intimates, sleepwear, and fitness equipment, which the Company acquired in March 2007. Danskin has maintained a legacy of health, strength and female empowerment in its core values. Danskin has partnered with Jenna Dewan Tatum as celebrity ambassador and face of its ad campaigns through 2017. The primary license for the Danskin brand is a direct-to-retail license with Wal-Mart for Danskin Now in the United States covering a wide range of women's and girl's apparel, activewear, ath-leisure and footwear. In addition, the Danskin brand continues to be sold through better department, mid-tier, specialty and sporting goods stores, as well as through Danskin.com by wholesale licensees in the United States. In 2014, the brand re-launched its e-commerce site, blog, and expanded its social media efforts. Sustaining its heritage with dance, Danskin has continued its support of the New York City Ballet. In 2016, Danskin partnered with Jenna Dewan Tatum, actress - producer - dancer and social media personality, as celebrity ambassador and face of its campaign.

#### Brands Held by Iconix with Joint Venture Partners:

MG Icon—Material Girl. MG Icon, a joint venture in which the Company has a 50% interest, was formed by the Company with Madonna and Guy Oseary in March 2010 to buy, create, develop and license brands across a spectrum of consumer product categories, with Madonna serving as the creative director. Concurrent with the formation of this joint venture, MG Icon entered into a direct-to-retail license with Macy's Retail Holdings, Inc. (herein referred to as Macy's) for the Material Girl brand covering a wide array of consumer categories. Additionally, the brand has signed three new wholesale license agreements to launch in channels outside of Macy's in the following categories: kids, intimates and sleepwear, and hosiery and socks. Celebrating its sixth year, the brand has had many notable faces for its campaigns, including Rita Ora, Zendaya, Kelly Osbourne, Sofia Richie and Taylor Momsen. In 2016, the brand introduced Pia Mia as the first ever Fashion Director, who has influenced the collection, starred in the campaigns and remains actively engaged leveraging her huge social media audience.

#### Men's

#### Brands Wholly-Owned by Iconix:

Rocawear/Roc Nation. Rocawear is a youth culture brand, established by Shawn “Jay-Z” Carter and his partners in 1999. The Company acquired the Rocawear brand in March 2007. Rocawear is currently licensed in the United States in a variety of categories, including men’s, women’s and kids’ apparel, outerwear, footwear, jewelry and handbags. Rocawear products are sold primarily through department and specialty stores nationwide. In July 2013, the Company acquired the global rights to the “Roc Nation” name, a higher-end halo brand of Rocawear, associated with the Roc Nation entertainment and talent agency currently licensed in the U.S.

Starter. Founded in 1971, Starter is one of the original brands in licensed team sports merchandise and is a highly-recognized brand of athletic apparel and footwear. The Company acquired Starter in December 2007. At the time of the acquisition, the brand was distributed in the United States primarily at Wal-Mart through a number of wholesale licensees. In July 2008, the brand was converted to a direct-to-retail license with Wal-Mart and is currently sold in all stores in the United States and Canada. The Starter brand has been worn by some of the greatest athletes in MLB, NBA, NFL and NHL and the 2015 ambassadors for the brand included Kevin Love and Eric Decker. Most recently, the Company has partnered with all the major professional sports leagues and over one hundred NCAA universities throughout the U.S. through a licensee to re-launch the iconic Starter satin jacket, sold through various specialty stores, sporting goods stores and online. In 2012, the Starter Black brand was launched. Starter Black is a premium lifestyle brand extension that focuses on a fashion-forward collection of logo branded apparel and accessories and has quickly become a staple among celebrities, athletes and influencers. The Starter Black brand is sold in high-end specialty and sporting goods stores (e.g. Jimmy Jazz, Lids, Dick’s Sporting Goods).



Zoo York. Zoo York is an East Coast-based action lifestyle brand, named for the graffiti-art infused counterculture of 1970's New York City. Zoo York has licenses with wholesalers covering a variety of products, including men's, women's and kids' apparel, footwear, socks and accessories. The Manhattan-based brand proudly serves up a wide range of casual utilitarian looks for men and women that fuse authentic military-influenced overtones with iconic Zoo York City imagery. The Company acquired a 51% interest in the Zoo York brand as part of the Ecko Unltd. acquisition in 2009, and the Company increased its ownership to 100% in 2011. Zoo York is currently distributed in department stores including Kohl's, JCPenney, and Stage Stores. Celebrity spokespeople for the brand include professional skateboarders Chaz Ortiz and Brandon Wesgate. In FY 2014, with the permission of the NY Yankees, Zoo York unveiled a highly viewed video of the skate team riding in an empty Yankee Stadium.

Ecko Unltd, Marc Ecko Cut & Sew. In October 2009, the Company, through a then newly formed joint venture company IPH Unltd, acquired a 51% controlling stake in the Ecko portfolio of brands. In May 2013, the Company purchased the remaining 49% interest from its minority partner, increasing its ownership in IPH Unltd from 51% to 100%. Founded in 1993, Ecko and its various brands are marketed and sold to consumers in the youth culture lifestyle categories, including active-athletic, streetwear, collegiate/preppy and denim fashion for men, women and children. Ecko Unltd. products are sold primarily through department and specialty stores including Dillard's and JCPenney. Ecko Unltd. brand ambassadors include professional skateboarder Manny Santiago and professional boxers Miguel Cotto and Danny Garcia. Marc Ecko Cut & Sew is a halo brand, licensed in men's apparel, outerwear, underwear, fragrance and accessories. It is distributed in boutiques, specialty stores and Dillard's Department Store.

Scion- Artful Dodger, Billionaire Boys Club/BBC, Ice Cream. In November 2007, Scion, through its wholly-owned subsidiary, Artful Holdings LLC, purchased the Artful Dodger brand, a high end urban apparel brand. Also, in May 2012, Scion purchased a 50% interest in the Billionaire Boys Club ("BBC") and Ice Cream brands. Pharrell Williams, the iconic singer-songwriter, rapper, record producer, and fashion designer is the founder and an equity partner in these brands. In July 2015, the Company acquired the remaining 50% interest in the Scion joint venture which increased the Company's ownership interest in Scion, and as a result, Artful Dodger, to 100%. The brands have been worn by celebrities such as Justin Bieber, Miley Cyrus, Beyoncé, Rihanna, and Jay Z. The Company sold its interest in the BBC and Ice Cream brands in January 2016.

#### Brands Held by Iconix with Joint Venture Partners:

Hardy Way- Ed Hardy. In May 2009, the Company acquired a 50% interest in Hardy Way, the owner of the Ed Hardy brand and trademarks. In April 2011, the Company made an additional investment in Hardy Way which effectively increased its ownership interest to 85%. Don Ed Hardy and his artwork date back to 1967 when he transformed the tattoo business into an artistic medium. He began licensing his name and artwork for apparel in 2003 and today the Ed Hardy brand is recognized by its tattoo inspired lifestyle products. The brand is licensed to wholesalers in the United States for men's, women's, and kids' apparel, fragrance, footwear and accessories. Distribution in the United States includes a wide base of retail stores, from Target to Walgreens. Celebrities that have worn the brand include Shakira, Lil Wayne, Madonna, Dwight Howard, Jessica Alba and Eva Longoria.

Icon Modern Amusement—Modern Amusement. In December 2012, the Company entered into an agreement with Dirty Bird Productions, Inc., in which the Company purchased a 51% interest in the Modern Amusement trademarks and related assets. Modern Amusement is a premium, west coast-lifestyle brand with a focus on casual sportswear apparel and related accessories for young men and young women. Modern Amusement has a direct-to-retail license in the U.S. with PacSun which distributes men's apparel and footwear.

Buffalo Brand Joint Venture—Buffalo by David Bitton. In February 2013, the Company formed a joint venture with Buffalo International ULC in which the Company effectively purchased a 51% interest in the Buffalo trademarks and related assets. Founded in 1985, Buffalo is a lifestyle brand consisting of denim, sportswear, active wear, and

accessories. Buffalo is sold primarily through better department stores including Macy's, Dillard's and Lord & Taylor. Celebrities that have recently appeared in campaigns are Chandler Parsons, Eric Decker, Erin Heatherton, Adrian Grenier and Amber Arbucci.

NGX, LLC—Nick Graham. In October 2014, the Company formed a joint venture with NGO, LLC (“Nick Graham”) in which the Company purchased a 51% interest in the Nick Graham trademarks and related assets. Founded in 2013, Nick Graham is a men's lifestyle brand, which launched sets of dress shirts, ties and tailored apparel sold at multiple levels of retail – including Macy's, JCPenney, Kohl's, and Target. Nick Graham, a businessman, marketer and entrepreneur, is the founder of the Joe Boxer brand and operates the core licensee for the distribution of dress shirts and ties.

Hydraulic IP Holdings, LLC - Hydraulic. In December 2014, the Company formed a joint venture with Top On International Group Limited in which the Company effectively purchased a 51% interest in the Hydraulic trademarks and related assets. Hydraulic was founded in New York in 1998 and is known for setting the blue jean standard in the denim market for junior's, women's and plus sizes. Hydraulic differentiates itself from other denim brands by positioning itself with the theme that all denim was not created equally. Hydraulic is currently distributed in department stores, including a strong presence at Kohl's, and is licensed for women's and kids' apparel in the United States.

US Pony Holdings, LLC – Pony / Product of New York. In February 2015, the Company through its newly-formed subsidiary, US Pony Holdings, LLC, acquired the North American rights to the Pony / Product of New York brand. These rights include the rights in the United States obtained from Pony, Inc. and Pony International, LLC (collectively, referred to as US Pony Seller), and the rights in Mexico and Canada obtained from Super Jumbo Holdings Limited (referred to as Non-US Pony seller and, together with US Pony Seller, the Pony Sellers). US Pony Holdings, LLC is owned 75% by the Company and 25% by its partner, Anthony L&S Athletics, LLC. Since acquiring the brand, the Company has entered into footwear, apparel and hosiery licensing contracts. The brand is distributed in mid-tier department stores, specialty stores and sporting goods stores.

Formed in 1972 in New York City, PONY became one of the top athletic footwear brands worldwide in the 1990's appearing on professional athletes in the NBA, NFL, MLB, Pro Soccer, Pro Tennis, and Pro Boxing. In Q4 2015, the Company launched a multi-faceted marketing campaign highlighting the acronym for Pony, Product of New York. The digital and social media campaign aimed at millennials, paid homage to the brand's New York City roots.

Home

Brands Wholly-Owned by Iconix:

Cannon. Cannon was established in 1887 and is one of the most recognizable brands in home textiles. It has a strong heritage and is known as the first textile brand to sew logos onto products. The Company acquired Cannon as part of the 2007 Pillowtex acquisition. At the time of the acquisition, the brand was distributed in various regional department stores. In February 2008, the Company signed a direct-to-retail license with Kmart/Sears for Cannon to be sold exclusively in the United States in multiple categories including fashion bedding, sheets, towels and bath rugs, basic bedding and kitchen textiles.

Royal Velvet. Royal Velvet is a distinctive luxury home textile brand that strives to deliver the highest quality to consumers. The Royal Velvet towel has been an industry standard since 1954. Royal Velvet products include towels, sheets, bath rugs, fashion bedding, basic bedding and window treatments. The Company acquired Royal Velvet as part of the 2007 Pillowtex acquisition. In April 2011, the Company entered into a direct-to-retail license with JC Penney Corporation, Inc., (herein referred to as JC Penney), for the Royal Velvet brand to be sold exclusively in JC Penney stores in the United States, which commenced in February 2012.

Fieldcrest. Fieldcrest was established in 1893 and is a brand known for quality bed and bath textiles that are classic in style. The Company acquired Fieldcrest as part of the 2007 Pillowtex acquisition. Since 2005, the Fieldcrest brand has been licensed exclusively to Target in the United States. Categories include fashion bedding, bath, bath towels, rugs, basic bedding and sheets.

Charisma. Charisma home textiles were introduced in the 1970's and are known for their quality materials and classic designs. The Company acquired Charisma as part of the 2007 Pillowtex acquisition. In February 2009, the Company signed a direct-to-retail license with Costco Wholesale Corporation, (herein referred to as Costco), for certain Charisma products to be sold in Costco stores in the United States and other countries. The brand is also licensed in

the United States and Canada for distribution through better department stores such as Belk, Bed Bath & Beyond, Neiman Marcus and Horchow. Celebrity spokespeople for the brand have included Kellan Lutz, Eddie Cibrian and Scott Foley.

Waverly. Founded in 1923, Waverly is a premier home fashion and lifestyle brand and one of the most recognized names in home decor. The Company acquired Waverly in October 2008. Waverly has a direct-to-retail agreement in the United States with Wal-Mart for the Waverly Inspirations Collection covering fabrics and craft. Waverly also has wholesale licensees in the United States for products including fabric, window treatments/décor and bedding that are sold through retailers such as Jo-Ann's, Lowe's and Belk and other specialty retailers. Waverly also has a direct-to-retail agreement in the United States with Walgreens for the Waverly Celebrations Collection covering gifts for her.

Sharper Image. Founded in 1977, Sharper Image is a lifestyle brand with unique product assortments across a range of categories including consumer electronics, home goods, luggage, eclectic gifts and kitchen accessories. The Company acquired the Sharper Image brand in October 2011. The Company sold the Sharper Image brand and related assets in December 2016.

## Entertainment

### Brand Wholly-Owned by Iconix:

**Strawberry Shortcake.** In March 2015, the Company completed its acquisition of the Strawberry Shortcake brand and related assets from American Greetings Corporation and its wholly-owned subsidiary, Those Characters From Cleveland, Inc.

The iconic Strawberry Shortcake character made her debut 35 years ago and today is a global brand with a diversified network of over 350 licensees. Strawberry Shortcake has had a strong international business, with revenue outside of the U.S. representing approximately 50% of total sales. The two largest international markets include Turkey and Brazil, where the brand is highly recognized as a local brand, marketed as Moranguinho in Brazil. Its television, apps and toy businesses have also been a large part of the multi-generational appeal of the brand. The show currently runs on Discovery Kids, Latin America's top children's cable channel and is a top girls' show on Netflix. It is also a top Girls Property in the IOS App Store, with over 86 million downloads and approximately three million daily users. Additionally, it has an active YouTube following globally and has been a top-selling girls' toy brand marketed by Hasbro and Bandai over the years.

### Brand Held by Iconix with Joint Venture Partners:

**Peanuts Worldwide – Peanuts, Charlie Brown, Snoopy.** In June 2010, the Company, through its wholly-owned subsidiary Icon Entertainment LLC, acquired an 80% controlling stake in Peanuts Holdings, which, through its wholly-owned subsidiary, Peanuts Worldwide, owns and manages the Peanuts brand and characters, including Snoopy, Charlie Brown, Lucy, Linus, Peppermint Patty, Sally, Schroeder, Pig-Pen and Woodstock. The Company's 20% partner in Peanuts Holdings is the family of Charles Schulz, the creator of the Peanuts brand and characters. Peanuts has a strong diversified global licensing platform with over 700 licensing agreements including relationships with ABC Network, Hallmark, Universal Studios Japan, Warner Bros., Uniqlo, and Zara. In October 2012, the Company entered into an agreement with Twentieth Century Fox Animation to produce *The Peanuts Movie*, an animated film featuring the iconic Peanuts characters, which was released November 2015 to great critical and popular acclaim in over 100 countries. The film went on to be nominated for a Golden Globe for Best Animated Picture of the year. In 2015, the property celebrated the 65<sup>th</sup> anniversary of the comic strip. The 50<sup>th</sup> anniversary of *A Charlie Brown Christmas* was celebrated with a star-studded ABC special featuring Kristen Bell as host, which won an Emmy. The film launch was supported with a commemorative stamp program with the United States Postal Service in 30,000 of its stores, and with concerts at the San Francisco Symphony and Carnegie Hall. Peanuts, we believe, is the most engaging character brand on Facebook. Its largest international market is Japan, where a new Snoopy Tokyo Museum opened in April 2016. The Peanuts brand is licensed in over 100 countries.

## International

### Brands Wholly-Owned by Iconix:

**Umbro.** Founded in 1924, Umbro is a global football (soccer) brand. The brand combines British heritage with a modern football lifestyle to create iconic sports apparel and footwear with high global awareness and strong global distribution. The Company acquired the Umbro brand in November 2012. The Company and its licensees sponsor hundreds of national and league teams worldwide. Umbro products are sold globally through a strong network of licensees and partners in the United States, Canada, Australia, Africa, Asia, Europe, the Middle East, India and Latin America. In the U.S., the Company has a direct-to-retail license with Dick's Sporting Goods. There are also U.S. wholesale licenses for adult and youth apparel, footwear, eyewear, hosiery, underwear/lounge and team wear, with distribution in department stores and specialty stores.

Lee Cooper. Founded in 1908, Lee Cooper is an iconic British denim brand that has expanded into multiple lifestyle categories including men's, women's and kids' casual wear, footwear and accessories. The Company acquired the Lee Cooper brand in February 2013. Lee Cooper has global reach through more than 40 licensees with product sold in Australia, Africa, Asia, Europe, the Middle East, India and Latin America.

#### Wholly-Owned Subsidiaries and Joint Ventures:

Within the international segment, the Company operates both wholly-owned subsidiaries and joint ventures in various territories. A variety of the Company's brands are present within these territories and generate license revenue and profitability.

#### Wholly-Owned Subsidiaries

Iconix China. In September 2008, the Company and Novel Fashions Holdings Limited, (referred to as Novel), formed a joint venture, Iconix China, to develop, exploit and market the Company's brands in the People's Republic of China, Hong Kong, Macau and Taiwan, (herein referred to as Greater China). In the initial phase of the joint venture, Iconix China sought to maximize brand

monetization through investment, whereby Iconix China received a minority equity stake in local operating companies in exchange for the rights to one or more of the Company's brands in Greater China and brand management support. Pursuant to the terms of this transaction, the Company contributed to Iconix China substantially all rights to its brands in Greater China and contributed \$2.0 million, and Novel contributed \$17 million to Iconix China.

Iconix China successfully placed several brands into joint ventures including Candie's and Marc Ecko Cut & Sew with Shanghai La Chapelle Fashion Co. Ltd (HK 6116); London Fog with China Outfitters (HK1146); Material Girl with Ningbo Peacebird; Ed Hardy with Landmark International; and Ecko Unltd. with Xi Ha Clothing. These brands are collectively sold through more than 1,000 branded retail locations. In April 2016, the Company sold its interest in TangLi International, Ltd. (Ed Hardy China).

In March 2015, the Company purchased all equity interests in Iconix China owned by its partner, increasing the Company's ownership of Iconix China from 50% to 100%. Subsequently, the Company has secured traditional licensing agreements for many of its brands including Umbro, Joe Boxer, Rocawear, Rampage, Danskin and Starter.

Iconix Latin America. In December 2008, the Company formed a joint venture partnership, ("Iconix Latin America"), with New Brands, an affiliate of the Falic Group, to develop, exploit, market and license the Company's brands in the Latin American territory comprising of Mexico, Central America, South America and the Caribbean. In February 2014, the Company purchased from New Brands its 50% interest in Iconix Latin America for \$42.0 million, increasing the Company's ownership to 100%. Today, Iconix Latin America has over fifty licenses, including key direct-to-retail relationships with Falabella, Renner, Wal-Mart and Suburbia. Licensed brands in this territory include Candie's, Bongo, Joe Boxer, London Fog, Mossimo, Ocean Pacific, Danskin/Danskin Now, Starter, Zoo York, Ecko Unltd., Cannon, Royal Velvet, Ed Hardy and Fieldcrest.

#### International Joint Ventures

The formation and administration of international joint ventures have been a central and ongoing component of our business since 2008. The Company has established and maintained the following international joint ventures: Iconix Europe, Iconix India, Iconix Canada, Iconix Australia, Iconix Southeast Asia, Iconix Israel, Iconix Middle East, Umbro China and Danskin China. The Company's primary purpose in forming international joint ventures has been to bring its brands to market more quickly and efficiently, generating greater short- and long-term value from its IP than the Company believed was possible if it were to build-out wholly-owned operations on its own across a multitude of regional or local offices. This approach has enabled its brands to more rapidly increase licensing revenue, market share and profitability than what the Company believes it could have achieved on its own.

To get best-in-class local partners to invest in and represent the Company's brands in their respective territories, the Company offers its partner the ability to buy equity interests in the IP. These equity interests provide the Company's partners with the necessary incentive to devote management time and resources to the brands. By leveraging the partners' local market expertise, retail relationships, wholesale networks, business contacts and staff, including hundreds of employees across numerous cities worldwide, the Company has significantly grown licensing royalties in key global markets, collected monies owed by licensees more effectively and maintained stricter enforcement against counterfeit products. As these businesses in each territory reach sufficient scale to support the Company's full business structure of brand management, marketing, licensing, acquisitions and finance, the Company may consider acquiring control or full ownership of the joint ventures, where possible, as was the case in Latin America in 2014 and in China in 2015.

Iconix Europe. In December 2009, the Company contributed substantially all rights to its wholly-owned brands in all member states and candidate states of the European Union, and certain other European countries, to Iconix Europe, a then newly formed wholly-owned subsidiary of the Company. Shortly thereafter, an investment group led by Albion

Equity Partners LLC, purchased a 50% interest in Iconix Europe for \$4 million through Brand Investments Vehicle Group 3 Limited (“BIV”). Also, as part of this transaction, Iconix Europe entered into a multi-year brand management and services agreement with The Licensing Company to assist in developing, exploiting, marketing and licensing the contributed brands in the European territory.

In January 2014, the Company consented to the purchase of BIV’s 50% ownership interest in Iconix Europe by Global Brands Group Asia Limited, formerly known as LF Asia Limited (“GBG”), in exchange for \$1.5 million from GBG. In addition, the Company acquired an additional 1% equity interest in Iconix Europe from GBG thereby increasing the Company’s ownership in Iconix Europe to a controlling 51% interest. GBG, our joint venture partner in Iconix SE Asia, had recently acquired several licensing companies including The Licensing Company in Europe.

Iconix Europe has multiple direct-to-retail partnerships including OP with Sports Direct, Danskin with Go Sport and Danskin, Starter and London Fog with S-Group/Prisma as well as a wide range of licenses in multiple territories for key brands such as Starter, Ecko Unltd., Zoo York, Mossimo, Joe Boxer, Rocawear, Cannon, and Waverly.



Iconix India. In May 2012, the Company contributed substantially all rights to its wholly-owned and controlled brands in India to Imaginative Brand Developers Private Limited, now known as Iconix Lifestyle India Private Limited (“Iconix India”), a then newly formed subsidiary of the Company. Shortly thereafter, Reliance Brands Limited (“Reliance”), purchased a 50% interest in Iconix India for \$6.0 million. Reliance is an affiliate of Reliance Industries Limited, one of India’s largest private sector enterprises.

Iconix India has signed many long-term licensing partnerships with some of the largest retailing groups in India including Future Group, Arvind and Aditya Birla Nuvo and has licensed brands such as Ecko Unltd., Candie’s, London Fog, Umbro, Ed Hardy and Cannon.

Iconix Canada. In June 2013, the Company contributed substantially all rights to its wholly-owned and controlled brands in Canada into two entities: Ico Brands L.P. (“Ico Brands”) and Iconix Canada L.P. (“Ico Canada” and together with Ico Brands, collectively “Iconix Canada”). Shortly thereafter, through their acquisitions of limited partnership and general partnership interests, Buffalo International ULC and its affiliates purchased a 50% interest in Iconix Canada for an aggregate of \$17.8 million.

Buffalo International ULC is based in Montreal, Canada and its management team has extensive experience working in the apparel industry. Since founding the Buffalo brand in 1985, the management team has established over 3,000 points of distribution for the brand. In February 2013, the Company acquired a controlling interest in the Buffalo by David Bitton brand and extended that relationship through Iconix Canada.

Iconix Canada has many direct-to-retail licenses including OP, Starter and Danskin Now at Wal-Mart, and London Fog at The Bay as well as a wide range of licenses for key brands such as Ecko Unltd., Charisma, Danskin, Rampage, Rocawear, Zoo York, Umbro, Fieldcrest, Royal Velvet, Ed Hardy, and Waverly.

Iconix Australia. In September 2013, the Company contributed substantially all rights to its wholly-owned and controlled brands in Australia and New Zealand (the “Australia Territory”) to Iconix Australia, LLC (“Iconix Australia”), a then newly formed, Delaware limited liability company and a wholly-owned subsidiary of the Company, through an exclusive, royalty-free perpetual master license agreement with Iconix Australia. Shortly thereafter, Pac Brands USA, Inc. (“Pac Brands USA”) purchased a 50% interest in Iconix Australia for \$7.2 million from the Company to assist the Company in developing, exploiting, marketing and licensing the Company’s brands in the Australia Territory.

Iconix Australia has licensed many brands in the territory including Cannon, Ecko Mossimo, Starter, Umbro, Zoo York, Fieldcrest, and Waverly.

Iconix Israel. In November 2013, the Company contributed substantially all rights to its wholly-owned and controlled brands in the State of Israel and the geographical regions of the West Bank and the Gaza Strip (together, the “Israel Territory”) to Iconix Israel LLC (“Iconix Israel”), a then newly formed subsidiary of the Company through an exclusive, royalty-free perpetual master license agreement with Iconix Israel. Shortly thereafter, M.G.S. Sports Trading Limited (“MGS”) purchased a 50% interest in Iconix Israel for approximately \$3.4 million to assist the Company in developing, exploiting, marketing and licensing the Company’s brands in the Israel Territory.

MGS, the largest wholesale apparel company in Israel, was established in 1986 by Gideon Moliov. MGS is one of Israel’s leading companies in sports and fashion and they are a distributor and/or licensee for Adidas, Converse, Diadora, Superga and many other brands. MGS has over 1,500 employees and operates over 70 retail stores including Mega Sport, the largest sports chain in Israel.

MGS and its affiliated companies, have licenses for Umbro, OP and Ecko Unltd., which they distribute through their vast wholesale network and through its Mega Sport stores. Iconix Israel also includes a license with Brill Fashion for

Lee Cooper, operators of over 40 Lee Cooper branded retail stores.

Iconix Southeast Asia. In October 2013, the Company contributed substantially all rights to its wholly-owned and controlled brands in Indonesia, Thailand, Malaysia, Philippines, Singapore, Vietnam, Cambodia, Laos, Brunei, Myanmar and East Timor (together, the “Southeast Asia Territory”) to Lion Network Limited (“Iconix SE Asia”), a then newly formed subsidiary of the Company through an exclusive, royalty-free perpetual master license agreement with Iconix SE Asia. Shortly thereafter, GBG purchased a 50% interest in Iconix SE Asia for \$10 million to assist the Company in developing, exploiting, marketing and licensing the Company’s brands in the Southeast Asia Territory.

10

---

In June 2014, the Company amended Iconix SE Asia by contributing substantially all rights to its wholly-owned and controlled brands in the territory of South Korea, and the Company's Marc Ecko Cut & Sew, Ecko Unltd., Zoo York, Ed Hardy and Sharper Image brands in the European Union and Turkey, in each case, to Iconix SE Asia. In return, GBG agreed to pay the Company \$15.9 million.

During September 2014, the Iconix SE Asia territory was further amended to include China, Macau, Hong Kong and Taiwan for the Umbro and Lee Cooper marks. In respect of its 50% interest in the joint venture, GBG agreed to pay the Company \$21.5 million. In December 2015, the Company purchased GBG's effective 50% interest in the Umbro and Lee Cooper marks in Greater China for \$24.7 million. Iconix SE Asia has licensed many key brands in the Southeast Asia Territory including Candie's, Joe Boxer, Rampage, London Fog, Cannon, Ecko Unltd., Ed Hardy, Lee Cooper, Mossimo, Rocawear, Starter, Zoo York, Umbro, Charisma, Sharper Image, Material Girl and Waverly.

Iconix Middle East and North Africa. In December 2014, the Company contributed substantially all rights to its wholly-owned and controlled brands in the United Arab Emirates, Qatar, Kuwait, Bahrain, Saudi Arabia, Oman, Jordan, Egypt, Pakistan, Uganda, Yemen, Iraq, Azerbaijan, Kyrgyzstan, Uzbekistan, Lebanon, Tunisia, Libya, Algeria, Morocco, Cameroon, Gabon, Mauritania, Ivory Coast, Nigeria and Senegal (the "MENA Territory") to Iconix MENA LTD ("Iconix MENA"), a then newly formed subsidiary of the Company through an exclusive, royalty-free perpetual master license agreement with Iconix MENA. Shortly thereafter, GBG, purchased a 50% interest in Iconix MENA for \$18.8 million to assist the Company in developing, exploiting, marketing and licensing the Company's brands in the MENA Territory. In December 2016, the Company irrevocably exercised its right to acquire an additional 5% equity interest in Iconix MENA and increase the Company's ownership interest to 55%. Such acquisition closed in February 2017.

Iconix Middle East has licensed many brands in the MENA Territory including Cannon, Ecko Unltd., Fieldcrest, Starter, Umbro, Zoo York, Waverly, Royal Velvet, Ed Hardy, and Charisma and a substantial direct-to-retail license with Landmark Group for Lee Cooper.

Umbro China. In July 2016, the Company executed an agreement with MH Umbro International Co. Limited ("MHMC") to sell up to an aggregate 50% interest in a newly registered company in Hong Kong, which holds the Umbro intellectual property in respect of the Greater China territory of which the Company received \$2.5 million in cash from MHMC for a 5% interest in Umbro China.

Danskin China. In October 2016, the Company entered into an agreement with Li-Ning to sell up to a 50% interest (and no less than a 30% interest) in Danskin China, which holds the Danskin trademarks and related assets in respect of mainland China and Macau. LiNing's purchase of the equity interest in Danskin China is expected to occur over a three-year period commencing on March 31, 2019.

Diamond Icon LLC. In March 2013, the Company, via Iconix Luxembourg Holdings SARL, entered into a joint venture agreement with Albion Agencies Ltd, an English limited company, in which the Company purchased a 51% interest in Diamond Icon Ltd, also an English limited company. Diamond Icon was established to design, develop and facilitate the supply of apparel, footwear and sports equipment for the Umbro brand; a service the wholesale licensees depended on that was previously provided by the former owner, Nike. The apparel, footwear and accessories developed by Diamond Icon for Umbro are distributed by wholesale licensees of the Umbro brand around the world.

#### Investments:

Marcy Media Holdings, LLC

In July 2013, the Company purchased a minority interest in Marcy Media Holdings, LLC (“MM Holdings”), resulting in the Company’s indirect ownership of a 5% interest in Roc Nation, LLC. Founded in 2008, Roc Nation is a full-service entertainment company. Roc Nation Sports, a division of Roc Nation, launched in Spring 2013 and focuses on elevating premier professional athletes’ career on and off the field by executing marketing and endorsement deals, community outreach, charitable tie-ins, media relations and brand strategy. Roc Nation entertainment and talent agency represents Kevin Durant, Robinson Cano and many other influential athletes and artists.

#### Complex Media Inc.

In September 2013, the Company purchased convertible preferred shares, representing on an as-converted basis as of December 31, 2014, an approximate 14.4% minority interest in Complex Media Inc. (“Complex Media”), a multi-media lifestyle company which, among other things, owns Complex magazine and its online counterpart, Complex.com. In July 2016, the Company received \$35.3 million in connection with the sale of its interest in Complex Media. Refer to Note 3 in the Notes to Consolidated Financial Statements for further details.

## Galore Media Inc.

In April 2016, the Company entered into agreements with Galore Media, Inc. (“Galore”), a marketing company formed in FY 2015 and still in a development stage. Under the agreements, the Company purchased 50,050 shares of Series A Preferred Stock of Galore for \$0.5 million and entered into arrangements pursuant to which the Company agreed to purchase up to an aggregate \$0.5 million of marketing services from Galore for the year ended December 31, 2016. In connection with the marketing services arrangement, the Company received warrants that, as the Company purchased specified levels of marketing services, became exercisable for additional shares of Galore’s Series A Preferred Stock at a nominal exercise price. Upon closing of the investment on April 21, 2016, the Company exercised the initial warrant which resulted in the Company receiving an additional 46,067 shares of Series A Preferred Stock of Galore. The Series A Preferred Stock carries voting rights, and the holders of the Series A Preferred Stock have the collective right to appoint one of five members of the Board of Directors of Galore as long as there are at least 48,000 Series A Preferred Shares outstanding. Given these arrangements, the Company has an investment of approximately 11% of the equity of Galore.

## Licensing Strategy

The Company’s principal business strategy is to maximize the value of its brands by entering into strategic license agreements with best-in-class licensees that are responsible for designing, manufacturing and distributing the licensed products. Through our licensing business model, we have substantially eliminated inventory risk and reduced the operating exposure associated with traditional fully vertically integrated businesses, thereby resulting in attractive cash flows and operating margins.

The Company has over 1,450 licenses and has benefited from the model’s scalability, which enables the Company to leverage its existing infrastructure to support new business and brands. A key objective of the Company is to capitalize on its brand management expertise and relationships to build and maintain a diversified portfolio of consumer brands that generate increasing revenues. Through our international partnerships, we have successfully built a vast network of licensees around the world that are growing our brands outside of the United States. The Company is also committed to continuously reinvesting in its global platform in order to provide licensees with preeminent brand management knowledge and services to allow all partners to benefit from being a part of the Iconix network.

The Company licenses its brands across a broad range of product categories, including fashion apparel, footwear, accessories, sportswear, home furnishings and décor, and beauty and fragrance, and in the case of our Peanuts and Strawberry Shortcake brands, a wide range of consumer products and entertainment and media services. The Company seeks licensees with the ability to produce and sell quality products in their licensed categories and to meet and exceed minimum sales and royalty payment thresholds.

The Company maintains direct-to-retail and traditional wholesale licenses. Typically, in a direct-to-retail license, the Company grants exclusive rights to one of its brands to a single national retailer for a broad range of product categories. For example, the Candie’s brand is licensed exclusively to Kohl’s in the United States across a variety of product categories. Direct-to-retail licenses provide retailers with proprietary rights to national brands at favorable economics. In a traditional wholesale license, the Company grants the right to a specific brand to a single or small group of related product categories to a wholesale supplier, who is permitted to sell licensed products to multiple stores within an approved distribution channel. For example, the Company licenses the Umbro brand to numerous wholesale suppliers for products ranging from athletic wear to footwear to apparel, for sale and distribution primarily to department and specialty stores.

The Company’s licenses typically require the licensee to pay the Company royalties based upon net sales with guaranteed minimum royalties in the event that net sales do not reach certain specified targets. The Company’s licenses

also typically require the licensees to pay to the Company certain minimum amounts for the advertising and marketing of the respective licensed brands. As of January 1, 2017, the Company and its joint ventures had a contractual right to receive over \$720 million of aggregate minimum licensing revenue through the balance of all of their current licenses, excluding any renewals.

The Company believes that coordination of brand presentation across product categories is critical to maintaining the strength and integrity of its brands. Accordingly, the Company typically maintains the right in its licenses to preview and approve all products, packaging and other presentations of the licensed mark. Moreover, in many of its licenses, prior to each season, representatives of the Company supply licensees with trend guidance as to the “look and feel” of the current trends for the season, including colors, fabrics, silhouettes and an overall style sensibility, and then work with licensees to coordinate the licensed products across the categories to maintain the cohesiveness of the brand’s overall presentation in the market place. Thereafter, the Company obtains and approves (or objects and requires modification to) product and packaging provided by each licensee on an on-going basis. In addition, the Company communicates with its licensees throughout the year to obtain and review reporting of sales and calculation and payment of royalties.

## Marketing

The Company believes marketing is a critical element in maximizing brand value to its consumers, licensees and to the Company. The Company's in-house marketing department conceives and produces omni-channel marketing initiatives for the Company's brands. These initiatives aim to increase brand awareness, positive perception and drive-engagement and conversion. The Company believes that its national campaigns result in increased sales and consumer recognition of its brands.

The Company has organized its marketing structure to better support the evolution of marketing. It consists of four areas: Social and digital marketing, public relations, creative content generation and brand management. The Company uses its in-house talent to create compelling 360° marketing campaigns that include social/digital marketing, print, outdoor, celebrity, influencers, bloggers and other innovative strategies. It also will utilize outside agencies when needed to supplement. In addition to building omni-channel campaigns, the Company works with major retail partners to provide assets for online, digital/ social and in-store marketing.

The Company maintains separate websites for each of its brands, in addition to [www.iconixbrand.com](http://www.iconixbrand.com) to further market the brands. In addition, the Company has established an intranet for approved vendors and service providers who can access additional materials and download them through a secure network.

Many of the Company's license agreements require the payment of an advertising royalty by the licensee, and in certain cases, the Company's licensees are required to supplement the marketing of the Company's brands by performing additional advertising through trade, cooperative or other sources.

## Trend direction

The Company's in-house fashion team supports the brands by providing licensees with unified trend direction, guidance and coordination of the brand image across all product categories. The fashion team is focused on identifying and interpreting the most current trends, both domestically and internationally, by helping forecast the future design and product demands of the respective brands' customers. Typically, the Company develops a trend guide, including color, print, pattern, fabrication and key silhouettes while being sensitive to the overall "DNA" of each brand. In addition, the Home division generates original designs and patterns, which both the licensees and DTR partners utilize to allow each brand their own brand identity and individual lifestyle.

This is accomplished by delivering these guides each season. The fashion team also provides insight into new emerging categories and business shifts that affect the merchandising of the brand. Often times, these new ideas can be formulated and sold as capsule collections or sub-brands into current or new retailers, based on the guidance given by the fashion and brand management team. In addition, the Company has product approval rights in most licenses and further controls the look and mix of products its licensees produce through that process. In cases where we do not hold contractual approval rights, as is the case with many direct-to-retail licensees, the brand management and fashion teams still work closely with the designers and merchants of the particular retailer to give guidance and opinions on the product aesthetic.

The team often provides bought samples from comparison shopping that inspire key items within each collection. With respect to Alberta ULC (owner of the Buffalo brand), and MG Icon (owner of the Material Girl brand), the Company has entered into arrangements with its partners to oversee and control the creative aspects of the brands, including design and brand marketing. With respect to our Umbro brand, we have created a design entity, Diamond Icon, that designs apparel and footwear products to service the needs of our global licensee network.

## Key direct-to-retail licenses

For the year ended December 31, 2016, the Company's largest direct-to-retail licensees were with Wal-Mart for the OP, Starter, Danskin Now and Waverly Inspirations brands, Target for the Mossimo and Fieldcrest brands, Kohl's for the Candie's and Mudd brands and Sears/Kmart for the Joe Boxer, Bongo and Cannon brands. The relationships with these major retailers collectively represented approximately 30% of total revenue for the period.

#### Wal-Mart licenses

Revenue generated by the Company's four licenses with Wal-Mart accounted for, in the aggregate, 13%, 14% and 14% of the Company's revenue for the years ended December 31, 2016 ("FY 2016"), December 31, 2015 ("FY 2015") and December 31, 2014 ("FY 2014"), respectively. The following is a description of these licenses:

Danskin Now. In July 2008, the Company entered into a license agreement with Wal-Mart pursuant to which Wal-Mart was granted the exclusive right to use the Danskin Now trademark in the United States and Canada in connection with the design,



manufacture, promotion and sale of women's and girl's soft lines, including active wear, dancewear, footwear, intimate apparel, apparel accessories and fitness equipment through Wal-Mart stores and Wal-Mart.com. The current term of the license continues through December 31, 2018. The license has been renewed four prior times.

Ocean Pacific/OP. In August 2007, the Company entered into an exclusive direct-to-retail license agreement with Wal-Mart granting Wal-Mart the right to design, manufacture, sell and distribute through Wal-Mart stores and Wal-Mart.com a broad range of apparel and accessories under the Ocean Pacific/OP marks in the United States and Canada. The current term of the OP license continues through June 30, 2017. The license has been renewed three prior times. The license provides for guaranteed annual minimum royalties that Wal-Mart is obligated to pay the Company for each contract year.

Starter. In December 2007, the Company entered into a license agreement with Wal-Mart granting Wal-Mart the exclusive right to design, manufacture, sell and distribute a broad range of apparel and accessories under the Starter trademark in the United States and Canada. The current term of the Starter license continues through December 31, 2017. The license has been renewed two prior times. The license provides for guaranteed annual minimum royalties that Wal-Mart is obligated to pay the Company for each contract year.

Waverly Inspirations. In July 2014, the Company entered into a license agreement with Wal-Mart granting Wal-Mart the exclusive right to design, manufacture, sell and distribute a broad range of fabrics and crafts under the Waverly Inspirations trademark in the United States. The initial term of this license expires on January 31, 2018 with an option to renew. The license also provides for guaranteed annual minimum royalties that Wal-Mart is obligated to pay the Company for each contract year.

#### Target licenses

Revenue generated by the Company's licenses with Target accounted for, in the aggregate, 7%, 7% and 7% of the Company's revenue for FY 2016, FY 2015 and FY 2014, respectively. The following is a description of these licenses.

Mossimo. As part of the Company's acquisition of the Mossimo trademarks in October 2006, the Company acquired the license with Target, which was originally signed in 2000 and was subsequently amended and restated in March 2006. Pursuant to this license, as further amended, Target has the exclusive right to design, manufacture, and sell through Target stores and Target.com in the United States, its territories and possessions, a wide range of Mossimo-branded products, including men's, women's and kid's apparel, footwear and fashion accessories. The current term of the license continues through January 31, 2018, subject to Target's right to renew the license on the same terms and conditions for successive additional terms of two years each. The license also provides for guaranteed annual minimum royalties that Target is obligated to pay the Company for each contract year.

Fieldcrest. As part of the Company's acquisition of Official-Pillowtex in October 2007, the Company acquired the license with Target for the Fieldcrest brand, which commenced in March 2004. Pursuant to this license, Target has the exclusive right to design, manufacture, and sell through Target stores and Target.com in the United States and Canada a wide range of home products, including bedding, towels, rugs, furniture and dinnerware. The current term of the license continues through January 31, 2020. The license has been renewed two prior times. The license provides for guaranteed annual minimum royalties that Target is obligated to pay the Company for each contract year.

#### Kohl's licenses

Revenue generated by the Company's two licenses with Kohl's accounted for, in the aggregate, 6%, 6%, and 6% of the Company's revenue for FY 2016, FY 2015 and FY 2014, respectively. The following is a description of these licenses.

Candie's. In December 2004, the Company entered into a license agreement with Kohl's for an initial term of five years which continued through January 29, 2011. Pursuant to this license, Kohl's has the exclusive right to design, manufacture, sell and distribute a broad range of products under the Candie's trademark, including women's, and juniors' apparel, footwear and accessories (except prescription eyewear). The current term of the license continues through January 31, 2021 and Kohl's has the option to renew the license for five additional years. The license has been renewed two prior times. The license provides for guaranteed minimum royalties and advertising payments that Kohl's is obligated to pay the Company for each contract year.

Mudd. In November 2008, the Company entered into a license agreement with Kohl's granting Kohl's the exclusive right to design, manufacture, sell and distribute a broad range of Mudd-branded apparel and accessories in the United States and its territories. The current term of the license continues through December 31, 2020 and Kohl's has the option to renew for up to two additional consecutive terms of five years. The license provides for guaranteed minimum royalties that Kohl's is obligated to pay the Company for each contract year.

## Kmart/Sears licenses

Revenue generated by the Company's three licenses with Kmart/Sears, accounted for, in the aggregate, 5%, 5% and 6% of the Company's revenue for FY 2016, FY 2015 and FY 2014, respectively. The following is a description of these licenses.

**Joe Boxer.** As part of the Company's acquisition of Joe Boxer in July 2005, the Company acquired the license with Kmart/Sears, which commenced in August 2001, pursuant to which Kmart/Sears was granted the exclusive right to manufacture, market and sell through Kmart stores located in the United States and its territories a broad range of products under the Joe Boxer trademark, including men's, women's and children's underwear, apparel, apparel-related accessories, footwear and home products, for an initial term that ended in 2007. In September 2006, the Company entered into a new license with Kmart/Sears that extended the initial term through December 31, 2010. The current term of the license continues through December 31, 2020 and Kmart/Sears has the option to renew the license for an additional five years. The license has been renewed two prior times. The license provides for guaranteed annual minimum royalties and provides for the expansion of Joe Boxer's distribution into Sears stores.

**Cannon.** In February 2008, the Company entered into a license agreement with Kmart/Sears granting Kmart/Sears the exclusive right to design, manufacture, sell and distribute a broad range of home furnishings under the Cannon trademark in the United States and Canada. The current term of this license continues through February 1, 2019. Kmart/Sears has the option to renew for up to two additional consecutive terms of five years, each contingent on Kmart/Sears meeting specified performance and minimum sale standards. The license provides for guaranteed minimum royalties that Kmart/Sears is obligated to pay the Company for each contract year. The Cannon brand was fully launched in both Kmart and Sears stores in the Company's third fiscal quarter of 2009.

**Bongo.** In February 2010, the Company entered into a license agreement with Kmart/Sears granting Kmart/Sears the exclusive right to design, manufacture, sell and distribute a broad range of apparel, accessories and other categories under the Bongo trademark in the United States and its territories. The current term of this license continues through February 3, 2018. The license provides for guaranteed minimum royalties that Kmart/Sears is obligated to pay the Company for each contract year. The Bongo brand was fully launched in Sears stores during the Fall 2010.

## Competition

The Company's brands are all subject to extensive competition from various domestic and foreign brands. These competitors compete with the Company's licensees in terms of design, quality, price, product, advertising and service. We believe that our strong brand management platform and proven international partnerships as well as our experienced management team differentiate our Company from our competitors.

Each brand has many competitors specific to certain distribution channels that span a broad variety of product categories, including the fashion apparel, home furnishings and decor, sports and entertainment industries. For example, while Candies' may compete with respect to young women's and juniors fast-fashion in the United States at the mid-tier channel with national brands like Express and XOXO, Starter competes with brands like Russell Athletic and C9 in the athletic apparel category and Avia and And1 in the footwear category at the mass-tier channel. Additionally, a significant portion of our brands also compete with big box retailers "private-label" and/or "exclusive" brands.

Likewise, Umbro competes with global brands like Nike and Adidas in active-wear and with global and local brands in technical soccer categories while the Peanuts characters compete globally with characters owned by Disney and Viacom and locally with indigenous characters regarding all children's licensed products.

Other portfolio brands, such as Danskin, which is distributed both at the mass level (through the diffusion brand Danskin Now) and at the department and specialty store level, may have numerous competitors in different or multiple distribution channels.

The Company also faces competition in securing retail and wholesale licenses. Companies owning established brands may decide to enter into licensing arrangements with retailers or wholesalers similar to the ones the Company currently has in place, therefore creating direct competition. Similarly, the retailers that currently license our brands may decide to develop their own private labels and/or purchase brands rather than enter into license agreements with the Company.

Lastly, in America, the Company competes for acquisitions with traditional apparel, consumer and entertainment brand companies, financial buyers and other brand management companies. Throughout the rest of the world, the Company also competes for the acquisition of global brands with strategic and financial buyers.

## Intellectual Property

We believe that the Company's worldwide IP portfolio, which includes trademarks, service marks, copyrights and other proprietary information, is our most valuable asset. As of December 31, 2016, we owned nearly 8,500 trademark and service mark registrations and applications – over 500 of which are domestic and over 7,500 of which are foreign. Trademarks and associated marks are registered or pending registration with the U.S. Patent and Trademark Office and in other countries throughout the world in block letter and/or logo formats, as well as in combination with a variety of ancillary marks for use with respect to a variety of product categories, including footwear, apparel, fragrance, handbags, watches and various other goods and services, including in some cases, home accessories and electronics. In the case of the Peanuts and Strawberry Shortcake brands, the trademarks are registered for a wide range of consumer products and entertainment and media services, and the Company also holds copyrights in the comic strip (in the case of Peanuts) and the characters. In addition, the Company owns numerous copyrights in its iconic Waverly and Joe Boxer patterns and designs. The Company also owns over 1,600 domain names worldwide and registers key domain names containing its trademarks.

The Company regularly monitors its IP portfolio to maintain its registrations and file new registrations as it determines are necessary, and relies primarily upon a combination of national, federal, state, and local laws, as well as contractual restrictions to protect its IP rights both domestically and internationally. The Company and its joint venture partners also work with their licensees to ensure that our trademarks are properly used and monitored.

We believe that our distinctive IP allows us to build brand recognition and attract licensees, joint venture partners and new consumers for our brands. As the Company continues to execute on its strategy for international expansion, we expect to increase our worldwide IP portfolio.

## Employees

As of December 31, 2016, the Company had a total of 145 full-time employees. Of the 145 full-time employees, four were named executive officers of the Company. The remaining employees are senior managers, middle management, marketing and administrative personnel. Of the Company's 145 full-time employees, 117 employees reside in the U.S., 22 reside in Europe and, six in China. None of the Company's employees are represented by a labor union. The Company considers its relationship with its employees to be satisfactory.

## Financial information about geographical areas

Revenues from external customers related to operations in the United States and foreign countries are as follows:

|   | FY 2016          | FY 2015          | FY 2014          |
|---|------------------|------------------|------------------|
|   | (000's omitted)  |                  |                  |
| Licensing revenue by geographic region: |                  |                  |                  |
| United States                           | \$229,643        | \$250,209        | \$264,022        |
| Japan                                   | 45,212           | 34,640           | 31,048           |
| Other <sup>(1)</sup>                    | 93,606           | 94,348           | 96,420           |
| <b>Total</b>                            | <b>\$368,461</b> | <b>\$379,197</b> | <b>\$391,490</b> |

<sup>(1)</sup>No single country represented 10% of the Company's revenues in the periods presented within "Other" on this table.

For financial information regarding the Company's operating segments, see our financial statements attached hereto.

#### Available Information

The Company maintains a website at [www.iconixbrand.com](http://www.iconixbrand.com), which provides a wide variety of information on each of its brands. The Company also makes available free of charge on its website its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports filed with or furnished to the Securities and Exchange Commission, herein referred to as the SEC, under applicable law as soon as reasonably practicable after it files such material. The Company's website also contains information about its history, investor relations, governance and links to access copies of its publicly filed documents. Further, the Company has established an intranet with approved vendors and service providers who can access additional materials and download them through a secure network. In addition, there are websites for many of the Company's brands, operated by the Company or its licensees, for example, at [www.candies.com](http://www.candies.com), [www.joeboxer.com](http://www.joeboxer.com) and [www.peanuts.com](http://www.peanuts.com). The information regarding the Company's website address and/or those sites established for its brands is provided for convenience, and the Company is not including the information contained on the Company's and brands' websites as part of, or incorporating it by reference into, this Annual Report on Form 10-K.

## Item 1A. Risk Factors

We operate in a changing environment that involves numerous known and unknown risks and uncertainties that could impact our operations. The following highlights some of the factors that have affected, and in the future could affect, our operations:

The failure of our licensees to adequately produce, market, import and sell products bearing our brand names in their license categories, continue their operations, renew their license agreements or pay their obligations under their license agreements could result in a decline in our results of operations.

Our revenue is almost entirely dependent on royalty payments made to us under our license agreements. Although the license agreements for our brands usually require the advance payment to us of a portion of the license fees and, in most cases, provide for guaranteed minimum royalty payments to us, the failure of our licensees to satisfy their obligations under these agreements, or their inability to operate successfully or at all, could result in their breach and/or the early termination of such agreements, their non-renewal of such agreements or our decision to amend such agreements to reduce the guaranteed minimums or sales royalties due thereunder, thereby eliminating some or all of that stream of revenue. There can be no assurances that we will not lose the licensees under our license agreements due to their failure to exercise the option to renew or extend the term of those agreements or the cessation of their business operations (as a result of their financial difficulties or otherwise) without equivalent options for replacement. Any of such failures could reduce the anticipated revenue stream to be generated by the license agreements. In addition, the failure of our licensees to meet their production, manufacturing and distribution requirements, or to be able to continue to import goods (including, without limitation, as a result of changes to laws or trade regulations, trade embargoes, labor strikes or unrest), could cause a decline in their sales and potentially decrease the amount of royalty payments (over and above the guaranteed minimums) due to us. Further, the failure of our licensees and/or their third party manufacturers, which we do not control, to adhere to local laws, industry standards and practices generally accepted in the United States in areas of worker safety, worker rights of association, social compliance, and general health and welfare, could result in accidents and practices that cause disruptions or delays in production and/or substantial harm to the reputation of our brands, any of which could have a material adverse effect on our business, financial position, results of operations and cash flows. A weak economy or softness in certain sectors including apparel, consumer products, retail and entertainment could exacerbate this risk. This, in turn, could decrease our potential revenues and cash flows.

A substantial portion of our licensing revenue is concentrated with a limited number of licensees, such that the loss of any of such licensees or their renewal on terms less favorable than today, could slow our growth plans, decrease our revenue and impair our cash flows.

Our licenses with Wal-Mart, Target, Kohl's and Kmart/Sears represent, each in the aggregate, our four largest direct-to-retail licensees during FY 2016, representing approximately 13%, 7%, 6% and 5%, respectively, of our total revenue for such period. Because we are dependent on these licensees for a significant portion of our licensing revenue, if any of them were to have financial difficulties affecting their ability to make payments, cease operations, or if any of these licensees decides not to renew or extend any existing agreement with us, or to significantly reduce its sales of licensed products under any of the agreement(s), our revenue and cash flows could be reduced substantially.

Alternatively, we may face increasing competition in the future for direct-to-retail licenses as other companies owning established brands may decide to enter into licensing arrangements with retailers similar to those we currently have in place. Furthermore, our current or potential direct-to-retail licensees may decide to more prominently promote and market competing brands, or develop or purchase other brands, rather than continue their licensing arrangements with us. In addition, increased competition could result in lower sales of products offered by our direct-to-retail licensees under our brands. If our competition for retail licenses increases, it may take us longer to procure additional retail licenses.

In addition, current challenges in the retail industry may result in lower sales by our licensees. Retail store closures may also significantly reduce sales of our licensed products and licensing revenues, inhibit our ability to successfully promote our brands and have a material negative impact on our business.

As a result of the intense competition within our licensees' markets and the strength of some of their competitors, we and our licensees may not be able to continue to compete successfully.

Many of our trademark licenses are for products in the apparel, fashion accessories, footwear, beauty and fragrance, home products and décor, consumer electronics and entertainment industries in which our licensees face intense competition, including from our other brands and licensees, as well as from third party brands and licensees. In general, competitive factors include quality, price, style, name recognition and service. In addition, various fads and the limited availability of shelf space could affect competition for



our licensees' products. Many of our licensees' competitors have greater financial, importation, distribution, marketing and other resources than our licensees and have achieved significant name recognition for their brand names. Our licensees may be unable to compete successfully in the markets for their products, and we may not be able to continue to compete successfully with respect to our licensing arrangements.

Our business is dependent on continued market acceptance of our brands and the products of our licensees bearing these brands.

Although most of our licensees guarantee minimum net sales and minimum royalties to us, a failure of our brands or of products bearing our brands to achieve or maintain market acceptance could cause a reduction of our licensing revenue and could further cause existing licensees not to renew their agreements. Such failure could also cause the devaluation of our trademarks, which are our primary IP assets, making it more difficult for us to renew our current licenses upon their expiration or enter into new or additional licenses for our trademarks. In addition, if such devaluation of our trademarks were to occur, a material impairment in the carrying value of one or more of our trademarks could also occur and be charged as an expense to our operating results.

The industries in which we compete, including the apparel industry, are subject to rapidly evolving trends and competition. In addition, consumer tastes change rapidly. The licensees under our licensing agreements may not be able to anticipate, gauge or respond to such changes in a timely manner. Failure of our licensees to anticipate, identify and capitalize on evolving trends could result in declining sales of our brands and devaluation of our trademarks. Continued and substantial marketing efforts, which may, from time to time, also include our expenditure of significant additional funds to keep pace with changing consumer demands, are required to maintain market acceptance of the licensees' products and to create market acceptance of new products and categories of products bearing our trademarks; however, these expenditures may not result in either increased market acceptance of, or licenses for, our trademarks or increased market acceptance, or sales, of our licensees' products. Furthermore, while we believe that we currently maintain sufficient control over the products our licensees' produce under our brand names through the provision of trend direction and our right to preview and approve a majority of such products, including their presentation and packaging, we do not actually design or manufacture products bearing our marks, and therefore, have more limited control over such products' quality and design than a traditional product manufacturer might have.

Our success is largely dependent on the continued service of our key personnel.

As previously disclosed, we have experienced recent turnover in our senior management team. While we are not aware of any further pending changes in key management positions, we cannot provide assurance we will effectively manage our current management transition or other future management changes we may experience. An inability to effectively manage these changes may impact our ability to retain our senior executives and other key employees, which could harm our operations. Additional turnover at the senior management level may create instability within the Company and our employees may terminate their employment, which could further impede our ability to maintain day to day operations. Such instability could also impede our ability to fully implement our business plan and growth strategy, which would harm our business and prospects.

Changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our results.

Our future effective tax rates could be adversely affected by changes in the valuation of our deferred tax assets and liabilities, or by changes in tax laws or policies, or interpretations thereof. In addition, our current global tax structure could be negatively impacted by various factors, including changes in the tax rates in jurisdictions in which we earn income or changes in, or in the interpretation of, tax rules and regulations in jurisdictions in which we operate. An increase in our effective tax rate could have a material adverse effect on our business, results of operations and

financial position.

We also are subject to the continuous examination of our income tax returns by the Internal Revenue Service and other tax authorities both domestically (including state and local entities) and abroad. We regularly assess the likelihood of recovering the amount of deferred tax assets recorded on the balance sheet and the likelihood of adverse outcomes resulting from examinations by various taxing authorities in order to determine the adequacy of our provision for income taxes. We cannot guarantee that the outcomes of these evaluations and continuous examinations will not harm our reported operating results and financial conditions.

We are subject to additional risks associated with our international licensees and joint ventures.

We market and license our brands outside the United States and many of our licensees are located, and joint ventures operate, outside the United States. As a key component of our business strategy, we intend to expand our international sales, including, without limitation, through joint ventures. We and our joint ventures face numerous risks in doing business outside the United States, including: (i) unusual or burdensome foreign laws or regulatory requirements or unexpected changes to those laws or requirements; (ii) tariffs, trade protection measures, import or export licensing requirements, trade embargoes, sanctions and other trade barriers;

(iii) competition from foreign companies; (iv) longer accounts receivable collection cycles and difficulties in collecting accounts receivable; (v) less effective and less predictable protection and enforcement of our IP; (vi) changes in the political or economic condition of a specific country or region (including, without limitation, as a result of political unrest), particularly in emerging markets; (vii) fluctuations in the value of foreign currency versus the U.S. dollar and the cost of currency exchange; (viii) potentially adverse tax consequences; and (ix) cultural differences in the conduct of business. Any one or more of such factors could cause our future international sales, or distributions from our international joint ventures, to decline or could cause us to fail to execute on our business strategy involving international expansion. In addition, our business practices in international markets are subject to the requirements of the U.S. Foreign Corrupt Practices Act and all other applicable anti-bribery laws, any violation of which could subject us to significant fines, criminal sanctions and other penalties.

A portion of our revenue and net income are generated outside of the United States, by certain of our licensees and our joint ventures, in countries that may have volatile currencies or other risks.

A portion of our revenue is attributable to activities in territories and countries outside of the United States by certain of our joint ventures and our licensees. The fact that some of our revenue and certain business operations of our joint ventures and certain licensees are conducted outside of the United States exposes them to several additional risks, including, but not limited to social, political, regulatory and economic conditions or to laws and policies governing foreign trade and investment in the territories and countries where our joint ventures or certain licensees currently have operations or will in the future operate. Any of these factors could have a negative impact on the business and operations of our joint ventures and certain of our licensees operations, which could also adversely impact our results of operations. Increase of revenue generated in foreign markets may also increase our exposure to risks related to foreign currencies, such as fluctuations in currency exchange rates. Currency exchange rate fluctuations may also adversely impact our International Joint Ventures and licensees. In the past, we and our joint ventures have attempted to have contracts that relate to activities outside of the United States denominated in U.S. currency, however, we do not know to the extent that we will be able to continue this as we increase our contracts with foreign licensees. In certain instances we have entered into foreign currency hedges to mitigate our risk related to fluctuations in our contracts denominated in foreign currencies; however, we cannot predict the effect that future exchange rate fluctuations will have on our operating results.

Our licensees are subject to risks and uncertainties of foreign manufacturing and importation of goods, and the price, availability and quality of raw materials, along with labor unrest at shipping/receiving ports, could interrupt their operations or increase their operating costs, thereby affecting their ability to deliver goods to the market, reduce or delay their sales and decrease our potential royalty revenue.

Substantially all of the products sold by our licensees are manufactured overseas and there are substantial risks associated with foreign manufacturing and importation, including changes in laws and policies relating to quotas and current and proposed international trade agreements, the payment of tariffs and duties, fluctuations in foreign currency exchange rates, shipping delays, labor unrest that could hinder or delay shipments, effects on the ability to import goods or the cost associated with such importation and international political, regulatory and economic developments. Further, our licensees may experience fluctuations in the price, availability and quality of fabrics and raw materials used by them in their manufactured or purchased finished goods. Any of these risks could increase our licensees' operating costs. Our licensees also import finished products and assume all risk of loss and damage with respect to these goods once they are shipped by their suppliers. If these goods are destroyed or damaged during shipment, the revenue of our licensees, and thus our royalty revenue over and above the guaranteed minimums, could be reduced as a result of our licensees' inability to deliver or their delay in delivering their products.

We participate in international joint ventures which we do not typically legally control.

We participate in a number of International Joint Ventures, some of which we do not control. As we continue to expand our business and execute our strategy for growth, we expect to enter into additional International Joint Ventures in the future. Joint ventures pose an inherent risk. Regardless of whether we hold a majority interest in or directly control the management of our International Joint Ventures, our partners may have business goals and interests that are not aligned with ours, exercise their rights in a manner of which we do not approve, be unable to fulfill their obligations under the joint venture agreements, or exploit our trademarks in a manner that harms the overall quality and image of our brands. In addition, an International Joint Venture partner may simply be unable to identify licensees for our brands. In these cases, the termination of an arrangement with an International Joint Venture partner or an International Joint Venture partners' failure to build the business could result in the delay of our expansion in a particular market or markets, and will not allow us to achieve the worldwide growth that we seek on our current timeline. We may not be able to identify another suitable partner for an International Joint Venture in such market or markets, which could result in further delay, and could materially and adversely affect our business and operating results.

A sale of our trademarks or other IP related to our brands in a foreign jurisdiction could have a negative effect on the brands in other jurisdictions or worldwide.

From time to time, we may sell IP related to our brands to a third party in a foreign territory, where we do not intend to exploit the brand. In these instances, we enter into co-existence agreements with any such third party, the terms of which require that the sold IP be exploited in a manner befitting the brand image and prestige. Though we try to limit our potential exposure related to potential misuse of the IP, we cannot ensure that third parties will comply with their contractual requirements or that they will use the IP in an appropriate manner. Any misuse by a third party of IP related to our brands could lead to a negative perception of our brands by current and potential licensees, International Joint Venture partners or consumers, and could adversely affect our ability to develop the brands and meet our strategic goals. This, in turn, could decrease our potential revenue.

The terms of our debt agreements have restrictive covenants and our failure to comply with any of these could put us in default, which would have an adverse effect on our business and prospects, and could cause us to lose title to our key IP assets.

Unless and until we repay all outstanding borrowings under our securitized debt, we will remain subject to the restrictive terms of these borrowings. The securitized debt, under which certain of our wholly-owned subsidiaries (the “ABS Co-Issuers”) issued and guaranteed the Senior Secured Notes and a revolving financing facility consisting of variable funding notes, herein referred to as Variable Funding Notes, contain a number of covenants, with the most significant financial covenant being a debt service coverage calculation. These covenants limit the ability of certain of our subsidiaries to, among other things:

- sell assets;
- engage in mergers, acquisitions and other business combinations;
- declare or pay distributions on their limited liability company interests;
- incur, assume or permit to exist additional indebtedness or guarantees; and
- incur liens.

These restrictions could reduce our liquidity and thereby affect our ability to pay dividends or repurchase shares of our common stock. The securitized debt requires us to maintain a specified financial ratio relating to available cash to service the borrowings at the end of each fiscal quarter. Our ability to meet this financial ratio can be affected by events beyond our control, and we may not satisfy such a test. A breach of this covenant could result in a rapid amortization event or default under the securitized debt.

In the event that a rapid amortization event occurs under the indenture (including, without limitation, upon an event of default under the indenture or the failure to repay the securitized debt at the end of the five year interest-only period), the funds available to us would be reduced or eliminated, which would in turn reduce our ability to operate or grow our business.

Furthermore, a reserve account has been established for the benefit of the secured parties under the indenture for the purpose of trapping cash upon the occurrence of our failure to maintain a specified financial ratio at the end of each fiscal quarter. Once it commences, such cash trapping period would extend until the quarterly payment date on which that financial ratio becomes equal to or exceeds the minimum ratio. In the event that a cash trapping period commences, the funds available for the ABS Co-Issuers to pay amounts to us will be reduced or eliminated, which would in turn reduce our ability to support our business.

In an event of default, all unpaid amounts under the Senior Secured Notes and Variable Funding Notes could become immediately due and payable at the direction or consent of holders of a majority of the outstanding Senior Secured Notes. Such acceleration of our debt could have a material adverse effect on our liquidity if we are unable to negotiate

mutually acceptable terms with our lenders or if alternate funding is not available to us.

Furthermore, if amounts owed under the securitized debt were to become accelerated because of a failure to meet the specified financial ratio or to make required payments, the holders of our Senior Secured Notes would have the right to foreclose on the Candie's, Bongo, Joe Boxer, Rampage, Mudd, London Fog, Mossimo, Ocean Pacific/OP, Danskin/Danskin Now, Rocawear, Cannon, Fieldcrest, Royal Velvet, Charisma, Starter and Waverly trademarks in the United States and Canada (with the exception of the London Fog brand for outerwear in the United States); on our joint venture interests in Hardy Way, MG Icon, ZY Holdings and Peanuts; on the equity interests in certain of our subsidiaries; and on other related assets securing the notes.

The Credit Agreement in respect to our Senior Secured Term Loan (as hereinafter defined), also contains a number of covenants that restrict our ability and the ability of certain of our wholly-owned subsidiaries, their subsidiaries and certain joint ventures to, among other things:

- grant liens on certain assets;
- consummate specified types of acquisitions or acquisitions requiring cash consideration in excess of specified amounts;
- make fundamental changes (including mergers and consolidations);
- make restricted payments; and
- incur or prepay certain indebtedness.

In addition, our wholly-owned subsidiary IBG Borrower LLC, as borrower (“IBG Borrower”), must maintain a specified minimum asset coverage ratio and leverage ratio.

In an event of default under the Credit Agreement, in addition to the interest rate increasing by an additional 3% per year, all unpaid amounts under the Credit Agreement could be immediately due and payable at the direction or consent of lenders holding more than 50% of the then-outstanding principal of the Senior Secured Term Loan. The proceeds of the Senior Secured Term Loan must be used to pay the Company’s obligations on the 2.50% Convertible Notes. An acceleration of our debt could have a material adverse effect on our liquidity if we are unable to negotiate mutually acceptable terms with our lenders or if alternate funding is not available to us to satisfy our obligation under the 2.50% Convertible Notes or other debt obligations as they come due.

If a manager termination event under the management agreement were to occur we could lose control over the management of the IP assets owned by the ABS Co-Issuers and there can be no assurance that a successor manager would properly manage the assets.

We serve as the manager under a management agreement with the ABS Co-Issuers. Our primary responsibility under this agreement is to perform or otherwise assist each ABS Co-Issuer in performing its duties and obligations, including certain licensing, IP and operational functions. Pursuant to the management agreement, if we perform or fail to perform certain acts (herein referred to as Manager Termination Events) all of our rights, powers, duties, obligations and responsibilities under the management agreement can be terminated.

There can be no assurance that if we are terminated pursuant to the terms of the management agreement a successor manager can be identified and retained that is capable of managing all or a portion of the IP assets, or that can perform its obligations with the same level of experience and expertise as we do. A failure to continue managing our IP assets as they are currently managed could have a material adverse effect on our business and could result in a decline in our results of operations.

We may not be able to pay the cash portion of the conversion price upon any conversion of the principal amounts of our convertible notes, which would constitute an event of default with respect to such notes and could also constitute a default under the terms of our other debt.

We may not have sufficient cash to pay, or may not be permitted to pay, the cash portion of the consideration that we will be required to pay when our 1.50% Convertible Notes become due in March 2018, (“1.50% Convertible Notes”). Upon conversion of our 1.50% Convertible Notes, we will be required to pay to the holder of each such notes a cash payment equal to the par value of those convertible notes. As a result, we will be required to pay a minimum of \$295.1 million in cash to holders of the 1.50% Convertible Notes upon conversion.

If we do not have sufficient cash on hand at the time of conversion, we may have to raise funds through additional debt or equity financing. Our ability to raise such financing will depend on prevailing market conditions. Further, we

may not be able to raise such additional financing within the period required to satisfy our obligation to make timely payment upon any conversion. In addition, the terms of any current or future debt may prohibit us from making these cash payments or otherwise restrict our ability to make such payments and/or may restrict our ability to raise any such financing. In particular, the terms of our Senior Secured Notes restrict the amount of proceeds from collateral pledged to secure our obligations thereunder that may be used by us to make payments in cash under certain circumstances, including payments to the convertible note holders upon conversion. Further, the terms of our Senior Secured Term Loan restrict our ability to repurchase or repay the 1.50% Convertible Notes in the event we do not maintain a minimum asset coverage ratio and a specified amount of domestic unrestricted cash. A failure to pay the required cash consideration upon conversion or maturity would constitute an event of default under the indenture governing the convertible notes, which could constitute a default under the terms of our other debt.



Convertible note hedge and warrant transactions that we have entered into may affect the value of our common stock.

In connection with the initial sale of our 1.50% Convertible Notes we purchased convertible note hedges, herein referred to as 1.50% Convertible Note Hedges, from affiliates of Barclays PLC, herein referred to as the 1.50% Hedge Counterparties. At such time, the hedging transactions were expected, but were not guaranteed, to eliminate the potential dilution upon conversion of the 1.50% Convertible Notes. Concurrently, we entered into warrant transactions with the 1.50% Hedge Counterparties, herein referred to as the 1.50% Sold Warrants.

Moreover, in connection with the 1.50% Sold Warrants, to the extent that the price of our common stock exceeds the strike price of the 1.50% Sold Warrants, the warrant transaction could have a dilutive effect on our earnings per share which may affect the value of our common stock.

Our existing and future debt obligations could impair our liquidity and financial condition, and in the event we are unable to meet our debt obligations we could lose title to certain trademarks.

As of December 31, 2016, our consolidated balance sheet reflects debt of approximately \$1,254.2 million, including secured debt of \$751.8 million under our Senior Secured Notes and Variable Funding Notes. In accordance with ASC 470, our 1.50% Convertible Notes are included in our \$1,254.2 million of consolidated debt at a net debt carrying value of \$277.5 million; however, the principal amount owed to the holders of our 1.50% Convertible Notes is \$295.1 million (due March 2018). In addition, in March 2016, we entered into the Credit Agreement pursuant to which the lenders thereto are providing us a Senior Secured Term Loan which is scheduled to mature in 2021, the net cash proceeds of which were used in June 2016 to satisfy the Company's obligations under the 2.50% Convertible Notes. We may also assume or incur additional debt, including secured debt, in the future in connection with, or to fund, future acquisitions or refinance our existing debt obligations. Our debt obligations:

- could impair our liquidity;
- could make it more difficult for us to satisfy our other obligations;
- require us to dedicate a substantial portion of our cash flow to payments on our debt obligations, which reduces the availability of our cash flow to fund working capital, capital expenditures and other corporate requirements;
- could impede us from obtaining additional financing in the future for working capital, capital expenditures, acquisitions and general corporate purposes;
- impose restrictions on us with respect to the use of our available cash, including in connection with future acquisitions;
- make us more vulnerable in the event of a downturn in our business prospects and could limit our flexibility to plan for, or react to, changes in our licensing markets; and
- could place us at a competitive disadvantage when compared to our competitors who have less debt and/or less leverage.

In addition, as of December 31, 2016, approximately \$68.5 million, or 21%, of our total cash (including restricted cash) was held in foreign subsidiaries. Our investments in these foreign subsidiaries are considered indefinitely reinvested and unavailable for the payment of any U.S. based expenditures, including debt obligations. Any repatriation of cash from these foreign subsidiaries may require the accrual and payment of U.S. federal and certain state taxes, which could negatively impact our results of operations and/or the amount of available funds. While we currently have no intention to repatriate cash from these subsidiaries, should the need arise domestically, there is no guarantee that we could do so without adverse consequences.

While we believe that by virtue of the cash on our balance sheet as of December 31, 2016, and the guaranteed minimum and percentage royalty payments due to us under our licenses, we will generate sufficient revenue from our licensing operations to satisfy our obligations for the foreseeable future. In the event that we were to fail in the future to make any required payment under agreements governing our indebtedness or fail to comply with the financial and

operating covenants contained in those agreements, we would be in default regarding that indebtedness. A debt default could significantly diminish the market value and marketability of our common stock and could result in the acceleration of the payment obligations under all or a portion of our consolidated indebtedness.

We may not be able to maintain our current credit rating and our access to capital markets may be limited as a result.

Our credit ratings are periodically reviewed and updated by nationally recognized credit rating agencies and are based on our operating performance, liquidity and leverage ratios, overall financial position, and other factors viewed by the credit rating agencies as relevant to our industry and the economic outlook in general. Our credit rating can affect the amount of capital we can access, as well as the terms of any future financing we may obtain. There is no guarantee our credit ratings will remain the same. If rating agencies make adverse changes to our credit ratings, it could adversely impact our ability to access the debt markets, our cost of funds, and other terms for new debt issuances.

The market price of our common stock has been, and may continue to be, volatile, which could reduce the market price of our common stock.

The publicly traded shares of our common stock have experienced, and may continue to experience, significant price and volume fluctuations. This market volatility could reduce the market price of our common stock, regardless of our operating performance. In addition, the trading price of our common stock could change significantly over short periods of time in response to actual or anticipated variations in our quarterly operating results, announcements by us, our licensees or our respective competitors, factors affecting our licensees' markets generally and/or changes in national or regional economic conditions, making it more difficult for shares of our common stock to be sold at a favorable price or at all. The market price of our common stock could also be reduced by general market price declines or market volatility in the future or future declines or volatility in the prices of stocks for companies in the trademark licensing business or companies in the industries in which our licensees compete.

Future issuances of our common stock may cause the prevailing market price of our shares to decrease.

We have issued a substantial number of shares of common stock that are eligible for resale under Rule 144 of the Securities Act of 1933, as amended, or Securities Act, and that may become freely tradable. We may, in the future, issue additional shares of our common stock. We have also already registered a substantial number of shares of common stock that are issuable upon the exercise of options and warrants and have registered for resale a substantial number of restricted shares of common stock issued in connection with our acquisitions. If the holders of our options and warrants choose to exercise their purchase rights and sell the underlying shares of common stock in the public market, or if holders of currently restricted shares of our common stock choose to sell such shares in the public market under Rule 144 or otherwise, the prevailing market price for our common stock may decline. The sale of shares issued upon the exercise of our derivative securities or other issuances of our common stock could also further dilute the holdings of our then existing stockholders, including holders of the convertible notes that receive shares of our common stock upon conversion of their notes. In addition, future issuances of shares of our common stock could impair our ability to raise capital by offering equity securities.

We do not anticipate paying cash dividends on our common stock in the short term.

An investor should not rely on an investment in our common stock to provide dividend income in the short term, as we have not paid any cash dividends on our common stock and do not plan to pay any in the foreseeable future. Instead, we plan to retain any earnings to maintain and expand our existing licensing operations, further develop our trademarks and finance the acquisition of additional trademarks. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any return on their investment.

We have a material amount of goodwill and other intangible assets, including our trademarks, recorded on our balance sheet. As a result of changes in market conditions and declines in the estimated fair value of these assets, we may, in the future, be required to write down a portion of this goodwill and other intangible assets and such write-down

would, as applicable, either decrease our net income or increase our net loss.

As of December 31, 2016, goodwill represented approximately \$224.3 million, or approximately 11.2% of our total consolidated assets, and trademarks and other intangible assets represented approximately \$1,208.2 million, or approximately 60.2% of our total consolidated assets. Under current U.S. GAAP accounting standards, goodwill and indefinite life intangible assets, including some of our trademarks, are no longer amortized, but instead are subject to impairment evaluation based on related estimated fair values, with such testing to be done at least annually.

Based on the results of the Company's annual impairment testing during the fourth quarter for the year ended December 31, 2016, the Company has determined that certain intangible assets across all operating segments are impaired.

There can be no assurance that any future downturn in the business of any of the Company's operating segments will not result in a further write-down of goodwill or trademarks, which would either decrease the Company's net income or increase the Company's net loss, which may or may not have a material impact to the Company's consolidated statement of operations.

A depressed market capitalization may result in impairment charges in the future.

In the fourth quarter of fiscal 2016, the Company recognized a non-cash impairment charge, related to the write-off of certain of our trademarks and goodwill, in the amount of approximately \$443.2 million. A significant portion of the trademark impairment was indirectly driven by the Company's continuing decreased market capitalization relative to its net book value. Though we will continue to closely monitor events and circumstances that could trigger any future impairment, factors such as uncertainty in overall market conditions or our failure to successfully execute our business strategy could have a further negative effect on the price of our common stock, leading to continued decreases in our market capitalization and further non-cash impairment charges in the future.

Changes in our business segments could cause impairment charges in the future.

Goodwill is tested for impairment at the reporting unit or segment level and is required to be tested for impairment annually, and more frequently if events or circumstances indicate that it is more likely than not that the fair value of a reporting unit or segment is less than its carrying amount. Beginning in the fourth quarter of 2016, the Company changed its reporting segments to reflect a separate International segment as a result of the manner in which the Company manages its business. Previously, international data was reflected in each of our Men's, Women's and Home segments. In the fourth quarter of 2016, the Company recognized a non-cash impairment charge of approximately \$443.2 million related to the write-off of certain of our trademarks and goodwill, which impairment charge is partly attributable to such change in segment reporting. The change in the Company's reporting segments necessitated its reallocation of the value of certain trademarks and goodwill across the new segments, resulting in such non-cash impairment charge. While the Company does not anticipate any future changes in its reporting segments, we cannot ensure that future changes in the manner in which we operate our business may not necessitate a reallocation of our business segments. We also cannot ensure that any change in the Company's segments will not result in impairment charges, which may adversely affect our operating results and financial condition.

Our failure to protect our proprietary rights could compromise our competitive position and result in cancellation, loss of rights or diminution in value of our brands.

We monitor on an ongoing basis unauthorized filings of our trademarks and imitations thereof, and rely primarily upon a combination of U.S., Canadian and other international federal, state and local laws, as well as contractual restrictions to protect and enforce our IP rights. We believe that such measures afford only limited protection and, accordingly, there can be no assurance that the actions taken by us to establish, protect and enforce our trademarks and other proprietary rights will prevent infringement of our IP rights by others, or prevent the loss of licensing revenue or other damages caused therefrom.

For instance, despite our efforts to protect and enforce our IP rights, unauthorized parties may misappropriate or attempt to copy aspects of our IP, which could harm the reputation of our brands, decrease their value and/or cause a decline in our licensees' sales and thus our revenue. Further, we and our licensees may not be able to detect infringement of our IP rights quickly or at all, and at times we or our licensees may not be successful combating counterfeit, infringing or knockoff products, thereby damaging our competitive position. In addition, we depend upon the laws of the countries where our licensees' products are sold to protect our IP. IP rights may be unavailable or limited in some countries because standards of register ability vary internationally. Consequently, in certain foreign jurisdictions, we have elected or may elect not to apply for trademark registrations. If we fail to timely file a

trademark application in any such country, we may be precluded from obtaining a trademark registration in such country at a later date. Failure to adequately pursue and enforce our trademark rights could damage our brands, enable others to compete with our brands and impair our ability to compete effectively.

In addition, our license agreements provide our licensees with rights to our trademarks and contain provisions requiring our licensees to comply with certain standards to be monitored by us. Our failure to adequately monitor our licensees' compliance with the license agreements or take appropriate corrective action when necessary may subject our IP assets to cancellation, loss of rights or diminution in value.

Further, the rights to our brands in our International Joint Venture territories are controlled primarily through our joint ventures in these regions. While we believe that our partnerships in these areas will enable us to better protect our trademarks in the countries covered by the ventures, we do not control all of our joint venture companies and thus most decisions relating to the use and enforcement of the marks in these countries will be subject to the approval of our local partners.

We also own the exclusive right to use various domain names containing or relating to our brands. There can be no assurances that we will be able to prevent third parties from acquiring and maintaining domain names that infringe or otherwise decrease the value of our trademarks. Failure to protect our domain names could adversely affect our brands which could cause a decline in our licensees' sales and the related revenue and in turn decrease the amount of royalty payments (over and above the guaranteed minimums) due to us.

Entertainment brands, by their nature, require a continuing stream of content to remain relevant. Failure to cause the development and exploitation of content relating to our entertainment brands may result in the value of those brands diminishing.

Third-party claims regarding our intellectual property assets could result in our licensees being unable to continue using our trademarks, which could adversely impact our revenue or result in a judgment or monetary damages being levied against us or our licensees.

We may be subject to legal proceedings and claims, including claims of alleged infringement or violation of the patents, trademarks and other intellectual property rights of third parties. In the future, we may be required to assert infringement claims against third parties or third parties may assert infringement claims against us and/or our licensees. To the extent that any of our intellectual property assets is deemed to violate the proprietary rights of others in any litigation or proceeding or as a result of any claim, then we and our licensees may be prevented from using it, which could cause a breach or termination of certain license agreements. If our licensees are prevented from using our trademarks, this could adversely impact the revenue of our licensees with respect to those IP assets, and thus the royalty payments over and above the guaranteed minimums could be reduced as a result of the licensees' inability to continue using our trademarks. Litigation could also result in a judgment or monetary damages being levied against us and our licensees. Further, if we, our International Joint Ventures or our licensees are alleged to have infringed the IP rights of another party, any resulting litigation could be costly and could damage the Company's reputation. There can be no assurance that we, our International Joint Ventures or our licensees would prevail in any litigation relating to our IP.

We may not be able to establish or maintain our trademark rights and registrations, which could impair our ability to perform our obligations under our license agreements, which could cause a decline in our licensees' sales and potentially decrease the amount of royalty payments (over and above the guaranteed minimums) due to us.

While we intend to take reasonable steps to protect our trademark rights, it may not be possible to obtain or maintain legal protection and registrations for all of our trademarks for all forms of goods and services based on certain facts, such as the timing of our or our predecessors' entrance into the market or the fact that a third party previously adopted a similar mark for use in connection with a similar set of goods or services. As a result, it may be difficult or not possible for our trademarks to be registered or even protected so as to prohibit third party use in a particular manner. Moreover, third parties may challenge or seek to oppose or cancel existing trademark applications or registrations, and we cannot guarantee we will succeed against such challenges. Any failure to secure and maintain rights and registrations could impair our ability to perform our obligations under the license agreements, enter new product or service categories or could affect our ability to enter into new license agreements or renew existing license agreements, both of which could cause a decline in our licensees' sales and potentially decrease the amount of royalty payments (over and above the guaranteed minimums) due to us.

If we are unable to identify and successfully acquire additional brands and trademarks, our growth may be limited, and, even if additional trademarks are acquired, we may not realize anticipated benefits due to integration or licensing difficulties.

A key component of our growth strategy is the acquisition of additional brands and trademarks. Historically, we have been involved in numerous acquisitions of varying sizes. We continue to explore new acquisitions. We generally compete with traditional apparel and consumer brand companies, other brand management companies and private equity groups for brand acquisitions. However, as more of our competitors continue to pursue our brand management model, competition for specific acquisition targets may become more acute, acquisitions may become more expensive and suitable acquisition candidates could become more difficult to find. In addition, even if we successfully acquire additional trademarks or the rights to use additional trademarks, we may not be able to achieve or maintain profitability levels that justify our investment in, or realize planned benefits with respect to, those additional brands.

Although we seek to temper our acquisition risks by following acquisition guidelines relating to the existing strength of the brand, its diversification benefits to us, its potential licensing scale and credit worthiness of the licensee base, acquisitions, whether they be of additional IP assets or of the companies that own them, entail numerous risks, any of which could detrimentally affect our results of operations and/or the value of our equity. These risks include, among others:

- unanticipated costs associated with the target acquisition;
- appropriately valuing the target acquisition and analyzing its marketability;

25

---



- negative effects on reported results of operations from acquisition related charges and amortization of acquired intangibles;
- diversion of management's attention from other business concerns;
- the challenges of maintaining focus on, and continuing to execute, core strategies and business plans as our brand and license portfolio grows and becomes more diversified;
- adverse effects on existing licensing and joint venture relationships;
- potential difficulties associated with the retention of key employees, and the assimilation of any other employees, who may be retained by us in connection with or as a result of our acquisitions; and
- risks of entering new domestic and international markets (whether it be with respect to new licensed product categories or new licensed product distribution channels) or markets in which we have limited prior experience.

When we acquire IP assets or the companies that own them, our due diligence reviews are subject to inherent uncertainties and may not reveal all potential risks. Although we generally attempt to seek contractual protections through representations, warranties and indemnities, we cannot be sure that we will obtain such provisions in our acquisitions or that such provisions will fully protect us from all unknown, contingent or other liabilities or costs. Finally, claims against us relating to any acquisition may necessitate our seeking claims against the seller for which the seller may not, or may not be able to, indemnify us or that may exceed the scope, duration or amount of the seller's indemnification obligations.

Acquiring additional trademarks could also have a significant effect on our financial position and could cause substantial fluctuations in our quarterly and yearly operating results. Acquisitions could result in the recording of significant goodwill and intangible assets on our financial statements, the amortization or impairment of which would reduce our reported earnings in subsequent years. No assurance can be given with respect to the timing, likelihood or financial or business effect of any possible transaction. As a result, there is no guarantee that our stockholders will achieve greater returns as a result of any future acquisitions we complete.

We may require additional capital to finance the acquisition of additional brands and our inability to raise such capital on beneficial terms or at all could restrict our growth.

We may, in the future, require additional capital to help fund all or part of potential acquisitions. If, at the time required, we do not have sufficient cash to finance those additional capital needs, we will need to raise additional funds through equity and/or debt financing. We cannot guarantee that, if and when needed, additional financing will be available to us on acceptable terms or at all. Further, if additional capital is needed and is either unavailable or cost prohibitive, our growth may be limited as we may need to change our business strategy to slow the rate of, or eliminate, our expansion plans. In addition, any additional financing we undertake could impose additional covenants upon us that restrict our operating flexibility, and, if we issue equity securities to raise capital or as acquisition consideration, our existing stockholders may experience dilution or the new securities may have rights senior to those of our common stock.

We are subject to local laws and regulations in the U.S. and abroad.

We are subject to U.S. federal, state and local laws and regulations affecting our business. Our International Joint Ventures are subject to similar regulations in the countries where they operate. While we actively identify and monitor our obligations and the applicability of all laws to ensure that we are compliant and our contractual arrangements with our International Joint Venture partners require them to do the same, our efforts to maintain compliance with local laws and regulations may require us to incur significant expenses, and our failure to comply with such laws may expose us to potential liability. In addition, our ability to operate or compete effectively, as well as our financial results, could be adversely affected by the introduction of new laws, policies or regulations; changes in the interpretation or application of existing laws, policies and regulations; or our failure to obtain required regulatory approvals.

We may be a party to litigation in the normal course of business, which could affect our financial position and liquidity.

From time to time, we may be made a party to litigation in the normal course of business. For example, as the owner of a trademark, we may be named as a defendant in a lawsuit relating to a product designed and manufactured by a licensee of that trademark. In most cases, our licensees under the existing license agreements are obligated to defend and indemnify us, as licensor, and our affiliates with respect to such litigation. In addition, while third parties could assert infringement claims involving our trademarks, we believe our trademarks are not subject to significant litigation risk because they are widely known and well-established trademarks, which have been consistently used by us and the previous owners. We also maintain insurance for certain risks, but it is

not possible to obtain insurance to protect against all possible liabilities. Although historically the litigation involving us has not been material to our financial position or our liquidity, any litigation has an element of uncertainty and if any such litigation were to be adversely determined and/or a licensee were to fail to properly indemnify us and/or we did not have appropriate insurance coverage, such litigation could affect our financial position and liquidity.

We have been named in securities litigations, which could be expensive and could divert our management's attention. There may be additional class action and/or derivative claims.

We have been named as defendants in three securities actions filed in the Southern District of New York, one common law action filed in New York State Civil Court, New York County and five shareholder derivative claims have been filed on behalf of the Company, three which were filed in New York State Supreme Court and two of which were filed in the Southern District of New York, each as described in Note 9 to our Consolidated Financial Statements contained in this Annual Report on Form 10-K. While we plan to vigorously defend the securities and common law actions and seek to dismiss the derivative claims, we may be unable to defend or settle these claims on favorable terms, and there can be no assurance that additional claims will not be made by other stockholders. The pending and any future securities claims or derivative suits could be costly and could harm our reputation and business. An adverse determination could materially and negatively affect the Company. Our insurance coverage may not be adequate or available for us to avoid or limit our exposure in the pending actions or in future claims and adequate insurance coverage may not be available in sufficient amounts or at a reasonable cost in the future. Additionally, securities and derivative claims may divert our management's attention from other business concerns, which could seriously harm our business. Finally, the market price of our common stock may be volatile, and in the past companies that have experienced volatility in the market price of their stock have been subject to securities and/or derivative litigation.

We were engaged in a comment letter process with the SEC Staff and undertook an internal review of our financial statements, which resulted in our Board, Audit Committee and current management restating certain of our historical financials. In addition, we have received a formal order of investigation from the SEC. Restatements of financial statements and results of the SEC's investigation has had and could continue to have a negative effect on our business and stock price.

As previously disclosed, the Company was engaged in a comment letter process with the staff (the "Staff") of the SEC relating to the Annual Report on Form 10-K for the year ended December 31, 2014. The Staff's comments related to (i) the accounting treatment for the formation of the Company's International Joint Ventures under United States Generally Accepted Accounting Principles (US GAAP) and whether such joint ventures should have been consolidated in our historical results and (ii) calculation of cost basis attributable to trademarks. As previously disclosed, on November 4, 2016, the Company received a letter from the Staff of the U.S. Securities and Exchange Commission – Division of Corporate Finance, formally communicating that the Staff has completed its ongoing review of the Company's Forms 10-K for the years ended December 31, 2013 through 2015.

As a result of the Staff comment letter process, as previously disclosed, we have restated our historical financial statements in respect of the fiscal years ended December 31, 2013 and 2014 which addresses the following accounting matters: (i) consolidate the financial statements of the Iconix Canada, Iconix Israel, Iconix Southeast Asia, Iconix MENA and LC Partners US joint ventures with the Company's financial statements, and eliminate the previously reported gains on sale which were recorded at the time these transactions were consummated (including subsequent June 2014 and September 2014 transactions with respect to Iconix Southeast Asia), (ii) record the recalculated cost basis of the trademarks contributed to certain joint ventures which are recorded under the equity method of accounting at the time of consummation of the transactions, (iii) record the recalculated cost basis of the Umbro brand in the territory of Korea (which closed in December 2013) and the e-commerce and U.S. catalog rights in respect of the Sharper Image brand (which closed in June 2014) to determine the amount of the gain that should have been recorded

at the time of the sale, (iv) reclassify the presentation of its statement of operations to reflect gains on sales of trademarks (to joint ventures or third parties) as a separate line item above the Operating Income line, and not as revenue as historically reflected, (v) reclassify the Equity Earnings on Joint Ventures line to above the Operating Income line, from its previous location within the Other Expenses section.

In conjunction with the Company's consolidation of the joint ventures noted above, the Company also adjusted its historical financial statements to properly reflect the consideration from joint venture partners ("the redemption value") as redeemable non-controlling interest for the Iconix Southeast Asia, Iconix MENA and LC Partners US joint ventures as of the date of the formation of the joint venture. For each period subsequent to the formation of the joint venture, the Company will accrete the change in redemption value up to the date that the joint venture partner has the right to redeem its respective put option. Additionally, in accordance with the applicable accounting guidance, the notes receivable, net of discount, received from our joint venture partners as part of the consideration related to the formation of consolidated joint ventures will be netted against non-controlling interest or redeemable non-controlling interest, as applicable.

In addition, in November 2015 we completed restatements of our historical financial statements in respect of (i) the fourth quarter and annual results of 2013, (ii) the 2014 fiscal year and each quarterly period thereof, and (iii) the first and second quarters of 2015, to correct certain historical errors in accounting.

Additionally, during the preparation of the FY 2015 financial statements, the Company restated certain of its historical financial statements due to errors in accounting related to inadequate support for revenue recognition, the classification of contractually obligated expenses as selling expenses as opposed to netting such expenses with revenue and the inadequate estimation of accruals related to retail support for certain license agreements. Further, the Company noted there were inadequate review controls over historical complex accounting transactions. As a result, the Company recorded adjustments to (i) reduce licensing revenue and remeasurement gains associated with the review of various historical accounting transactions and (ii) record a liability for a royalty credit earned by a specific licensee in accordance with its license agreement.

Our business may be harmed as a result of all such financial restatements noted above, including as a result of adverse publicity, litigation, SEC proceedings or exchange delisting. While we have taken measures to prevent future restatements, we cannot be certain that the measures we have taken as part of the restatement process will ensure that restatements will not occur in the future. These restatements may affect investor confidence in the accuracy of our financial disclosures and may raise reputational issues for our business.

The restatement process was resource-intensive, has involved a significant amount of attention from management, and has resulted in significant costs to the Company. Any future inquiries from the SEC or otherwise as a result of the restatement of our historical financial statements will, regardless of the outcome, likely consume a significant amount of our internal resources and result in additional legal and accounting costs. These fees and expenses, as well as the substantial time devoted by our current management to make such filings with the SEC, could have a material adverse effect on our business, profitability and financial condition.

These restatements also may result in additional litigation. We may incur additional substantial defense costs regardless of the outcome of such litigation. Likewise, such events might cause a diversion of our current management's time and attention. If we do not prevail in any such litigation, we could be required to pay substantial damages or settlement costs.

The Company has and will continue to fully cooperate with the SEC's investigation. However, there can be no guarantee as to the amount of internal and external resources we may need to devote to responding to any further requests we may receive from the SEC. In this regard, the legal and accounting fees and expenses we may incur, or the timeline for resolution or the ultimate outcome of the investigation. In addition, if the SEC were to charge the Company with violations, we could potentially be subject to fines, penalties or other adverse consequences, and our business and financial condition could be adversely impacted.

Due to the delayed filing with the SEC of our Form 10-K for the year ended December 31, 2015, we are not currently eligible to use a registration statement on Form S-3 to register the offer and sale of securities, which may adversely affect our ability to raise future capital or complete acquisitions.

As a result of the delayed filing with the SEC of our annual report on Form 10-K for the year ended December 31, 2015, we will not be eligible to register the offer and sale of our securities using a registration statement on Form S-3 until we have timely filed all periodic reports required under the Securities Exchange Act of 1934 for one year, and there can be no assurance that we will be able to file all such reports in a timely manner in the future. Should we wish to register the offer and sale of additional securities to the public, our transaction costs and the amount of time required to complete the transaction could increase, making it more difficult to execute any such transaction successfully and potentially harming our business, strategic plan and financial condition. Furthermore, if we were to

experience delays in making our future periodic filings with the SEC, it could subject us to delisting of our common stock from trading on the NASDAQ exchange. The delisting of our common stock could adversely affect the market price of and hinder our stockholders' ability to trade in our common stock, and could also affect our ability to access the capital markets or complete acquisitions. If our shares of common stock were delisted, there could be no assurance of it again being listed for trading on NASDAQ or any other exchange.

We have previously identified material weaknesses in our internal control over financial reporting, and if we are unable to implement and maintain effective internal control over financial reporting in the future, investors may lose confidence in the accuracy and completeness of our financial reports, and the market price of our common stock may be adversely affected.

As described in this Form 10-K, our report on Internal Control Over Financial Reporting as of December 31, 2016 indicates that our internal controls over financial reporting were not effective for the period ended December 31, 2016. As previously disclosed, we and our auditors have identified material weaknesses in our internal control over financial reporting for prior periods. Following the identification of the material weaknesses for prior periods, management implemented a remediation plan as more fully described

below. As of December 31, 2016, we believe that we have implemented controls sufficient to remediate the weaknesses found with respect to such prior periods. The Company intends to implement additional review procedures and adopt additional control procedures to remediate the material weaknesses identified as of December 31, 2016. There can be no assurance that the internal controls we implement will be effective or that in the future we will not suffer from additional ineffective disclosure controls and procedures or internal controls over financial reporting, which would further impair our ability to provide reliable and timely financial reports. We have implemented, and are implementing, additional finance and accounting systems, procedures and controls to satisfy our reporting requirements, but we must implement further measures. Moreover, because of the inherent limitations of any control system, material misstatements due to error or fraud may not be prevented or detected on a timely basis, or at all. If we are unable to provide reliable and timely financial reports in the future, our business may be further harmed. Restated financial statements and failures in internal controls may also cause investors to lose confidence in our financial reporting process and the accuracy and completeness of our financial reports, which could have a negative effect on the price of our common stock, subject us to regulatory investigations and penalties, and adversely impact our business and financial condition.

While we audit our licensees from time to time in the ordinary course, we otherwise rely on the accuracy of our licensees' retail sales reports for reporting and collecting our revenues, and if these reports are untimely or incorrect, our revenue could be delayed or inaccurately reported.

Most of our revenue is generated from retailers that license our brands for manufacture and sale of products bearing our brands in their stores. Under our existing agreements, these licensees pay us licensing fees based in part on the retail value of products sold. We rely on our licensees to accurately report the retail sales in collecting our license fees, preparing our financial reports, projections, budgets, and directing our sales and marketing efforts. All of our license agreements permit us to audit our licensees. If any of our licensee reports understate the retail sales of products they sell, we may not collect and recognize revenue to which we are entitled, or may endure significant expense to obtain compliance.

A decline in general economic conditions resulting in a decrease in consumer-spending levels and an inability to access capital may adversely affect our business.

Our performance is subject to worldwide economic conditions and its corresponding impact on the levels of consumer spending which may affect our licensees' sales. It is difficult to predict future levels of consumer spending and any such predictions are inherently uncertain. The worldwide apparel industry is heavily influenced by general economic cycles. Purchases of goods offered under our brands tend to decline in periods of recession or uncertainty regarding future economic prospects, as disposable income typically declines. As a result, our operating results may be materially affected by trends in the United States or global economy.

A significant disruption in our computer systems, including from a malicious attack, and our inability to adequately maintain and update those systems, could adversely affect our operations.

We rely extensively on our computer systems to manage our operations and to communicate with our licensees, International Joint Venture partners and other third parties, and to collect, summarize and analyze results. We depend on continued and unimpeded access to the internet to use our computer systems. Our systems are subject to damage or interruption from power outages, telecommunications failures, computer hackings, cyber-attacks, computer viruses or other malicious activities, security breaches and catastrophic events. If our systems are damaged, threatened, attacked or fail to function properly, we may incur substantial repair or replacement costs, experience data loss and impediments to our ability to manage our internal control system, a loss in confidence by our partners, negative publicity and lost revenue, all of which could adversely affect our results of operations.

Provisions in our charter and Delaware law could make it more difficult for a third party to acquire us, discourage a takeover and adversely affect our stockholders.

Certain provisions of our certificate of incorporation could have the effect of making more difficult, delaying or deterring unsolicited attempts by others to obtain control of our company, even when these attempts may be in the best interests of our stockholders. Our certificate of incorporation currently authorizes 150,000,000 shares of common stock to be issued. Based on our outstanding capitalization at December 31, 2016, and assuming the exercise of all outstanding options and warrants and the issuance of the maximum number of shares of common stock issuable upon conversion of all of our outstanding convertible notes, there are still a substantial number of shares of common stock available for issuance by our board of directors without stockholder approval, including shares held in treasury primarily as a result of our stock repurchase plans. Our certificate of incorporation also authorizes our board of directors, without stockholder approval, to issue up to 5,000,000 shares of preferred stock, in one or more series, which could have voting and conversion rights that adversely affect or dilute the voting power of the holders of our common stock, none of which is outstanding.



We are also subject to the provisions of Section 203 of the Delaware General Corporation Law, which could prevent us from engaging in a business combination with a 15% or greater stockholder for a period of three years from the date it acquired that status unless appropriate board or stockholder approvals are obtained.

Use of social media may adversely impact our reputation and business.

We rely on social media, as one of our marketing strategies, to have a positive impact on both the value and reputation of our brands. Our brands could be adversely affected if we fail to achieve these objectives or if our public image or reputation, or that of any of our licensees or business partners, were to be tarnished by negative publicity. Use of social media platforms and weblogs by third parties provides access to a broad audience of consumers and other interested parties. The opportunity for dissemination of information on these platforms, including negative or inaccurate information about Iconix or its brands, is virtually limitless and the effect is immediate. Any of these events could harm our reputation, business and financial results. The harm may be immediate without affording us an opportunity for redress or correction. It could also result in decreases in sales by our licensees, which in turn could negatively impact our revenues and cash flows.

Recent and ongoing developments relating to the United Kingdom's referendum vote in favor of leaving the European Union could adversely affect us or our licenses.

The United Kingdom held a referendum on June 23, 2016 in which voters approved the UK's withdrawal from the European Union, commonly known as "Brexit." As a result, negotiations are expected to commence in the near future, and perhaps as soon as March 2017, to determine the terms of the United Kingdom exit from the European Union as well as its relationship with the European Union going forward. The economic effects of Brexit have been and are expected to continue to be far-reaching, particularly once the negotiation process begins. Although less than 10% of our licensing revenue is generated in the United Kingdom, Brexit and the perceptions as to its impact may adversely affect business activity and economic conditions in Europe and globally and could continue to contribute to instability in global financial and foreign exchange markets. We currently hold equity interests in Iconix Europe, our London-based joint venture, as well as Iconix MENA LTD and Diamond Icon, LLC, our joint ventures which were established under the laws of the United Kingdom. In addition, we have license agreements in place with licensees across many of our brands in the United Kingdom, maintain a wholly-owned subsidiary established under the laws of the United Kingdom; and have employees, offices and showroom space in the United Kingdom related to our Umbro and Lee Cooper brands. The impact of Brexit on the foregoing aspects of our business are unknown at this time. Brexit could have the effect of disrupting the free movement of goods, services and people between the United Kingdom and the European Union and negatively impact our business and that of our licensees. The full effects of Brexit are uncertain and will depend on any agreements the United Kingdom may make to retain access to European Union markets. Brexit also could lead to uncertainty with respect to the United Kingdom legal and regulatory framework and the enforcement of our legal and intellectual property rights. In addition, as a result of Brexit, other European countries may seek to conduct referenda with respect to their continuing membership with the European Union, creating greater uncertainty in the region. Given these possibilities and others we may not anticipate, as well as the lack of comparable precedent, the full extent to which our business, licensees, results of operations and financial condition could be adversely affected by Brexit is uncertain.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

On November 9, 2007, we entered into a lease agreement covering approximately 30,550 square feet of office and showroom space at 1450 Broadway in New York, New York. The term of the lease runs through June 30, 2024 and provides for total aggregate annual base rental payments for such space of approximately \$26.4 million (ranging from approximately \$1.1 million for the first year following the rent commencement date to approximately \$2.2 million, on an annualized basis, in the last year of the lease). We will also be required to pay our proportionate share of any increased taxes attributed to the premises. Such property is utilized by each of the Company's reporting segments other than the international segment.

We assumed obligations for approximately 4,500 square feet of office space at 261 Fifth Ave in New York, New York in connection with the Waverly acquisition, with an annual rent of approximately \$0.3 million for a period ending in February 2018. This space is currently being sublet to a third party.

We lease office and showroom space in the United Kingdom, in the city of Manchester, for approximately £0.1 million per annum, pursuant to a lease that expires in January 2021. Such property is utilized by the Company's international segment.

30

---

### Item 3. Legal Proceedings

In July 2013, Signature Apparel Group LLC, referred to as the Debtor, filed an amended complaint in an adversary proceeding captioned Signature Apparel Group LLC v. ROC Fashions, LLC, et al., United States Bankruptcy Court, Southern District of New York, Adv. Pro. No. 11-02800 in the United States Bankruptcy Court in the Southern District of New York that, among others, named Studio IP Holdings LLC, referred to as Studio IP, and the Company (Studio IP and the Company are collectively referred to as Iconix), as defendants. In the amended complaint, the Debtor asserts that Iconix was complicit in an alleged conspiracy to pay \$2.8 million to Debtor's principals. The Debtor also alleges that ROC Fashions LLC paid a \$6 million fee to Iconix for a license, and asserts that those funds should be returned to the Debtor as well. In total, the Debtor is seeking at least \$8.8 million in damages from Iconix. Iconix vigorously defended against the claims, and the trial on this matter concluded in March 2016. The Company is currently awaiting the Bankruptcy Court's determination on the matter and is unable to estimate its ultimate outcome.

In December 2015, Anthony L&S, LLC, referred to as ALS, the licensee of the Pony and related trademarks, commenced an action captioned Anthony L&S, LLC v. US Pony Holdings, LLC and Iconix Brand Group, Inc., Index No. 654199/2015 in New York State Supreme Court, New York County against the Company and its subsidiary, US Pony Holdings, LLC. In September 2016, this matter was settled without any liability to the Company.

In January 2016, ALS's affiliate, Anthony L&S Athletics, LLC, referred to as Anthony Athletics, commenced an action captioned Anthony L&S Athletics, LLC v. US Pony Holdings, LLC and Iconix Brand Group, Inc., Case No. 11867 in the Chancery Court in the State of Delaware against the Company and Pony. In September 2016, this matter was settled without any liability to the Company.

In April 2016, New Rise Brands Holdings, LLC, referred to as New Rise, a former licensee of the Ecko Unlimited trademark, and Sichuan New Rise Import & Export Co. Ltd., referred to as Sichuan, the guarantor under New Rise's license agreement, commenced an action captioned New Rise Brands Holdings, LLC and Sichuan New Rise Import & Export Co. Ltd v. IP Holdings, LLC, et al., Index No. 652278/2016 in the New York State Supreme Court, New York County against the Company's subsidiary, IP Holdings, LLC, referred to as IP Holdings, seeking damages of \$15 million, plus punitive damages of \$50 million, attorneys' fees and costs. Among other claims, New Rise alleges improper termination of New Rise's license agreement and fraud. IP Holdings is vigorously defending against the claims and has asserted counterclaims against New Rise and Sichuan. At this time, the Company is unable to estimate the ultimate outcome of this legal matter.

Two shareholder derivative complaints captioned James v. Cuneo et al, Docket No. 1:16-cv-02212 and Ruthazer v. Cuneo et al, Docket No. 1:16-cv-04208 have been consolidated in the United States District Court for the Southern District of New York, and two shareholder derivative complaints captioned De Filippis v. Cuneo et al. Index No. 650711/2016 and Gold v. Cole et al, Index No. 53724/2016 have been consolidated in the Supreme Court of the State of New York, New York County. The complaints name the Company as a nominal defendant and assert claims for breach of fiduciary duty, insider trading and unjust enrichment against certain of the Company's current and former directors and officers arising out of the Company's recent restatement of financial reports and certain employee departures. An additional shareholder derivative complaint captioned Rosenfeld v. Cuneo et al., Index No. 510427/2016 is pending in the Supreme Court of the State of New York, Kings County. The Company has moved to consolidate this action with the two shareholder derivative actions in the Supreme Court of the State of New York, New York County described above, and is awaiting the Court's decision on this matter. The complaint names the Company as a nominal defendant and asserts similar claims against certain of the Company's current and former

directors and officers as noted in connection with the shareholder derivative complaints described above. At this time, the Company is unable to estimate the ultimate outcome of these legal matters.

As previously announced, the Company has received a formal order of investigation from the SEC. The Company intends to continue to cooperate fully with the SEC.

Three securities class actions have been consolidated in the United States District Court for the Southern District of New York, under the caption In re Iconix Brand Group, Inc., et al., Docket No. 1:15-cv-4860, against the Company and certain former officers and one current officer (the “Class Action”). The plaintiffs in the Class Action purport to represent a class of purchasers of the Company’s securities from February 22, 2012 to November 5, 2015, inclusive, and claim that the Company and individual defendants violated sections 10(b) and 20(a) of the Securities Exchange Act of 1934, by making allegedly false and misleading statements regarding certain aspects of the Company’s business operations and prospects. The Company and the individual defendants have moved to dismiss the consolidated amended complaint and intend to vigorously defend against the claims. At this time, the Company is unable to estimate the ultimate outcome of these legal matters.

From time to time, the Company is also made a party to litigation incurred in the normal course of business. In addition, in connection with litigation commenced against licensees for non-payment of royalties, certain licensees have asserted unsubstantiated counterclaims against the Company. While any litigation has an element of uncertainty, the Company believes that the final outcome of any of these routine matters will not have a material effect on the Company's financial position or future liquidity.

See Note 9 of Notes to Consolidated Financial Statements.

#### Item 4. Mine Safety Disclosures

Not applicable.

## PART II

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

The Company’s common stock, \$0.001 par value per share, its only class of common equity, is quoted on the NASDAQ Global Market tier of The NASDAQ Stock Market LLC, herein referred to as NASDAQ, under the symbol “ICON”. The following table sets forth the high and low sales prices per share of the Company’s common stock for the periods indicated, as reported on NASDAQ:

|                              | High    | Low    |
|------------------------------|---------|--------|
| Year Ended December 31, 2016 |         |        |
| Fourth Quarter               | \$10.08 | \$6.76 |
| Third Quarter                | 9.12    | 6.26   |
| Second Quarter               | 9.27    | 6.30   |
| First Quarter                | 10.30   | 4.67   |
| Year Ended December 31, 2015 |         |        |
| Fourth Quarter               | \$16.88 | \$5.34 |
| Third Quarter                | 26.00   | 11.32  |
| Second Quarter               | 34.97   | 24.12  |
| First Quarter                | 37.29   | 32.70  |

As of March 6, 2017, there were 1,219 holders of record of the Company’s common stock.

The Company has never declared or paid any cash dividends on its common stock and the Company does not anticipate paying any such cash dividends in the foreseeable future. Payment of cash dividends, if any, will be at the discretion of the Company’s Board of Directors and will depend upon the Company’s financial condition, operating results, capital requirements, contractual restrictions, restrictions imposed by applicable law and other factors its Board of Directors deems relevant. The Company’s ability to pay dividends on its common stock and repurchase of its common stock is restricted by certain of its current indebtedness and may be restricted or prohibited under future indebtedness.

## ISSUER PURCHASES OF EQUITY SECURITIES

| 2016 | Total         | Weighted | Total     | Maximum     |
|------|---------------|----------|-----------|-------------|
|      | Number of     | Average  | Number of | Approximate |
|      | Shares        | Price    | Shares    | Dollar      |
|      | Purchased (*) | Paid     | Purchased |             |

|                        |        | per Share | as Part of          | Value of      |
|------------------------|--------|-----------|---------------------|---------------|
|                        |        |           | Publicly            | Shares        |
|                        |        |           | Announced           | that          |
|                        |        |           | Plan <sup>(1)</sup> | May Yet be    |
|                        |        |           |                     | Purchased     |
|                        |        |           |                     | Under the     |
|                        |        |           |                     | Plan          |
| October 1—October 31   | —      | \$ —      | —                   | \$500,000,000 |
| November 1—November 30 | —      | —         | —                   | 500,000,000   |
| December 1—December 31 | 10,774 | 9.30      | —                   | 500,000,000   |
| Total                  | 10,774 | \$ 9.30   | —                   | \$500,000,000 |

<sup>(1)</sup>On February 18, 2014, the Board of Directors authorized the repurchase of up to \$500 million of the Company's common stock over a period ended February 18, 2017, herein referred to as the 2014 Program. The 2014 Program is in addition to prior programs. The 2014 Program does not obligate the Company to repurchase any specific number of shares and may be suspended at any time at management's discretion.

\* Amounts not purchased under the repurchase plan represent shares surrendered to the Company to pay withholding taxes due upon the vesting of restricted stock. These amounts exclude shares subject to the clawback of performance-based shares of certain former executives.

During FY 2016, the Company did not repurchase any shares under the Company's share repurchase plans. Shares purchased in FY 2016, FY 2015 and FY 2014 that were not part of the Company's share repurchase plan represent shares surrendered to the Company to pay withholding taxes due upon the vesting of restricted stock of employees. At December 31, 2016 and as of the date of this Annual Report on Form 10-K, \$500.0 million of the Company's common stock may yet be purchased under the Company's February 2014 Program. The Company's July 2013 share repurchase plan expired on July 22, 2016.

The information regarding equity compensation plans is incorporated by reference to Item 12 of this Form 10-K, which incorporates by reference the information set forth in the Company's Definitive Proxy Statement in connection with the annual meeting of stockholders to be held in 2017.

## Item 6. Selected Financial Data

## Selected Historical Financial Data

(amounts in tables, but not footnotes, in thousands, except earnings per share amounts)

The following table presents selected historical financial data of the Company for the periods indicated. The selected historical financial information is derived from the audited consolidated financial statements of the Company referred to under Item 8 of this Annual Report on Form 10-K, and previously published historical financial statements not included in this Annual Report on Form 10-K. The following selected financial data should be read in conjunction with Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations and the Company's Consolidated Financial Statements, including the notes thereto, included elsewhere herein.

|  | Year Ended December 31,<br>(000's omitted) |             |           |           |           |
|--|--|-------------|-----------|-----------|-----------|
|  | 2016                                       | 2015        | 2014      | 2013      | 2012      |
| <b>Consolidated Income Statement Data<sup>(1)</sup></b>      |  |             |           |           |           |
| Licensing revenue  | \$368,461                                  | \$379,197   | \$391,490 | \$390,574 | \$341,686 |
| Selling, general and administrative expenses                 | 206,589                                    | 204,946     | 181,651   | 163,031   | 129,532   |
| Depreciation and amortization                                | 3,461                                      | 4,720       | 7,135     | 10,130    | 8,312     |
| Equity earnings on joint ventures                            | (3,578 )                                   | (5,330 )    | (11,325 ) | (10,211 ) | 10,887    |
| Gains on sale of trademarks                                  | (38,104 )                                  | —           | (6,399 )  | (7,354 )  | 13,266    |
| Goodwill impairment  | 18,331                                     | 35,132      | —         | —         | —         |
| Trademark impairment   | 424,890                                    | 402,392     | —         | —         | —         |
| Operating income, net  | (243,128)                                  | (262,663)   | 220,428   | 234,978   | 227,995   |
| Other expenses—net   | 82,873                                     | 21,611      | 53,318    | 68,091    | 44,389    |
| Net income (loss)  | \$(249,509)                                | \$(188,930) | \$118,822 | \$117,292 | \$124,241 |
| Net income (loss) attributable to Iconix Brand Group, Inc.   | \$(252,134)                                | \$(189,303) | \$103,723 | \$104,989 | \$110,140 |
| <b>Earnings per share:</b>                                   |  |             |           |           |           |
| Basic  | \$(4.82 )                                  | \$(3.92 )   | \$2.14    | \$1.87    | \$1.58    |
| Diluted  | \$(4.82 )                                  | \$(3.92 )   | \$1.81    | \$1.73    | \$1.53    |
| <b>Weighted average number of common shares outstanding:</b> |  |             |           |           |           |
| Basic  | 52,338                                     | 48,293      | 48,431    | 56,281    | 69,689    |
| Diluted  | 52,338                                     | 48,293      | 57,366    | 60,734    | 71,957    |

\*The year ended December 31, 2013 will herein be referred to as FY 2013; and the year ended December 31, 2012 will herein be referred to as FY 2012.



At December 31,  
(000's omitted)  
2015

|   | 2016      | (revised) | 2014      | 2013        | 2012        |
|---|-----------|-----------|-----------|-------------|-------------|
| <b>Consolidated Balance Sheet Data</b>    |           |           |           |             |             |
| Cash                                      | \$149,411 | \$169,971 | \$128,039 | \$278,789   | \$238,672   |
| Working capital                           | 190,068   | 221,506   | 222,313   | 355,970     | 265,741     |
| Trademarks and other intangibles, net     | 1,208,243 | 1,696,524 | 1,996,334 | 1,900,340   | 1,733,400   |
| Total assets                              | 2,005,515 | 2,504,601 | 2,773,042 | 2,825,161   | 2,453,566   |
| Long-term debt, including current portion | 1,254,160 | 1,449,392 | 1,394,077 | 1,427,319   | 911,718     |
| Total stockholders' equity <sup>(3)</sup> | \$494,644 | \$716,161 | \$951,437 | \$1,060,467 | \$1,277,365 |

<sup>(1)</sup>During FY 2016, FY 2015, FY 2014, FY 2013 and FY 2012, the Company made none, two, six (including investments in joint ventures that are consolidated in our financial statements), five (including investments in joint ventures that are consolidated in our financial statements), and two (including investments in joint ventures that are consolidated in our financial statements) acquisitions, respectively. See Note 3 for information about the Company's acquisitions and investments through its joint ventures.

<sup>(2)</sup> Includes the following: 1) in FY 2016, a cash gain of approximately \$10.2 million related to our sale of our investment in Complex Media, a gain of approximately \$7.3 million related to the recoupment and final settlement of unearned incentive compensation from the Company's former CEO in connection with the previously announced financial restatements, a net non-cash gain of approximately \$8.4 million related to our repurchase of our 1.50% Convertible Notes and 2.50% Convertible Notes, and a loss of approximately \$14.2 million related to our principal prepayments made on our Senior Secured Term Loan; 2) in FY 2015, a non-cash gain of approximately \$50.0 million related to our purchase of our joint venture partner's interest in Iconix China offset by a non-cash loss of approximately \$3.8 million related to our additional investment in Scion; and 3) in FY 2014, a non-cash gain of approximately \$34.7 million related to our purchase of our joint venture partner's interest in Iconix Latin America offset by a non-cash loss of approximately \$5.9 million related to our purchase of our joint venture partner's interest in Iconix Europe.

<sup>(3)</sup>During FY 2016, the Company noted that the redeemable non-controlling interest attributable to a put option held by one of the Company's consolidated joint venture partners had not been properly eliminated during December 2015 at the time the Company purchased certain assets underlying such put option. A balance sheet reclassification adjustment of \$21.3 million was recorded in the consolidated balance sheet as of December 31, 2015 to reduce redeemable non-controlling interest and increase non-controlling interest. This adjustment has also been reflected in the "purchase of minority interest in consolidated joint venture" line item within in the consolidated statement of stockholders' equity as of December 31, 2015. Refer to Note 1 to the Notes to the Consolidated Financial Statements for further details.

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

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995. This Annual Report on Form 10-K, including this Item 7, includes "forward-looking statements" based on the Company's current expectations, assumptions, estimates and projections about its business and its industry. These statements include those relating to future events, performance and/or achievements, and include those relating to, among other things, the Company's future revenues, expenses and profitability, the future development and expected growth of the Company's business, its projected capital expenditures, future outcomes of litigation and/or regulatory proceedings, competition, expectations regarding the retail sales environment, continued market acceptance of the Company's current brands and its ability to market and license brands it acquires, the Company's ability to continue identifying, pursuing and making acquisitions, the ability of the Company to obtain financing for acquisitions, the ability of the Company's current licensees to continue executing their business plans with respect to their product lines and the ability to pay contractually obligated royalties, and the Company's ability to continue sourcing licensees that can design, distribute, manufacture and sell their own product lines.

These statements are only predictions and are not guarantees of future performance. They are subject to known and unknown risks, uncertainties and other factors, some of which are beyond the Company's control and difficult to predict and could cause its actual results to differ materially from those expressed or forecasted in, or implied by, the forward-looking statements. In evaluating these forward-looking statements, the risks and uncertainties described in "Item 1A. Risk Factors" above and elsewhere in this report and in the Company's other SEC filings should be carefully considered.

Words such as "may," "should," "will," "could," "estimate," "predict," "potential," "continue," "anticipate," "believe," "plan," and "intend" or the negative of these terms or other comparable expressions are intended to identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward looking statements, which speak only as of the date the statement was made.

### Overview

We are a brand management company and owner of a diversified portfolio of over 30 global consumer brands across the Company's operating segments: women's, men's, entertainment, home, and international. The Company's business strategy is to maximize the value of its brands primarily through strategic licenses and joint venture partnerships around the world, as well as to grow the portfolio of brands through strategic acquisitions.

As of December 31, 2016, the Company's brand portfolio includes Candie's<sup>®</sup>, Bongo<sup>®</sup>, Joe Boxer<sup>®</sup>, Rampage<sup>®</sup>, Mudd<sup>®</sup>, London Fog<sup>®</sup>, Mossimo<sup>®</sup>, Ocean Pacific/OP<sup>®</sup>, Danskin/Danskin Now<sup>®</sup>, Rocawear<sup>®</sup>/Roc Nation<sup>®</sup>, Cannon<sup>®</sup>, Royal Velvet<sup>®</sup>, Fieldcrest<sup>®</sup>, Charisma<sup>®</sup>, Starter<sup>®</sup>, Waverly<sup>®</sup>, Ecko Unltd<sup>®</sup>/Mark Ecko Cut & Sew<sup>®</sup>, Zoo York<sup>®</sup>, Umbro<sup>®</sup>, Lee Cooper<sup>®</sup>, Strawberry Shortcake<sup>®</sup>, and Artful Dodger<sup>®</sup>; and interests in Material Girl<sup>®</sup>, Peanuts<sup>®</sup>, Ed Hardy<sup>®</sup>, Truth or Dare<sup>®</sup>, Modern Amusement<sup>®</sup>, Buffalo<sup>®</sup>, Nick Graham<sup>®</sup> Hydraulic<sup>®</sup>, and PONY<sup>®</sup>.

The Company looks to monetize the Intellectual Property (herein referred to as "IP") related to its brands throughout the world and in all relevant categories by licensing directly with leading retailers (herein referred to as "direct to retail"), through consortia of wholesale licensees, through joint ventures in specific territories and via other activity such as corporate sponsorships and content as well as the sale of IP for specific categories or territories. Products bearing the Company's brands are sold across a variety of distribution channels from the mass tier (e.g. Wal-Mart) to better department stores (e.g. Macy's) and, in the case of the Peanuts and Strawberry Shortcake brands, through various media outlets, including television, movies, digital and mobile content. The licensees are responsible for designing, manufacturing and distributing the licensed products. The Company supports its brands with advertising and

promotional campaigns designed to increase brand awareness. Additionally, the Company provides its licensees with coordinated trend direction to enhance product appeal and help build and maintain brand integrity.

Globally, the Company has over 75 direct-to-retail licenses and more than 1,450 total licenses. Licensees are selected based upon the Company's belief that such licensees will be able to produce and sell quality products in the categories of their specific expertise and that they are capable of exceeding minimum sales targets and royalties that the Company generally requires for each brand. This licensing strategy is designed to permit the Company to operate its licensing business, leverage its core competencies of marketing and brand management with minimal working capital, and without inventory, production or distribution costs or risks, and maintain high margins. The majority of the Company's licensing agreements include minimum guaranteed royalty revenue which provides the Company with greater visibility into future cash flows. As of January 1, 2017, the Company had over \$720 million of aggregate guaranteed royalty revenue over the terms of its existing contracts excluding renewals.

The Company identifies its operating segments according to how business activities are managed and evaluated. Prior to October 1, 2016, the Company had disclosed the following reportable operating segments: men's, women's, home, and entertainment.

Following such quarter, the Company has reviewed its business activities, how they are managed and evaluated, and determined that it would reflect five distinct reportable operating segments: men's, women's, home, entertainment, and international. Therefore, the Company has disclosed these reportable operating segments for the periods shown below. Since the Company does not track, manage and analyze its assets by segments, no disclosure of segmented assets is reported.

The five reportable operating segments described below represent the Company's activities for which separate financial information is available and which is utilized on a regular basis by the Company's chief operating decision maker (CODM) to evaluate performance and allocate resources. In identifying the Company's reportable operating segments, the Company considers its management structure and the economic characteristics, customers, sales growth potential and long-term profitability of its operating segments. As such, the Company configured its operations into the following five reportable operating segments:

• **Men's segment** – consists of the Company's men's brands in the United States.

• **Women's segment** – consists of the Company's women's brands in the United States.

• **Home segment** – consists of the Company's home brands in the United States.

• **Entertainment segment** – consists of the Company's entertainment brands in both domestic and international markets.

• **International segment** – consists of the Company's men's, women's and home brands in international markets.

Corporate includes compensation, benefits and occupancy costs for corporate employees as well as other corporate-related expenses such as: audit, legal, and information technology used in managing our business.

The Company's Chief Executive Officer has been identified as the CODM. The Company's measure of segment profitability is licensing revenue and operating income. The accounting policies of the Company's reportable operating segments are the same as those described in Note 1 – Summary of Significant Accounting Policies in Notes to the Consolidated Financial Statements.

The Company has disclosed these reportable segments for the periods shown below.

| (in 000's)                           | FY 2016     | FY 2015     | FY 2014   |
|--------------------------------------|-------------|-------------|-----------|
| <b>Licensing revenue by segment:</b> |             |             |           |
| Men's                                | \$48,635    | \$55,208    | \$60,993  |
| Women's                              | 106,527     | 118,038     | 120,041   |
| Home                                 | 38,370      | 36,473      | 39,141    |
| Entertainment                        | 113,318     | 107,606     | 103,070   |
| International                        | 61,611      | 61,872      | 68,245    |
|                                      | \$368,461   | \$379,197   | \$391,490 |
| <b>Operating income (loss):</b>      |             |             |           |
| Men's                                | \$(132,574) | \$(334,164) | \$29,810  |
| Women's                              | 62,565      | 101,074     | 115,293   |
| Home                                 | (18,106 )   | (7,321 )    | 32,190    |
| Entertainment                        | 29,152      | 35,583      | 31,524    |
| International                        | (162,986)   | (3,503 )    | 43,899    |
| Corporate                            | (21,179 )   | (54,332 )   | (32,288 ) |
|                                      | \$(243,128) | \$(262,663) | \$220,428 |

Highlights of FY 2016

- Total revenue of \$368.5 million, a 2% decline from prior year, excluding revenue from the Badgley Mischka brand and currency impact.
- Divested Sharper Image and Badgley Mischka brands, consistent with new portfolio approach to brand ownership.
- Improved financial stability: secured new term loan to satisfy 2016 convertible notes, pro-actively retired over \$100 million principal amount of 2018 convertible notes, and used proceeds from sale of Sharper Image plus additional cash to pay down an incremental \$112 million of debt.
- Hired John Haugh as new President and CEO.

- Developed long term strategic plan to drive growth through more active approach to brand management.

Continued to build out international footprint and opened new offices in China, Hong Kong, Brazil, Chile and Poland.

#### FY 2016 Compared to FY 2015

**Licensing Revenue.** Total licensing revenue for FY 2016 was \$368.5 million, a 3% decrease, as compared to \$379.2 million for FY 2015. Total licensing revenue was negatively impacted primarily by approximately \$5.0 million decrease due to the sale of the Badgley Mischka intellectual property and related assets and benefited from a \$3.0 million favorable impact from foreign currency exchange rates primarily related to the Yen. Excluding Badgley Mischka and the currency impact, revenue for FY 2016 was down approximately 2% as compared to the FY 2015. The entertainment segment increased 5% from \$107.6 million in FY 2015 to \$113.3 million in FY 2016 mainly driven by a \$6.6 million increase in our Peanuts Brand. The increase was a result of strength from our licensees in Japan and a favorable exchange rate related to the Yen. The women's segment decreased 10% from \$118.0 million in FY 2015 to \$106.5 million in FY 2016 mainly due to the sale of the Badgley Mischka intellectual property and related assets. Excluding Badgley Mischka, the women's segment decreased 6%, mostly related to decreases in our Bongo and Candie's brands. The men's segment decreased 12% from \$55.2 million in FY 2015 to \$48.6 million in FY 2016 mainly due to a decrease in royalties earned by our Starter brand. The home segment increased 5% from \$36.5 million in FY 2015 to \$38.4 million in FY 2016 mainly driven by an increase in our Sharper Image and Waverly brands. The international segment decreased slightly from \$61.9 million in FY 2015 to \$61.6 million in FY 2016.

**Selling, General and Administrative Expenses.** Total selling, general and administrative expenses ("SG&A") was \$206.6 million for FY 2016 as compared to \$204.9 million for the FY 2015, an increase of \$1.6 million or 1%. SG&A in the entertainment segment increased 10% from \$71.6 million in FY 2015 to \$78.4 million in FY 2016 which was mainly due to increased agent and talent expenses as a result of higher revenues in FY 2016 from the Peanuts brand. SG&A from the women's segment decreased 3% from \$15.1 million in FY 2015 to \$14.7 million in FY 2016 mainly due to a \$2.2 million decrease in compensation costs somewhat offset by a \$1.6 million increase in accounts receivables reserves and write-offs. SG&A from the men's segment decreased 35% from \$26.9 million in FY 2015 to \$17.4 million in FY 2016 primarily due to a \$9.3 million decrease in accounts receivables reserves and write-offs. SG&A from the home segment increased 11% from \$5.8 million in FY 2015 to \$6.5 million in FY 2016 mainly due to a \$0.6 million increase in compensation costs. SG&A from the international segment increased 2% from \$31.2 million in FY 2015 to \$31.8 million in FY 2016 mainly due to \$1.1 million increase in advertising costs. Corporate SG&A increased 6% from \$54.3 million in FY 2015 to \$57.8 million mainly driven by an increase of \$6.8 million in professional fees slightly offset by a decrease of \$1.1 million in compensation costs.

**Depreciation and Amortization.** Depreciation and amortization was \$3.5 million for FY 2016, compared to \$4.7 million in FY 2015, a decrease of \$1.3 million or 27%. The decrease was mostly a result of lower amortization costs related to the Artful Dodger brand.

**Gain on Sale of Trademarks.** Gain on Sale of Trademarks was a \$38.1 million gain for FY 2016, compared to zero in the FY 2015. The increase was mainly due to (i) a gain of \$28.1 million realized on the sale of the Sharper Image brand, (ii) a gain of \$12.0 million realized on the sale of the Badgley Mischka brand and (iii) a loss of \$2.0 million realized on the sale of the Ed Hardy brand in China.

**Equity Earnings on Joint Ventures.** Equity Earnings on Joint Ventures was \$3.6 million in income in FY 2016, as compared to \$5.3 million in income from the FY 2015. The decrease primarily came from a \$3.4 million decrease in our equity interests in Iconix China somewhat offset by a \$1.4 million increase in the MG Icon joint venture.

Goodwill & Asset Impairment. Goodwill & Asset Impairment loss for FY 2016 was approximately \$443.2 million in FY 2016 as compared to \$437.5 million in FY 2015. The Asset Impairment was approximately \$424.9 million in FY 2016 primarily related to a write-down in the international segment and the men's segment. The Goodwill Impairment was \$18.3 million in FY 2016 as compared to \$35.1 million in FY 2015. The Goodwill Impairment in FY 2016 and FY 2015 primarily related to a write-down in our men's business segment.

Operating Income (Loss). Total operating loss for FY 2016 was \$243.1 million as compared to a loss of \$262.7 million in FY 2015. Operating income from the entertainment segment was \$29.2 million in FY 2016 compared to \$35.6 million in FY 2015. Operating income from the women's segment was \$62.6 million in FY 2016 compared to \$101.1 million in FY 2015. Operating loss from the men's segment was \$132.6 million in FY 2016 compared to a loss of \$334.2 million in FY 2015. Operating loss from the home segment was \$18.1 million in FY 2016 compared to a loss of \$7.3 million in FY 2015. Operating loss from the international segment was \$163.0 million in FY 2016 compared to a loss of \$3.5 million in the FY 2015. Corporate operating loss was \$21.2 million in FY 2016 compared to an operating loss of \$54.3 million in FY 2015.

Other Expenses-Net. Other expenses- net were approximately \$82.9 million for FY 2016 as compared to \$21.6 million for the FY 2015, an increase of \$61.3 million. The increase was primarily related to the following: (i) a \$14.0 million increase in FY 2016 in net interest expense primarily related to interest on the \$300 million Senior Secured Loan offset by the maturity of the 2.50% Convertible Note, (ii) a \$5.9 million loss on the extinguishment of debt, (iii) a \$10.2 million gain on the sale of the investment in Complex Media, (iv) a \$7.3 million gain on the clawback of compensation related to previous employees, (v) an \$8.0 million decrease in foreign currency translation gains and (vi) a \$50.0 million gain in FY 2015 related to the fair value re-measurement of our original 50% interest in Iconix China for which there is no comparable gain in FY 2016.

Provision for Income Taxes. The effective income tax rate for FY 2016 is approximately 23.5% resulting in a \$76.5 million income tax benefit, as compared to an effective income tax rate of 33.5% in FY 2015 which resulted in a \$95.3 million income tax benefit. The decrease in our effective tax rate primarily relates to the Goodwill & Impairment charge, which included a substantial amount of expense in FY 2016 in a lower tax jurisdiction as compared to the Goodwill & Impairment charge in FY 2015 which was recorded with an effective tax rate of approximately 35%.

Net Income (loss). Our net loss was approximately \$249.5 million in FY 2016, compared to a net loss of approximately \$188.9 million in FY 2015, as a result of the factors discussed above.

#### Highlights of FY 2015

- License revenue of \$379.2 million, a 3% decrease from prior year
- Non-cash impairment charge of \$438 million, primarily related to men's brands
- Continued to expand international platform; acquired full ownership and control of Iconix China
- Grew the entertainment business with the launch of The Peanuts Movie and acquisition of Strawberry Shortcake brand
- Expanded sports portfolio; acquired athletic brand PONY in North America
- In 2015 renewed six large DTR licenses; Mossimo at Target, Candie's at Kohl's, Bongo and Joe Boxer at Kmart/Sears, and OP and Starter at Wal-Mart

#### FY 2015 Compared to FY 2014

Licensing Revenue. Licensing revenue for FY 2015 totaled \$379.2 million, a 3% decrease as compared to \$391.5 million for FY 2014. Licensing revenue included approximately \$11.0 million of revenue from acquisitions made in 2015 including the Strawberry Shortcake and PONY brands, and was negatively impacted by approximately \$10.1 million due to foreign currency exchange rates. In addition, licensing revenue in the comparable 2014 period included \$17.1 million of revenue related to the five-year renewal of the Peanuts specials with ABC. Excluding the effect of acquisitions, foreign currency exchange rates and the ABC renewal, licensing revenue increased approximately 1% in FY 2015. The entertainment segment increased 4% from \$103.1 million in FY 2014 to \$107.6 million in FY 2015 primarily driven by (i) revenue related to The Peanuts Movie including box office royalty and movie merchandise and (ii) acquisition of the Strawberry Shortcake brand during the year. The increase was slightly offset by the revenue recognized for the renewal of the license for Peanuts television specials with ABC Networks during 2014. The women's segment decreased 2% from \$120.0 million in FY 2014 to \$118.0 million in FY 2015 primarily due to a \$3.7 million decrease in revenue related to the Rampage brand. The men's segment decreased 9% from \$61.0 million in FY 2014 to \$55.2 million in FY 2015 primarily due to a \$5.0 million decline in the Ecko brand. The home segment decreased 7% from \$39.1 million in FY 2014 to \$36.5 million in FY 2015 primarily due to a \$4.5 million decrease in revenue from our Sharper Image brand. The international segment decreased 9% from \$68.2 million in FY 2014 to \$61.9 million in FY 2015 primarily due to a \$3.2 million decline in our business in Europe primarily related to



currency shifts in the Euro.

Operating Expenses. SG&A expenses totaled \$204.9 million for FY 2015 compared to \$181.7 million for FY 2014 an increase of \$23.3 million. SG&A in the entertainment segment increased 1% from \$70.7 million in FY 2014 to \$71.6 million in FY 2015 primarily due to increased advertising primarily related to The Peanuts Movie. SG&A in the women's segment increased 28% from \$11.8 million in FY 2014 to \$15.1 million in FY 2015 mainly due to a \$2.5 million increase in accounts receivable reserves and write-offs of doubtful accounts slightly offset by a decrease in compensation costs. SG&A in the men's segment decreased 4% from \$28.1 million in FY 2014 to \$26.9 million in FY 2015 mainly due to a \$5.5 million decrease in compensation costs somewhat offset by an increase of \$4.4 million in accounts receivable reserves and write-offs of doubtful accounts. SG&A in the home segment decreased 12% from \$6.6 million in FY 2014 to \$5.8 million in FY 2015 mainly due to a decrease in compensation costs. SG&A in the international segment increased 21% from \$25.7 million in FY 2014 to \$31.2 million in FY 2015 mainly due to a \$5.5 million increase in accounts receivable reserves and write-offs of doubtful accounts. SG&A in the corporate segment increased 40% from \$38.8 million in FY 2014 to \$54.3 million in FY 2015 mainly due to a \$9.3 million increase in legal and accounting professional fees mostly

related to (i) correspondence with the Staff of the SEC and (ii) the Special Committee's review, and an increase of 3.6 million in compensation costs driven by severance costs related to the transition of Iconix management.

**Depreciation and Amortization.** Depreciation and amortization was \$4.7 million for FY 2015, compared to \$7.1 million in FY 2014, a decrease of \$2.4 million or 34%. The decrease was mostly a result of lower amortization costs related to the Ecko brand.

**Gains on sale of trademarks.** There were no gains on sales of trademarks in FY 2015 as there were no sales of trademarks during the year as compared to \$6.4 million for FY 2014. In FY 2014, we realized a \$6.4 million gain on the sale of the "sharperimage.com" domain name and certain categories under the Sharper Image trademark.

**Equity Income in JV.** Equity Income in JV totaled \$5.3 million for FY 2015 compared to \$11.3 million for FY 2014, a decrease of \$6 million. The decrease was primarily related to the MG Icon joint venture.

**Goodwill & Trademark Impairment.** Goodwill & Trademark Impairment loss for FY 2015 was approximately \$437.5 million in FY 2015 as compared to \$0 in FY 2014. The Trademark Impairment was approximately \$402.4 million in FY 2015 primarily related to a write-down in the men's segment and international segment. The Goodwill Impairment was \$35.1 million primarily related to a write-down in our men's business segment primarily due to declines in net sales in certain brands within the segment and an inability to secure additional license agreements with guaranteed minimum royalties in future periods for these brands and to a lesser extent changes to certain inputs and assumptions in the valuation model.

**Operating Income (Loss).** Operating loss for FY 2015 decreased to \$262.7 million, compared to income of \$220.4 million in FY 2014. Operating income from the women's segment was \$101.1 million in FY 2015 compared to \$115.3 million in FY 2014. Operating loss from the men's segment was \$334.2 million in FY 2015 compared to operating income of \$29.8 million in the FY 2014. Operating loss from the home operating segment was \$7.3 million in FY 2015 compared to operating income of \$32.2 million in FY 2014. Operating income from the entertainment segment was \$35.6 million in FY 2015 compared to \$31.5 million in FY 2014. Operating loss from the international segment was \$3.5 million in FY 2015 compared to \$43.9 million in FY 2014. Corporate operating loss was \$54.3 million in FY 2015 compared to \$32.3 million in FY 2014.

**Other Expenses—Net.** Other expense—net was approximately \$21.6 million in FY 2015 as compared to \$53.3 million in FY 2014. Interest expense increased approximately \$1.7 million primarily related to \$1.8 million increase related to our Convertible Notes. Interest and other income increased \$22.2 million from \$32.9 million in FY 2014 to approximately \$55.1 million in FY 2015 primarily due to a \$50.0 million non-cash gain in FY 2015 related to the fair value re-measurement of our original 50% interest in Iconix China- see Note 3 of Notes to Consolidated Financial Statements for a description of this transaction, as compared to a \$28.9 million non-cash gain in FY 2014 related to the fair value re-measurement of our original 50% interest in Iconix Latin America. Foreign currency translation gain increased \$11.2 million from a \$1.7 million loss in FY 2014 to a \$9.5 million gain in FY 2015.

**Provision for Income Taxes.** The effective income tax rate for FY 2015 is approximately 33.5% resulting in a \$95.3 million income tax benefit, as compared to an effective income tax rate of 28.9% in FY 2014 which resulted in the \$48.3 million income tax expense. The increase in our effective tax rate primarily relates to the Goodwill & Impairment charge, which was recorded with an effective tax rate of approximately 35%.

**Net Income (Loss).** Our net loss was approximately \$188.9 million in FY 2015, compared to net income of approximately \$118.8 million in FY 2014, as a result of the factors discussed above.

## Liquidity and Capital Resources

### Liquidity

Our principal capital requirements have been to fund acquisitions, working capital needs, share repurchases and, to a lesser extent, capital expenditures. We have historically relied on internally generated funds to finance our operations and our primary source of capital needs for acquisition has been the issuance of debt and equity securities. At December 31, 2016 and December 31, 2015, our cash totaled \$149.4 million and \$169.9 million, respectively, not including short-term restricted cash of \$177.3 million and \$49.5 million, respectively. Our short term restricted cash primarily consists of collection and investment accounts related to our Senior Secured Notes and Senior Secured Term Loan. In addition, as of December 31, 2016, approximately \$68.5 million, or 21%, of our total cash (including restricted cash) was held in foreign subsidiaries. Our investments in these foreign subsidiaries are considered indefinitely reinvested and unavailable for the payment of any U.S. based expenditures, including debt obligations.

On March 7, 2016, we entered into a credit agreement for a \$300.0 million Senior Secured Term Loan (see definition below), which was used primarily to pay all outstanding obligations, plus accrued interest, under the Company's 2.50% Convertible Notes

which were due June 2016. See below under “Obligations and Commitments” for a description of our Senior Secured Term Loan. See Note 6 to Notes to Consolidated Financial Statements for additional disclosure regarding this debt facility.

On February 12, 2015, we delivered a notice to fund to the administrator to our Variable Funding Notes (see definition below). On February 18, 2015, the Company received \$100.0 million of cash, which was used primarily for the acquisition of Strawberry Shortcake, as well as for general corporate purposes. See below under “Obligations and Commitments” for a description of our Variable Funding Notes. See Note 6 to Notes to Consolidated Financial Statements for additional disclosure regarding this funding of our Variable Funding Notes.

In March 2013, we issued our 1.50% Convertible Notes, the proceeds of which (including transaction fees) were approximately \$390.6 million. In connection with this transaction, we entered into the 1.50% Convertible Note Hedges and sold the 1.50% Convertible Note Warrants, the net cost of which was \$26.4 million. Further, in connection with this offering, we entered into a private transaction whereby we repurchased 2.96 million shares of our common stock from a third party for \$69.0 million.

In June 2013, we completed a second offering under Senior Secured Notes in the aggregate principal amount of \$275.0 million.

We believe that cash from future operations, our currently available cash and capacity for additional financings under our Senior Secured Notes facility (to the extent available) will be sufficient to satisfy our anticipated working capital requirements for the foreseeable future, including early redemption by our 1.50% Convertible Notes’ holders in the event circumstances allow for early redemptions. We intend to continue financing future brand acquisitions through a combination of cash from operations, bank financing and the issuance of additional equity and/or debt securities.

We may from time to time seek to retire or purchase our outstanding debt through cash purchases and/or exchanges for equity securities, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved in any such transactions may, individually or in the aggregate, be material.

#### Changes in Working Capital

At December 31, 2016 and December 31, 2015, the working capital ratio (current assets to current liabilities) was 1.75 to 1 and 2.52 to 1, respectively.

#### Operating Activities

Net cash provided by operating activities decreased approximately \$68.1 million, from \$190.2 million in FY 2015 to \$122.2 million in FY 2016. The increase in net loss, after the exclusion of non-cash items of \$351.3 million, was approximately \$52.5 million. The change in the non-cash adjustments is primarily as a result of (i) an increase in the impairment of trademarks and goodwill, (ii) an increase in the amortization of deferred financing costs primarily due to the Company’s new debt facility entered in to in FY 2016, (iii) the net loss on extinguishment of debt of which there was no corresponding amount in FY 2015, as well as (iv) the decrease in the non-cash gain related to the fair value re-measurement of our equity investment, for which there was none in FY 2016, (v) a decrease in the provision for doubtful accounts, (vi) a decrease in the gain on foreign currency translation period over period, (vii) a decrease in the amortization of convertible note discount due to our repayment of the 2.50% Convertible Notes in FY 2016, and (viii) gains on sale of trademarks and the Company’s equity in Complex Media for which there was none in FY 2015. These non-cash adjustments are offset by cash provided by working capital items of \$20.4 million in FY 2016 as compared to cash provided by working capital items of \$35.9 million in FY 2015.

## Investing Activities

Net cash provided by investing activities increased approximately \$323.2 million, from cash used in investing activities of \$153.0 million in FY 2015 to cash provided by investing activities of \$170.2 million in FY 2016. This increase in FY 2016 is primarily due to (i) our sale of the Sharper Image brand for \$98.3 million in cash, (ii) our sale of our interest in Complex Media for \$35.3 million in cash, (iii) our sale of the Badgley Mischka brand for \$14.0 million in cash, (iv) our sale of our interest in TangLi International Holdings, Ltd. for \$11.4 million in cash, (v) our sale of our interest in BBC Ice Cream for \$3.5 million in cash, and (vi) sale of minority interest in Umbro trademarks in the Greater China territory for \$2.5 million in cash as compared to (i) our purchase of the Strawberry Shortcake brand for \$105 million in cash, (ii) our purchase of the remaining 50% interest in Iconix China for \$20.4 million in cash, net of cash acquired (total cash paid to Novel was \$40.4 million, (iii) our purchase of a 75% interest in the Pony brand for \$37.0 million in cash, in FY 2015.

## Financing Activities

Net cash used in financing activities increased approximately \$319.8 million, from cash provided by financing activities of \$9.9 million in FY 2015. The increase in cash used in financing activities period over period is primarily due to (i) the repurchase of a portion of our convertible notes for \$178.9 million in cash, (ii) the repayment of long term debt of \$253.5 million (mainly due to the payment of the remaining outstanding principal balance on our 2.50% Convertible Notes of approximately \$156.1 million), (iii) the change in restricted cash of \$127.7 million primarily due to the cash restricted as part of our Senior Secured Term Loan and the cash received from our sale of the Sharper Image brand as compared to our repayment of long-term debt of \$61.1 million in FY 2015. The increase of cash used in financing activities is offset by the proceeds of \$300.0 million from our Senior Secured Term Loan as well as the corresponding cash used of \$35.8 million for the prepaid financing costs associated with the Senior Secured Term Loan as compared to the proceeds of \$100.0 million from our Variable Funding Notes received in FY 2015.

## Obligations and commitments

### Senior Secured Notes.

On November 29, 2012, Icon Brand Holdings, Icon DE Intermediate Holdings LLC, Icon DE Holdings LLC and Icon NY Holdings LLC, each a limited-purpose, bankruptcy remote, wholly-owned direct or indirect subsidiary of the Company, (collectively, the “Co-Issuers”) issued \$600.0 million aggregate principal amount of Series 2012-1 4.229% Senior Secured Notes, Class A-2 (the “2012 Senior Secured Notes”) in an offering exempt from registration under the Securities Act of 1933, as amended.

Simultaneously with the issuance of the 2012 Senior Secured Notes, the Co-Issuers also entered into a revolving financing facility of Series 2012-1 Variable Funding Senior Notes, Class A-1 (the “Variable Funding Notes”), which allows for the funding of up to \$100 million of Variable Funding Notes and certain other credit instruments, including letters of credit. The Variable Funding Notes were issued under the Indenture and allow for drawings on a revolving basis. Drawings and certain additional terms related to the Variable Funding Notes are governed by the Class A-1 Note Purchase Agreement dated November 29, 2012 (the “Variable Funding Note Purchase Agreement”), among the Co-Issuers, Iconix, as manager, certain conduit investors, financial institutions and funding agents, and Barclays Bank PLC, as provider of letters of credit, as swingline lender and as administrative agent. The Variable Funding Notes will be governed, in part, by the Variable Funding Note Purchase Agreement and by certain generally applicable terms contained in the Indenture. Interest on the Variable Funding Notes will be payable at per annum rates equal to the CP Rate, Base Rate or Eurodollar Rate, as defined in the Variable Funding Note Purchase Agreement.

In February 2015, the Company received \$100 million proceeds from the Variable Funding Notes. There is a commitment fee on the unused portion of the Variable Funding Notes facility of 0.5% per annum. It is anticipated that any outstanding principal of and interest on the Variable Funding Notes will be repaid in full on or prior to January 2018. Following the anticipated repayment date, additional interest will accrue on the Variable Funding Notes equal to 5% per annum. The Variable Funding Notes and other credit instruments issued under the Variable Funding Note Purchase Agreement are secured by the collateral described below.

On June 21, 2013, the Co-Issuers issued \$275.0 million aggregate principal amount of Series 2013-1 4.352% Senior Secured Notes, Class A-2 (the “2013 Senior Secured Notes” and, together with the 2012 Senior Secured Notes, the “Senior Secured Notes”) in an offering exempt from registration under the Securities Act of 1933, as amended.

The Senior Secured Notes and the Variable Funding Notes are referred to collectively as the “Notes.” The Notes were issued in securitization transactions pursuant to which substantially all of Iconix’s United States and Canadian revenue-generating assets (the “Securitized Assets”), consisting principally of its IP and license agreements for the use

of its IP, were transferred to and are currently held by the Co-Issuers. The Securitized Assets do not include revenue generating assets of (x) the Iconix subsidiaries that own the Badgley Mischka trademark, the Ecko Unltd trademark, the Mark Ecko trademark, the Umbro trademark and the Lee Cooper trademark, (y) the Iconix subsidiaries that own Iconix's other brands outside of the United States and Canada or (z) the joint ventures in which Iconix and certain of its subsidiaries have investments and which own the Artful Dodger trademark, the Modern Amusement trademark and the Buffalo trademark.

The Notes were issued under a base indenture and related supplemental indentures (collectively, the "Indenture") among the Co-Issuers and Citibank, N.A., as trustee (in such capacity, the "Trustee") and securities intermediary. The Indenture allows the Co-Issuers to issue additional series of notes in the future subject to certain conditions.

While the Notes are outstanding, payments of interest are required to be made on the Senior Secured Notes on a quarterly basis. To the extent funds are available, principal payments in the amount of \$10.5 million and \$4.8 million are required to be made on the 2012 Senior Secured Notes and 2013 Senior Secured Notes, respectively, on a quarterly basis.

In June 2014, the Company sold the “sharperimage.com” domain name and the exclusive right to use the Sharper Image trademark in connection with the operation of a branded website and catalog distribution in specified jurisdictions, in which the Senior Secured Notes had a security interest pursuant to the Indenture. As a result of this permitted disposition, the Company paid an additional \$1.6 million in principal in July 2014. Additionally, in December 2016, the Company sold the rights to the Sharper Image brand and related intellectual property assets, in which the Senior Secured Notes had a security interest pursuant to the Indenture. As a result of this permitted disposition, the Company paid an additional \$36.7 million in principal in January 2017.

The legal final maturity date of the Senior Secured Notes is in January of 2043, but it is anticipated that, unless earlier prepaid to the extent permitted under the Indenture, the Senior Secured Notes will be repaid in January of 2020. If the Co-Issuers have not repaid or refinanced the Senior Secured Notes prior to the anticipated repayment date, additional interest will accrue on the Senior Secured Notes equal to the greater of (A) 5% per annum and (B) a per annum interest rate equal to the excess, if any, by which the sum of (i) the yield to maturity (adjusted to a quarterly bond-equivalent basis), on the anticipated repayment date of the United States treasury security having a term closest to 10 years plus (ii) 5% plus (iii) with respect to the 2012 Senior Secured Notes, 3.4%, or with respect to the 2013 Senior Secured Notes, 3.14%, exceeds the original interest rate. The Senior Secured Notes rank pari passu with the Variable Funding Notes.

Pursuant to the Indenture, the Notes are the joint and several obligations of the Co-Issuers only. The Notes are secured under the Indenture by a security interest in substantially all of the assets of the Co-Issuers (the “Collateral”), which includes, among other things, (i) IP assets, including the U.S. and Canadian registered and applied for trademarks for the following brands and other related IP assets: Candie’s, Bongo, Joe Boxer (excluding Canadian trademarks, none of which are owned by Iconix), Rampage, Mudd, London Fog (other than the trademark for outerwear products sold in the United States), Mossimo, Ocean Pacific and OP, Danskin and Danskin Now, Rocawear, Starter, Waverly, Fieldcrest, Royal Velvet, Cannon, and Charisma; (ii) the rights (including the rights to receive payments) and obligations under all license agreements for use of those trademarks; (iii) the following equity interests in the following joint ventures: an 85% interest in Hardy Way LLC which owns the Ed Hardy brand, a 50% interest in MG Icon LLC which owns the Material Girl and Truth or Dare brands, a 100% interest in ZY Holdings LLC which owns the Zoo York brand, and an 80% interest in Peanuts Holdings LLC which owns the Peanuts brand and characters; and (iv) certain cash accounts established under the Indenture.

If the Company contributes a newly organized, limited purpose, bankruptcy remote entity (each an “Additional IP Holder” and, together with the Co-Issuers, the “Securitization Entities”) to Icon Brand Holdings LLC or Icon DE Intermediate Holdings LLC, that Additional IP Holder will enter into a guarantee and collateral agreement in a form provided for in the Base Indenture pursuant to which such Additional IP Holder will guarantee the obligations of the Co-Issuers in respect of any Notes issued under the Base Indenture and the other related documents and pledge substantially all of its assets to secure those guarantee obligations pursuant to a guarantee and collateral agreement.

Neither the Company nor any subsidiary of the Company, other than the Securitization Entities, will guarantee or in any way be liable for the obligations of the Co-Issuers under the Indenture or the Notes.

The Notes are subject to a series of covenants and restrictions customary for transactions of this type, including (i) that the Co-Issuers maintain specified reserve accounts to be used to make required payments in respect of the Notes, (ii) provisions relating to optional and mandatory prepayments, including mandatory prepayments in the event of a change of control (as defined in the supplemental indentures) and the related payment of specified amounts, including specified make-whole payments in the case of the Senior Secured Notes under certain circumstances, (iii) certain indemnification payments in the event, among other things, the transfers of the assets pledged as collateral for the Notes are in stated ways defective or ineffective and (iv) covenants relating to recordkeeping, access to information and similar matters. The Company was in compliance with all covenants under the Notes during FY 2016 and FY



2015.

The Notes are also subject to customary rapid amortization events provided for in the Indenture, including events tied to (i) the failure to maintain a stated debt service coverage ratio, which tests the amount of net cash flow generated by the assets of the Co-Issuers against the amount of debt service obligations of the Co-Issuers (including any commitment fees and letter of credit fees with respect to the Variable Funding Notes, due and payable accrued interest, and due and payable scheduled principal payments on the Senior Secured Notes), (ii) certain manager termination events, (iii) the occurrence of an event of default and (iv) the failure to repay or refinance the Notes on the anticipated repayment date. If a rapid amortization event were to occur, Icon DE Intermediate Holdings LLC and Icon Brand Holdings LLC would be restricted from declaring or paying distributions on any of its limited liability company interests.

The Company used approximately \$150.4 million of the proceeds received from the issuance of the 2012 Senior Secured Notes to repay amounts outstanding under its revolving credit facility (see below) and approximately \$20.9 million to pay the costs associated with the 2012 Senior Secured Notes financing transaction. In addition, approximately \$218.3 million of the proceeds from

43

---

the 2012 Senior Secured Notes were used for the Company's purchase of the Umbro brand. The Company used approximately \$7.2 million of the proceeds received from the issuance of the 2013 Senior Secured Notes to pay the costs associated with the 2013 Senior Secured Notes securitized financing transaction.

As of December 31, 2016, the total principal balance of the Notes is \$751.8 million, of which \$95.2 million is included in the current portion of long-term debt on the consolidated balance sheet. As a result of the sale of the Sharper Image intellectual property and related assets, the Company made a mandatory principal prepayment on the Senior Secured Notes of \$36.7 million in January 2017. This principal prepayment has been included in the current portion of long-term debt on the Company's consolidated balance sheet as of December 31, 2016. Refer to Note 20 in Notes to Consolidated Financial Statements for further details. As of December 31, 2016 and December 31, 2015, \$112.4 million and \$48.7 million, respectively is included in restricted cash on the consolidated balance sheet and represents short-term restricted cash consisting of collections on behalf of the Securitized Assets, restricted to the payment of principal, interest and other fees on a quarterly basis under the Senior Secured Notes.

#### 1.50% Convertible Notes.

On March 18, 2013, the Company completed the issuance of \$400.0 million principal amount of the Company's 1.50% convertible senior subordinated notes due March 15, 2018 ("1.50% Convertible Notes") in a private offering to certain institutional investors. The net proceeds received by the Company from the offering, excluding the net cost of hedges and sale of warrants (described below) and including transaction fees, were approximately \$390.6 million. At December 31, 2016, the net balance of the 1.50% Convertible Notes was \$277.5 million, which reflects the net debt carrying value in accordance with accounting for convertible debt instruments that may be settled in cash upon conversion. However, the principal amount owed to the 1.50% Convertible Note holders is \$295.1 million after taking into effect the \$104.9 million of repurchases of the 1.50% Convertible Notes as discussed in Note 6 in the Notes to Consolidated Financial Statements.

Concurrently with the sale of the 1.50% Convertible Notes, we purchased note hedges for approximately \$84.1 million and issued warrants to the hedge counterparties for proceeds of approximately \$57.7 million. These transactions will generally have the effect of increasing the conversion price of the 1.50% Convertible Notes (by 100% based on the price of our common stock at the time of the offering). As a result of these transactions, we recorded an increase to additional paid-in-capital of \$3.0 million. These note hedges and warrants are separate and legally distinct instruments that bind only us and the counterparties thereto and have no binding effect on the holders of the 1.50% Convertible Notes.

We utilized a portion of the proceeds of the 1.50% Convertible Notes as follows: approximately \$69.0 million was used to repurchase 2,964,000 shares of the Company in a private transaction with a third party, and approximately \$26.4 million was the net payment for the related convertible note hedge. There are no covenants for this debt obligation.

#### 2.50% Convertible Notes.

In May 2011, the Company completed the issuance of \$300.0 million principal amount of our 2.50% convertible senior subordinated notes due June 2016, herein referred to as our 2.50% Convertible Notes, in a private offering to certain institutional investors from which we received net proceeds, after transaction fees, of approximately \$291.6 million. In April 2016, the Company repurchased \$143.9 million par value of the 2.50% Convertible Notes for \$145.6 million in cash (including interest and trading fees). The remaining outstanding balance of the 2.50% Convertible Notes, in an amount equal to \$156.1 million, was repaid on June 1, 2016 (the maturity date). Refer to Note 6 in the Notes to the Consolidated Financial Statements for further details.

Concurrently with the sale of the 2.50% Convertible Notes, we purchased note hedges for approximately \$58.7 million and issued warrants to the hedge counterparties for proceeds of approximately \$28.8 million. These transactions generally had the effect of increasing the conversion price of the 2.50% Convertible Notes (by 100% based on the price of our common stock at the time of the offering). As a result of these transactions, we recorded a reduction to additional paid-in-capital of \$9.4 million. These note hedges and warrants were separate and legally distinct instruments that bound only us and the counterparties thereto and had no binding effect on the holders of the 2.50% Convertible Notes.

We utilized a portion of the proceeds of the 2.50% Convertible Notes as follows: approximately \$112.6 million was used to extinguish the outstanding obligation under a term loan facility, and approximately \$29.9 million was the net payment for the related convertible note hedge.

#### Senior Secured Term Loan

On March 7, 2016, the Company through its wholly-owned subsidiary, IBG Borrower (“IBG Borrower”) entered into a \$300 million senior secured term loan (the “Credit Agreement”), whereby the Company and certain wholly-owned subsidiaries of IBG

Borrower will serve as guarantors, Cortland Capital Market Services LLC will serve as administrative agent and collateral agent and the lenders party thereto from time to time, including CF ICX LLC and Fortress Credit Co LLC. Among other customary conditions, the closing is conditioned on the transfer of specified assets of the Company to be held by IBG Borrower and the execution of customary account control agreements. Refer to Note 6 in the Notes to Consolidated Financial Statements for further details.

The net cash proceeds of the Senior Secured Term Loan, which were approximately \$264.2 million (after deducting financing, investment banking and legal fees), were, pursuant to the terms of the Credit Agreement, deposited by the lenders into an escrow account on April 4, 2016. IBG Borrower deposited into the escrow account certain additional funds, so that the total amount of cash on deposit in the escrow account was sufficient to pay all outstanding obligations, plus accrued interest, under the Company's 2.50% Convertible Notes due June 2016. In accordance with the terms of the Senior Secured Term Loan, the funds in the escrow account were used to pay the 2.50% Convertible Notes on or before their maturity, with any remaining funds going forward general corporate purposes permitted under the terms of the Credit Agreement.

In connection with the Credit Agreement, IBG Borrower, the Company and the other Guarantors have made customary representation and warranties. In addition to adhering with certain customary affirmative covenants, IBG Borrower established a lock-box account, and IBG Borrower, the Company and the other Guarantors entered into account control agreements on certain deposit accounts. The Credit Agreement also mandates that IBG Borrower, the Company and the other Guarantors maintain and allow appraisals of their intellectual property, perform under the terms of certain licenses and other agreements scheduled in the Credit Agreement and report significant changes to or terminations of licenses generating guaranteed minimum royalties of more than \$5 million. IBG Borrower must satisfy a minimum asset coverage ratio of 1.25:1.00 and maintain a leverage ratio of no greater than 4.50:1.00. The Company has been compliant with all covenants under the Senior Secured Term Loan from inception through December 31, 2016.

In December 2016, in conjunction with the sale of the Sharper Image brand and in accordance with the Credit Agreement, the Company made a mandatory principal prepayment of \$28.8 million. Additionally, in January 2017, the Company made an additional mandatory prepayment of \$23.5 million and a voluntary prepayment of \$23.0 million both of which have been classified as current portion of long-term debt in the Company's consolidated balance sheet as of December 31, 2016. Refer to Note 6 in the Notes to the Consolidated Financial Statements for further details.

The following is a summary of contractual cash obligations, including interest for the periods indicated that existed as of December 31, 2016:

|                                    | 2017            | 2018      | 2019      | 2020      | 2021      | Thereafter | Total       |
|------------------------------------|-----------------|-----------|-----------|-----------|-----------|------------|-------------|
|                                    | (000's omitted) |           |           |           |           |            |             |
| Senior Secured Notes               | \$95,203        | \$57,685  | \$57,685  | \$57,685  | \$57,685  | \$325,841  | \$651,784   |
| 1.50% Convertible Notes            | —               | 295,050   | —         | —         | —         | —          | 295,050     |
| Variable Funding Notes             | —               | 100,000   | —         | —         | —         | —          | 100,000     |
| Senior Secured Term Loan           | 65,232          | 15,000    | 15,000    | 15,000    | 153,488   | —          | 263,720     |
| Operating leases                   | 2,426           | 2,202     | 2,099     | 2,158     | 2,033     | 5,251      | 16,169      |
| Employment contracts               | 1,000           | 1,000     | 152       | —         | —         | —          | 2,152       |
| Interest                           | 58,328          | 50,005    | 40,565    | 36,417    | 19,338    | 38,332     | 242,985     |
| Total contractual cash obligations | \$222,189       | \$520,942 | \$115,501 | \$111,260 | \$232,544 | \$369,424  | \$1,571,860 |

Other Factors

We continue to seek to expand and diversify the types of licensed products being produced under our various brands, as well as diversify the distribution channels within which licensed products are sold, in an effort to reduce dependence on any particular retailer, consumer or market sector. The success of our Company, however, remains largely dependent on our ability to build and maintain brand awareness and contract with and retain key licensees and on our licensees' ability to accurately predict upcoming trends within their respective customer bases and fulfill the product requirements of their particular distribution channels within the global marketplace. Unanticipated changes in consumer fashion preferences, slowdowns in the global economy, changes in the prices of supplies, consolidation of retail establishments, and other factors noted in "Risk Factors," could adversely affect our licensees' ability to meet and/or exceed their contractual commitments to us and thereby adversely affect our future operating results.

We market and license our brands outside the United States and many of our licensees are located, and joint ventures operate, outside the United States. As a key component of our business strategy, we intend to expand our international sales, including, without limitation, through joint ventures. Tariffs, trade protection measures, import or export licensing requirements, trade embargoes, sanctions and other trade barriers; less effective and less predictable protection and enforcement of intellectual property; changes in

the political or economic condition of a specific country or region; fluctuations in the value of foreign currency versus the U.S. dollar and the cost of currency exchange; and potentially adverse tax consequences, and other factors noted in “Risk Factors,” could adversely affect our licensees’ and International Joint Ventures future operating results.

#### Effects of Inflation

We do not believe that the relatively moderate rates of inflation experienced over the past few years in the United States, where we primarily compete, have had a significant effect on revenues or profitability. If there was an adverse change in the rate of inflation by less than 10%, the expected effect on net income would be immaterial.

#### New Accounting Standards

Refer to Note 1 in the Notes to the Consolidated Financial Statements for new accounting standards.

#### Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements in conformity with GAAP requires management to exercise its judgment. We exercise considerable judgment with respect to establishing sound accounting policies and in making estimates and assumptions that affect the reported amounts of our assets and liabilities, our recognition of revenues and expenses, and disclosure of commitments and contingencies at the date of the financial statements. On an on-going basis, we evaluate our estimates and judgments. We base our estimates and judgments on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. While we believe that the factors we evaluate provide us with a meaningful basis for establishing and applying sound accounting policies, we cannot guarantee that the results will always be accurate. Since the determination of these estimates requires the exercise of judgment, actual results could differ from such estimates.

Our significant accounting policies are more fully described in Note 1 to our consolidated financial statements. We believe, however, the following critical accounting policies, among others, affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

#### Revenue Recognition

We have entered into various trade name license agreements that provide revenues based on minimum royalties and advertising/marketing fees and additional revenues based on a percentage of defined sales. Minimum royalty and advertising/marketing revenue is recognized on a straight-line basis over the term of each contract year, as defined, in each license agreement. Royalties exceeding the defined minimum amounts are recognized as income during the period corresponding to the licensee’s sales. Payments received as consideration for the grant of a license or advanced royalty payments are recognized ratably as revenue over the term of the license agreement and are reflected on the Company’s consolidated balance sheets as deferred license revenue at the time payment is received and recognized ratably as revenue over the term of the license agreement. Revenue is not recognized unless collectability is reasonably assured. If licensing arrangements are terminated prior to the original licensing period, we will recognize revenue for any contractual termination fees, unless such amounts are deemed non-recoverable.

#### Gains on sale of trademarks

We sell a brand’s territories and/or categories through joint venture transactions which is a central and ongoing part of our business. Since our goal is to maximize the value of the IP, we evaluate sale opportunities by comparing whether

the offer is more valuable than the current and potential revenue stream in the Company's traditional licensing model. Further, as part of the Company's evaluation process, it will also look at whether or not the buyer's future development of the brand could help expand the brands global recognition and revenue. The Company considers, among others, the following guidance in determining the appropriate accounting and gains recognized from the initial sale of our brands/trademarks to our joint ventures: ASC 323, Investments—Equity Method and Joint Venture, ASC 605, Revenue Recognition , ASC 810, Consolidations , and ASC 845, Nonmonetary Transactions - Exchanges Involving Monetary Consideration.

Additionally, the Company determines the cost of the trademarks sold by determining the relative fair market value of the proceeds received in the transaction to the relative fair value of the trademarks on the Company's consolidated balance sheet at the time of the transaction.

#### Allowance for doubtful accounts

We evaluate our allowance for doubtful accounts and estimate collectability of accounts receivable based on our analysis of historical bad debt experience in conjunction with our assessment of the financial condition of individual licensees with which we do business. In times of domestic or global economic turmoil, our estimates and judgments with respect to the collectability of our receivables are subject to greater uncertainty than in more stable periods.

#### Impairment of Long-Lived Assets and Intangibles

Long-lived assets, representing predominantly trademarks related to the Company's brands, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Indefinite lived intangible assets are tested for impairment on an annual basis (October 1 for the Company) and between annual tests if an event occurs or circumstances change that indicate that the carrying amount of the indefinite lived intangible asset may not be recoverable. When conducting its annual indefinite lived intangible asset impairment assessment, the Company initially performs a qualitative evaluation of whether it is more likely than not that the asset is impaired. If it is determined by a qualitative evaluation that it is more likely than not that the asset is impaired, the Company then tests the asset for recoverability. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Assumptions used in our fair value estimates are as follow: (i) discount rates; (ii) royalty rates; (iii) projected average revenue growth rates; (iv) contractually guaranteed minimum revenues; and (v) projected long-term growth rates. The testing also factors in economic conditions and expectations of management and may change in the future based on period-specific facts and circumstances. During FY 2016, the Company recognized a non-cash impairment charge of \$424.9 million for indefinite-lived intangibles across all segments. During FY 2015, the Company recognized a non-cash impairment charge of \$402.4 million for indefinite-lived intangibles, which, when taking in to consideration the Company's new operating segments identified in the fourth quarter of FY 2016, was in the men's, women's, home and international segments. During FY 2014, there was no write-down from impairments. See Note 2 for further information.

#### Goodwill

Goodwill is tested for impairment at the reporting unit level (the Company has five operating segments: women's, men's, home, entertainment and international) on an annual basis (in the Company's fourth fiscal quarter) and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. The Company considers its market capitalization and the carrying value of its assets and liabilities, including goodwill, when performing its goodwill impairment test. When conducting its annual goodwill impairment assessment, the Company initially performs a qualitative evaluation of whether it is more likely than not that goodwill is impaired. If it is determined by a qualitative evaluation that it is more likely than not that goodwill is impaired, the Company then applies a two-step impairment test. The two-step impairment test first compares the fair value of the Company's reporting unit to its carrying or book value. If the fair value of the reporting unit exceeds its carrying value, goodwill is not impaired and the Company is not required to perform further testing. If the carrying value of the reporting unit exceeds its fair value, the Company determines the implied fair value of the reporting unit's goodwill and if the carrying value of the reporting unit's goodwill exceeds its implied fair value, then an impairment loss equal to the difference is recorded in the consolidated statement of operations. During the fourth quarter of FY 2016, the Company recognized a non-cash impairment charge of \$18.3 million for goodwill in the men's segment. As of December 31, 2015, the Company recognized a non-cash impairment charge of \$35.1 million for goodwill which, when taking in to consideration the Company's new operating segments identified during the fourth



quarter of FY 2016, was in the men's segment and international segment. During FY 2014, there was no write-down from impairment. See Note 1 – Summary of Significant Accounting Policies in Notes to Consolidated Financial Statements for further detail.

#### Variable Interest Entities

In accordance with the variable interest entities (“VIE”) sub-section of ASC 810, Consolidation, we perform a formal assessment at each reporting period regarding whether the Company is considered the primary beneficiary of a VIE based on the power to direct activities that most significantly impact the economic performance of the entity and the obligation to absorb losses or rights to receive benefits that could be significant to the VIE.

### Business combinations

We allocate the purchase price of acquired companies to the tangible and intangible assets acquired, and liabilities assumed based on their estimated fair values. Such a valuation requires management to make significant estimates and assumptions, especially with respect to intangible assets. The results of operations for each acquisition are included in our financial statements from the date of acquisition.

We account for business acquisitions as purchase business combinations in accordance with ASC 805, Business Combinations (“ASC 805”). The fundamental requirement of ASC 805 is that the acquisition method of accounting be used for all business combinations.

Management estimates fair value based on assumptions believed to be reasonable. These estimates are based on historical experience and information obtained from the management of the acquired companies. Critical estimates in valuing certain intangible assets include, but are not limited to: future expected cash flows; acquired developed technologies and patents; the acquired company’s brand awareness and market position, as well as assumptions about the period of time the acquired brand will continue to be used in our product portfolio; and discount rates.

### Stock-Based Compensation

We account for stock-based compensation under ASC 718, Compensation—Stock Compensation, which requires companies to measure and recognize compensation expense for all stock-based payments at fair value.

### Income Taxes

Income taxes are calculated in accordance with ASC Topic 740-10, Income Taxes (“ASC 740-10”), which requires the use of the asset and liability method. Deferred tax assets and liabilities are recognized based on the difference between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using current enacted tax rates in effect in the years in which those temporary differences are expected to reverse. Inherent in the measurement of deferred balances are certain judgments and interpretations of enacted tax law and published guidance with respect to applicability to the Company’s operations. The effective tax rate utilized by the Company reflects management’s judgment of the expected tax liabilities within the various taxing jurisdictions.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, net operating loss carryback potential, and tax planning strategies in making these assessments.

The Company adopted guidance under ASC 740 as it relates to uncertain tax positions. The implementation of this guidance did not have a significant impact on our financial position or results of operations. We are continuing our practice of recognizing interest and penalties related to income tax matters in income tax expense.

### Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We limit exposure to foreign currency fluctuations by requiring the majority of our licenses to be denominated in U.S. dollars. Certain other licenses are denominated in Japanese Yen and the Euro. To mitigate interest rate risks, we have, from time to time, purchased derivative financial instruments such as forward contracts to convert certain portions of our revenue and cash received in foreign currencies to fixed exchange rates. If there were an adverse change in the exchange rate from Japanese Yen to U.S. dollars or the Euro to U.S. dollars of less than 10%, the expected effect on net income would be immaterial.

Moreover, in connection with the warrant transactions with the counterparties related to our 1.50% Convertible Notes, to the extent that the price of our common stock exceeds the strike price of the warrants, the warrant transactions could have a dilutive effect on our earnings per share. The effect, if any, of these transactions and activities on the trading price of our common stock will depend in part on market conditions and cannot be ascertained at this time, but any of these activities could adversely affect the value of our common stock.

#### Item 8. Financial Statements and Supplementary Data

The financial statements and supplementary data required to be submitted in response to this Item 8 are set forth after Part IV, Item 15 of this report.

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

Not applicable.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial and accounting officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K (December 31, 2016). Based upon that evaluation, our principal executive officer and principal financial and accounting officer have concluded due to a material weakness in internal control over financial reporting described below, our disclosure controls and procedures were not effective as of December 31, 2016.

The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 ("Exchange Act"), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

Refer to Management's Annual Report on Internal Control over Financial Reporting for changes in internal controls over financial reporting for the year ended December 31, 2016.

Limitation on Effectiveness of Controls

Management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and fraud. Any control system, no matter how well conceived, designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

Management's Annual Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15(d)-15(f) under the Exchange Act. The Company's internal control over financial reporting is a process designed by, or under the supervision of, our principal executive officer and principal

financial and accounting officer, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US GAAP. Internal control over financial reporting includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with US GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorization of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

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

Our management, under the supervision of our principal executive officer and principal financial and accounting officer, conducted an evaluation of the effectiveness of our internal controls over financial reporting based on the framework in Internal

Control – Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that all material weaknesses which existed at December 31, 2015, were remediated as of December 31, 2016. However, management concluded that certain management review controls related to our statement of cash flows and our intangible asset impairment testing were not adequate as the controls in place failed to detect certain material errors.

As a result of these material weaknesses, management concluded that our internal controls over financial reporting were not effective as of December 31, 2016. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

Our independent registered public accounting firm, BDO USA LLP (“BDO”), have issued their report on our internal controls over financial reporting as of December 31, 2016, which appears in this item 9A.

#### Remediation Actions

In 2017, additional review procedures will be performed by the Senior Vice President-Finance and the Chief Financial Officer and certain additional control procedures will be adopted to mitigate the material weaknesses noted above.

In 2015, material weaknesses were identified in certain of the Company’s review and other controls, which have been enumerated in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015, as amended. In 2016, the current senior management team was dedicated to continuing its initiative to implement and document policies, procedures, and internal controls, for strengthening the internal control environment. Such actions were also performed with Audit Committee oversight. In 2015 and 2016, remediation actions included the following:

- Hired a new President (February 2016) who became the Chief Executive Officer in April 2016; who has taken an active role in closely monitoring the Company’s policies and internal controls.
- When the new President became Chief Executive Officer in April 2016, the positions of Chief Executive Officer and Board Chairman were separated.
- Hired a Director of Internal Audit, a Vice President of Tax and a Director of Financial Reporting in 2016. All individuals are Certified Public Accountants. The Director of Internal Audit reports directly to the Audit Committee.
- Retained a third party international accounting firm to assist with internal audit activities at the direction of our Director of Internal Audit.
- Reorganized the Accounting department and hired additional accounting employees to enhance the control environment.
- Addressed internal control weaknesses identified by the Special Committee, external auditors, and the senior management team. In certain areas, internal controls were in place but not documented. Accordingly, throughout 2016, the Company formally documented processes and internal controls in key financial reporting areas, including the review of license agreements, cash disbursements, account reconciliations/analysis, journal entries and review of financial statements. Where applicable, these processes and internal controls were complimented with the development and implementation of use of forms and documents.
- A formal process for the identification of related party transactions was developed in the first and second quarter of 2016 which included a list of related parties/affiliated entities, and respective internal controls for confirming the accuracy of the list on a go-forward basis.
- The Company’s Disclosure Committee utilized a “sub-certification process”, the purpose of which was to review all regulatory filings to help ensure the completeness and accuracy of disclosures.

The Company's current Code of Conduct was updated to be more explicit regarding the importance of business personnel communicating information to the Chief Financial Officer and the General Counsel. In addition, the Code of Conduct was updated to be more explicit requiring that all material terms and conditions of all business or financial transactions, licenses, joint ventures, agreements, commitments or other arrangements involving the Company must be in writing.

Established annual training for all Independent Directors, management and key non-management personnel around the Code of Conduct and other company policies. Annual certifications of compliance with the Code of Conduct and other company policies are required.

50

---

Management has determined that the remediation actions discussed above were effectively designed and demonstrated effective operation for a sufficient period to enable the Company to conclude that the 2015 material weaknesses related to certain review and other controls have been remediated.

The principal executive officer and principal financial officer also conducted an evaluation of internal control over financial reporting, herein referred to as internal control, to determine whether any changes in internal control occurred during the three months ended December 31, 2016 that may have materially affected or which are reasonably likely to materially affect internal control. Based on that evaluation, there have been no other changes in the Company's internal control during the three months ended December 31, 2016 that has materially affected, or is reasonably likely to materially affect, the Company's internal control, except for the matters relating to our statement of cash flows and intangible asset impairment testing discussed above.

The foregoing has been approved by our current management team, including our Chief Executive Officer and Chief Financial Officer, who have been involved with the reassessment and analysis of our internal control over financial reporting.

The Audit Committee, which consists of independent, non-executive directors, will continue to meet regularly with management, the Director of Internal Audit, and the independent accountants to review accounting, reporting, auditing and internal control matters. The Audit Committee has direct and private access to the Director of Internal Audit and the external auditors, and will meet with each, separately, in executive sessions. The Company reviewed the results of management's assessment of its internal control over financial reporting with the Audit Committee of the Board of Directors and they agreed with the conclusions.



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders

Iconix Brand Group, Inc.

New York, New York

We have audited Iconix Brand Group, Inc. and Subsidiaries' internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Iconix Brand Group Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Annual Report on Internal Control Over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and described in Management's Assessment. These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2016 financial statements.

✦ inadequate management review controls resulting in errors in the statement of cash flows.

✦ inadequate management review controls resulting in errors in the calculation of impairment charges to intangibles and goodwill.

In our opinion, Iconix Brand Group, Inc. did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We do not express an opinion or any other form of assurance on management's statements referring to any corrective actions taken by the Company after the date of management's assessment.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Iconix Brand Group, Inc. as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2016 and our report dated March 15, 2017 expressed an unqualified opinion thereon.

/s/ BDO USA LLP

New York, New York

March 15, 2017

52

---

Item 9B. Other Information

None.

53

---

### PART III

#### Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item concerning our directors, executive officers and certain corporate governance matters is incorporated by reference from our definitive proxy statement relating to our Annual Meeting of Stockholders to be held in 2017 (“2017 Definitive Proxy Statement”) to be filed with the SEC.

#### Code of Business Conduct

We have adopted a written code of business conduct that applies to our officers, directors and employees. Copies of our code of business conduct are available, without charge, upon written request directed to our corporate secretary at Iconix Brand Group, Inc., 1450 Broadway, New York, NY 10018.

#### Item 11. Executive Compensation

The information required under this item is hereby incorporated by reference from our 2017 Definitive Proxy Statement to be filed with the SEC.

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

The information required under this item is hereby incorporated by reference from our 2017 Definitive Proxy Statement to be filed with the SEC.

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

The information required under this item is hereby incorporated by reference from our 2017 Definitive Proxy Statement to be filed with the SEC.

Item 14. Principal Accounting Fees and Services

The information required under this item is hereby incorporated by reference from our 2017 Definitive Proxy Statement to be filed with the SEC.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Documents included as part of this Annual Report

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

• Report of Independent Registered Public Accounting Firm

• Consolidated Balance Sheets—December 31, 2016 and December 31, 2015

• Consolidated Statements of Operations for the years ended December 31, 2016, 2015 and 2014

• Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2016, 2015 and 2014

• Consolidated Statements of Stockholders' Equity for the years ended December 31, 2016, 2015 and 2014

• Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014

• Notes to Consolidated Financial Statements

2. The following financial statement schedules are included in this Annual Report:

• Report of Independent Registered Public Accounting Firm on Financial Statement Schedule

• Schedule II Valuation and qualifying accounts

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

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

(b) See Item (a) 3 above.

(c) See Item (a) 2 above.

Item 16. Form 10-K Summary

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ICONIX BRAND GROUP, INC.

Date: March 15, 2017 By: /s/ John N. Haugh

John N. Haugh

President and Chief Executive Officer (Principal Executive Officer)

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

| Name                                   | Title   | Date              |
|--|---|-------------------|
| /s/ F. John N. Haugh<br>John N. Haugh  | Director, President and Chief Executive Officer<br>(Principal Executive Officer)                  | March<br>15, 2017 |
| /s/ David K. Jones<br>David K. Jones   | Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer) | March<br>15, 2017 |
| /s/ F. Peter Cuneo<br>F. Peter Cuneo   | Director, Chairman of the Board   | March<br>15, 2017 |
| /s/ Drew Cohen<br>Drew Cohen           | Lead Director   | March<br>15, 2017 |
| /s/ Mark Friedman<br>Mark Friedman     | Director  | March<br>15, 2017 |
| /s/ James A. Marcum<br>James A. Marcum | Director  | March<br>15, 2017 |
| /s/ Sue Gove<br>Sue Gove               | Director  | March<br>15, 2017 |
| /s/ Sanjay Khosla<br>Sanjay Khosla     | Director  | March<br>15, 2017 |

Sanjay Khosla

/s/ Kristen O'Hara      Director

March  
15, 2017

Kristen O'Hara

/s/ Kenneth Slutsky      Director

March  
15, 2017

Kenneth Slutsky



Index to Exhibits

Exhibit

Numbers Description

- 2.1 Contribution and Sale Agreement dated October 26, 2009 by and among the Company, IP Holder LLC, now known as IP Holdings Unltd LLC, Seth Gerszberg, Suchman LLC, Yakira, L.L.C., Ecko.Complex, LLC, Zoo York LLC and Zoo York THC LLC <sup>(1)</sup> +
- 2.2 Membership Interest Purchase Agreement dated as of March 9, 2010 by and between the Company and Purim LLC <sup>(2)</sup> +
- 2.3 Purchase Agreement dated as of April 26, 2010 by and among the Company, United Features Syndicate, Inc. and The E.W. Scripps Company <sup>(3)</sup> +
- 2.4 Asset Purchase Agreement dated April 26, 2011 by and among Hardy Way LLC, Nervous Tattoo, Inc. and Audigier Brand Management Group, LLC <sup>(4)</sup> +
- 2.5 Asset Purchase Agreement dated October 26, 2011 by and between the Company and Sharper Image Acquisition LLC <sup>(5)</sup> +
- 2.6 Asset Purchase Agreement dated October 24, 2012 by and among Iconix Brand Group, Inc., Umbro IP Holdings LLC, Iconix Luxembourg Holdings SÀRL, Umbro International Limited, Nike Global Services Pte. Ltd. and NIKE, Inc <sup>(6)</sup> +
- 3.1 Certificate of Incorporation, as amended<sup>(9)</sup>
- 3.2 Restated and Amended By-Laws<sup>(10)</sup>
- 3.3 Certificate of Designation, Preferences and Rights of Series B Junior Participating Preferred Stock of the Company<sup>(40)\*</sup>
- 4.1 Indenture, dated May 23, 2011, between the Company and The Bank of New York Mellon Trust, N.A.<sup>(11)</sup>
- 4.2 Global Note<sup>(11)</sup>
- 4.3 Base Indenture dated November 29, 2012<sup>(12)</sup>
- 4.4 Supplemental Indenture dated November 29, 2012<sup>(12)</sup>
- 4.5 Supplemental Indenture Series 2013-1 Supplement dated as of June 21, 2013<sup>(8)</sup>
- 4.6 Indenture 1.50% Convertible Senior Subordinated Notes Due 2018 dated as of March 18, 2013<sup>(39)</sup>
- 4.7 Global Note<sup>(39)</sup>

- 4.8 Rights Agreement dated as of January 27, 2016 between the Company and Continental Stock Transfer & Trust Company, as Rights Agent<sup>(40)</sup>
- 10.2 2000 Stock Option Plan of the Company<sup>(14)\*</sup>
- 10.3 2001 Stock Option Plan of the Company<sup>(15)\*</sup>
- 10.4 2002 Stock Option Plan of the Company<sup>(16)\*</sup>
- 10.5 Non-Employee Director Stock Incentive Plan<sup>(17)\*</sup>
- 10.6 401(K) Savings Plan of the Company<sup>(18)</sup>
- 10.7 The Company's 2006 Equity Incentive Plan and forms of options granted thereunder<sup>(19)\*</sup>
- 10.8 Form of Restricted Stock Agreement for officers under the Company's 2006 Equity Incentive Plan<sup>(20)\*</sup>
- 10.9 Form of Restricted Stock Agreement for Directors under the Company's 2006 Equity Incentive Plan<sup>(20)\*</sup>
- 10.10 Form of Option Agreement under the Company's 1997 Stock Option Plan<sup>(21)\*</sup>
- 10.11 Form of Option Agreement under the Company's 2000 Stock Option Plan<sup>(21)\*</sup>
- 10.12 Form of Option Agreement under the Company's 2001 Stock Option Plan<sup>(21)\*</sup>
- 10.13 Form of Option Agreement under the Company's 2002 Stock Option Plan<sup>(21)\*</sup>
- 10.14 Common Stock Purchase Warrant issued to UCC Consulting Corporation<sup>(22)</sup>
- 10.15 Note and Security Agreement dated November 7, 2007 made by Artful Holdings, LLC in favor of the Company<sup>(23)</sup>

Exhibit

| Numbers | Description  |
|---------|--|
| 10.16   | Lease dated as of November 12, 2007 with respect to the Company's Executive Offices <sup>(24)</sup>  |
| 10.17   | Iconix Brand Group, Inc. Executive Incentive Bonus Plan <sup>(25)*</sup>   |
| 10.18   | Form of restricted stock agreement under the 2009 Equity Incentive Plan <sup>(28)*</sup>   |
| 10.19   | Form of stock option agreement under the 2009 Equity Incentive Plan <sup>(28)*</sup>   |
| 10.20   | Employment Agreement dated February 26, 2009 between the Company and David Blumberg <sup>(29)*</sup>   |
| 10.21   | Restricted Stock Agreement with David Blumberg dated September 22, 2009 <sup>(29)*</sup>   |
| 10.22   | Purchase Agreement, dated May 17, 2011, among Iconix Brand Group, Inc., Barclays Capital Inc. and Goldman, Sachs & Co. <sup>(11)</sup>   |
| 10.23   | Confirmation of OTC Convertible Note Hedge, dated May 17, 2011, between the Company Inc. and Barclays Capital Inc., acting as agent for Barclays Bank PLC <sup>(11)</sup>  |
| 10.24   | Confirmation of OTC Convertible Note Hedge, dated May 17, 2011, between the Company and Goldman, Sachs & Co. <sup>(11)</sup>   |
| 10.25   | Confirmation of OTC Warrant Transaction, dated May 17, 2011, between the Company and Barclays Capital Inc., acting as agent for Barclays Bank PLC <sup>(11)</sup>  |
| 10.26   | Confirmation of OTC Warrant Transaction, dated May 17, 2011, between the Company and Goldman, Sachs & Co. <sup>(11)</sup>  |
| 10.27   | Confirmation of Additional OTC Convertible Note Hedge, dated May 18, 2011, between the Company and Barclays Capital Inc., acting as agent for Barclays Bank PLC <sup>(11)</sup>  |
| 10.28   | Confirmation of Additional OTC Convertible Note Hedge, dated May 18, 2011, between the Company and Goldman, Sachs & Co. <sup>(11)</sup>  |
| 10.29   | Confirmation of Additional OTC Warrant Transaction, dated May 18, 2011, between the Company and Barclays Capital Inc., acting as agent for Barclays Bank PLC <sup>(11)</sup>   |
| 10.30   | Confirmation of Additional OTC Warrant Transaction, dated May 18, 2011, between the Company and Goldman, Sachs & Co. <sup>(11)</sup>   |
| 10.31   | Revolving Credit Agreement dated as of November 22, 2011 among the Company, as Borrower, and the several banks and other financial institutions or entities from time to time parties thereto, Barclays Capital, the investment banking division of Barclays Bank PLC, Goldman Sachs Bank USA and GE Capital Markets, Inc., as Joint Lead Arrangers and Joint Bookrunners, Goldman Sachs Bank USA and GE Capital Markets, Inc., as Syndication Agents, Barclays Bank PLC, as Documentation Agent, and Barclays Bank PLC, as Administrative Agent <sup>(33)</sup> |

- 10.32 Guarantee and Collateral Agreement dated as of November 22, 2011 made by the Company and certain of its Subsidiaries in favor of Barclays Bank PLC, as Administrative Agent <sup>(33)</sup>
- 10.33 Employment Agreement dated March 5, 2012 between the Company and David Blumberg<sup>(34)\*</sup>
- 10.34 Class A-1 Note Purchase Agreement dated November 29, 2012 by and among Registrant, Co-Issuers, Certain Conduit Investors, Certain Financial Institutions, Certain Funding Agents, Barclays Bank PLC, as L/C Provider, Barclays Bank PLC as Swingline Lender and Barclays Bank PLC, as Administrative Agent <sup>(12)</sup>
- 10.35 Management Agreement dated November 29, 2012 by and among the Co-Issuers, Registrant and Citibank, N.A., as trustee <sup>(12)</sup>
- 10.36 Amendment to Employment Agreement entered into February 15, 2013 to be effective February 1, 2013 between the Company and David Blumberg <sup>(35) \*</sup>
- 10.37 PSU Agreement dated February 15, 2013 between Iconix Brand Group, Inc. and David Blumberg<sup>(35)\*</sup>
- 10.38 Form of RSU Agreement pursuant to the Amended and Restated 2009 Plan (Executive)<sup>(36)\*</sup>
- 10.39 Form of RSU Agreement pursuant to the Amended and Restated 2009 Plan (Non-Executive)<sup>(36)\*</sup>
- 10.40 Form of RSU Agreement pursuant to the Amended and Restated 2009 Plan (Non-employee Director)<sup>(36)\*</sup>
- 10.41 Amended and Restated 2009 Equity Incentive Plan<sup>(36)\*</sup>

58

---

Exhibit

| Numbers | Description  |
|---------|--|
| 10.42   | Clawback policy form of Acknowledgement <sup>(36)*</sup>   |
| 10.43   | Employment Agreement dated as of August 19, 2013 between the Company and Jason Schaefer <sup>(37)*</sup>   |
| 10.44   | Purchase Agreement dated March 12, 2013 between Iconix Brand Group, Inc. and Barclays Capital Inc. <sup>(39)</sup>   |
| 10.45   | Confirmation of OTC Convertible Note Hedge dated March 13, 2013 between Iconix Brand Group, Inc. and Barclays Capital Inc., acting as agent for Barclays Bank PLC <sup>(39)</sup>  |
| 10.46   | Confirmation of Additional OTC Convertible Note Hedge dated March 13, 2013 between Iconix Brand Group, Inc. and Barclays Capital Inc., acting as agent for Barclays Bank PLC <sup>(39)</sup>   |
| 10.47   | Confirmation of OTC Warrant Transaction dated March 13, 2013 between Iconix Brand Group, Inc. and Barclays Capital Inc., acting as agent for Barclays Bank PLC <sup>(39)</sup>   |
| 10.48   | Confirmation of Additional OTC Warrant Transaction dated March 13, 2013 between Iconix Brand Group, Inc. and Barclays Capital Inc., acting as agent for Barclays Bank PLC <sup>(39)</sup>  |
| 10.50   | Employment Agreement dated as of June 10, 2015 between the Company and David Jones <sup>(41)*</sup>  |
| 10.51   | Employment Agreement dated as of September 8, 2015 between the Company and F. Peter Cuneo. <sup>(45)*</sup>  |
| 10.52   | Employment Agreement dated as of February 18, 2016 between the Company and John Haugh <sup>(42)*</sup>   |
| 10.53   | Employment Agreement dated as of February 24, 2016 between the Company and David Blumberg <sup>(42)*</sup>   |
| 10.54   | Credit Agreement dated as of March 7, 2016 between IBG Borrower LLC, as the borrower (“IBG Borrower”), the Company and certain of IBG Borrower’s wholly-owned subsidiaries, as guarantors, Cortland Capital Market Services LLC, as administrative agent and collateral agent and the lenders party thereto from time to time, including CF ICX LLC and Fortress Credit Co LLC <sup>(43)</sup> |
| 10.55   | Facility Guaranty dated as of March 7, 2016 between the Company and certain wholly-owned subsidiaries of IBG Borrower LLC, as guarantors and Cortland Capital Market Services LLC, as administrative agent and collateral agent <sup>(43)</sup>  |
| 10.56   | Security Agreement dated as of March 7, 2016 between the Company, IBG Borrower LLC and certain of its wholly-owned subsidiaries, as Grantors, and Cortland Capital Market Services LLC, as Collateral Agent <sup>(43)</sup>  |
| 10.57   | 2015 Executive Incentive Plan <sup>(44)*</sup>   |
| 10.58   | Employment Agreement dated as of April 28, 2016 between the Company and Peter Cuneo <sup>(46)*</sup>   |
| 10.59   | Form of Exchange Agreement <sup>(47)</sup>   |

- 10.60 Form of Exchange Agreement<sup>(47)</sup>
- 10.61 Agreement dated as of September 26, 2016 by and among Iconix Brand Group, Inc., Huber Capital Management, LLC and Joseph R. Huber<sup>(48)</sup>
- 10.62 2016 Omnibus Incentive Plan<sup>(49)</sup>\*
- 10.63 Separation Agreement dated as of December 15, 2016 between the Company and David Blumberg<sup>++\*</sup>
- 10.64 Asset Purchase Agreement dated December 23, 2016 by and among Iconix Brand Group, Inc., 360 Holdings II-A LLC, Icon NY Holdings LLC, Iconix Latin America LLC and Sharper Image Holdings LLC<sup>++</sup>
- 10.65 Executive Severance Plan<sup>++\*</sup>
- 21 Subsidiaries of the Company<sup>++</sup>
- 23 Consent of BDO USA, LLP<sup>++</sup>
- 31.1 Certification of Chief Executive Officer Pursuant To Rule 13a-14 Or 15d-14 Of The Securities Exchange Act Of 1934, As Adopted Pursuant To Section 302 Of The Sarbanes-Oxley Act Of 2002<sup>++</sup>
- 31.2 Certification of Principal Financial Officer Pursuant To Rule 13a-14 Or 15d-14 Of The Securities Exchange Act Of 1934, As Adopted Pursuant To Section 302 Of The Sarbanes-Oxley Act of 2002<sup>++</sup>

59

---

Exhibit

Numbers Description

- 32.1 Certification of Chief Executive Officer Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 Of The Sarbanes-Oxley Act of 2002++
- 32.2 Certification of Principal Financial Officer Pursuant To 18 U.S.C. Section 1350, As Adopted pursuant To Section 906 Of The Sarbanes-Oxley Act Of 2002++

101.INS XBRL Instance Document++

101.SCH XBRL Schema Document++

101.CAL XBRL Calculation Linkbase Document ++

101.DEF XBRL Definition Linkbase Document++

101.LAB XBRL Label Linkbase Document++

101.PRE XBRL Presentation Linkbase Document++

- (1) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated October 30, 2009 and incorporated herein by reference.
- (2) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated March 9, 2010 and incorporated by reference herein.
- (3) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated April 26, 2010 and incorporated by reference herein.
- (4) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated April 26, 2011 and incorporated by reference herein.
- (5) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated October 26, 2011 and incorporated by reference herein.
- (6) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated November 30, 2012 and incorporated by reference herein.
- (7) [Intentionally omitted.]
- (8) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated June 21, 2013 and incorporated by reference herein.
- (9) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007 and incorporated by reference herein.
- (10) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated August 6, 2012 and incorporated by reference herein.
- (11) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated May 17, 2011 and incorporated by reference herein.
- (12) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated November 29, 2012 and incorporated by reference herein.
- (13) Intentionally omitted.
- (14)

Edgar Filing: ICONIX BRAND GROUP, INC. - Form 10-K

- Filed as Exhibit A to the Company's definitive Proxy Statement dated July 18, 2000 as filed on Schedule 14A and incorporated by reference herein.
- (15) Filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended January 31, 2002 and incorporated by reference herein.
- (16) Filed as Exhibit B to the Company's definitive proxy statement dated May 28, 2002 as filed on Schedule 14A and incorporated by reference herein.
- (17) Filed as Appendix B to the Company's definitive Proxy Statement dated July 2, 2001 as filed on Schedule 14A and incorporated by reference herein.
- (18) Filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended January 31, 2003 and incorporated by reference herein.
- (19) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated July 31, 2008 and incorporated by reference herein.
- (20) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 and incorporated by reference herein.
- (21) Filed as an exhibit to the Company's Transition Report on Form 10-K for the transition period from February 1, 2004 to December 31, 2004 and incorporated by reference herein.
- (22) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 and incorporated by reference herein.



- (23) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated November 7, 2007 and incorporated by reference herein.
- (24) Filed as an exhibit to the Company's Annual Report on Form 10-K for the period ended December 31, 2007 and incorporated by reference herein.
- (25) Filed as Annex B to the Company's Definitive Proxy Statement on Schedule 14A filed with the SEC on April 7, 2008 and incorporated by reference herein.
- (26) [Intentionally omitted.]
- (27) [Intentionally omitted.]
- (28) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 and incorporated herein by reference.
- (29) Filed as an exhibit to the Company's Report on Form 10-K for the year ended December 31, 2009 and incorporated by reference herein.
- (30) [Intentionally omitted.]
- (31) [Intentionally omitted.]
- (32) [Intentionally omitted.]
- (33) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated November 22, 2011 and incorporated by reference herein.
- (34) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated March 5, 2012 and incorporated by reference herein.
- (35) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated February 15, 2013 and incorporated by reference herein.
- (36) Filed as an exhibit to the Company's Annual Report on Form 10-K/A for the year ended December 31, 2012 and incorporated by reference herein.
- (37) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 and incorporated by reference herein.
- (38) [Intentionally omitted.]
- (39) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated March 12, 2013 and incorporated by reference herein.
- (40) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated January 27, 2016 and incorporated by reference herein,
- (41) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 and incorporated by reference herein.
- (42) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated February 18, 2016 and incorporated by reference herein.
- (43) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated March 7, 2016 and incorporated by reference herein.
- (44) Filed as Annex A to the Company's Definitive Proxy Statement dated October 23, 2015 as filed on Schedule 14A and incorporated by reference herein.
- (45) Filed as an exhibit to the Company's Report on Form 10-K for the year ended December 31, 2015 and incorporated by reference herein.
- (46) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 and incorporated by reference herein.
- (47) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated June 10, 2016 and incorporated by reference herein.
- (48) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated September 28, 2016 and incorporated by reference herein.
- (49) Filed as Annex A to the Company's Definitive Proxy Statement dated October 4, 2016 as filed on Schedule 14A and incorporated by reference herein.

\*Denotes management compensation plan or arrangement

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

++Filed herewith.

61

---

Annual Report on Form 10-K

Item 8, 15(a)(1) and (2), (c) and (d)

List of Financial Statements and Financial Statement Schedule

Year ended December 31, 2016

Iconix Brand Group, Inc. and Subsidiaries

Form 10-K

Index to Consolidated Financial Statements and Financial Statement Schedule

The following consolidated financial statements of Iconix Brand Group Inc. and subsidiaries are included in Item 15:

|  |    |
|--|----|
| <u>Report of Independent Registered Public Accounting Firm</u>   | 63 |
| <u>Consolidated Balance Sheets - December 31, 2016 and 2015</u>  | 64 |
| <u>Consolidated Statements of Operations for the years ended December 31, 2016, 2015 and 2014</u>                  | 65 |
| <u>Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2016, 2015 and 2014</u> | 66 |
| <u>Consolidated Statements of Stockholders' Equity for the years ended December 31, 2016, 2015 and 2014</u>        | 67 |
| <u>Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014</u>                  | 69 |
| <u>Notes to Consolidated Financial Statements</u>  | 71 |

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

|  |     |
|--|-----|
| <u>Report of Independent Registered Public Accounting Firm on Financial Statement Schedule</u> | 123 |
| <u>Schedule II Valuation and qualifying accounts</u>   | 124 |

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



Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders

Iconix Brand Group, Inc.

New York, New York

We have audited the accompanying consolidated balance sheets of Iconix Brand Group, Inc. and Subsidiaries (the “Company”) as of December 31, 2016 and 2015 and the related consolidated statements of operations, comprehensive income (loss), stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Iconix Brand Group, Inc. and Subsidiaries at December 31, 2016 and 2015, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Iconix Brand Group, Inc.’s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) our report dated March 15, 2017 expressed an adverse opinion thereon.

/s/ BDO USA, LLP

March 15, 2017

New York, New York

## Iconix Brand Group, Inc. and Subsidiaries

## Consolidated Balance Sheets

(in thousands, except par value)

|   | December<br>31,<br><br>2016 | December<br>31,<br><br>2015<br>(revised) |
|---|-----------------------------|--|
| <b>Assets</b>   |                             |  |
| <b>Current Assets:</b>  |                             |  |
| Cash and cash equivalents   | \$ 149,411                  | \$ 169,971                               |
| Restricted cash   | 177,269                     | 49,544                                   |
| Accounts receivable, net  | 85,187                      | 103,792                                  |
| Other assets – current  | 32,274                      | 44,116                                   |
| <b>Total Current Assets</b>   | <b>444,141</b>              | <b>367,423</b>                           |
| <b>Property and equipment:</b>  |                             |  |
| Furniture, fixtures and equipment   | 27,630                      | 24,138                                   |
| Less: Accumulated depreciation  | (18,285 )                   | (16,639 )                                |
|   | 9,345                       | 7,499                                    |
| <b>Other Assets:</b>  |                             |  |
| Other assets  | 19,224                      | 28,748                                   |
| Deferred income tax asset   | 884                         | —  |
| Trademarks and other intangibles, net   | 1,208,243                   | 1,696,524                                |
| Investments and joint ventures  | 99,399                      | 147,312                                  |
| Goodwill  | 224,279                     | 257,095                                  |
|   | 1,552,029                   | 2,129,679                                |
| <b>Total Assets</b>   | <b>\$2,005,515</b>          | <b>\$2,504,601</b>                       |
| <b>Liabilities, Redeemable Non-Controlling Interest and Stockholders' Equity</b>          |                             |  |
| <b>Current liabilities:</b>   |                             |  |
| Accounts payable and accrued expenses   | \$ 72,161                   | \$ 52,062                                |
| Deferred revenue  | 20,166                      | 29,161                                   |
| Current portion of long-term debt   | 160,435                     | 61,123                                   |
| Other liabilities – current   | 1,311                       | 3,571                                    |
| <b>Total current liabilities</b>  | <b>254,073</b>              | <b>145,917</b>                           |
| Deferred income tax liability   | 86,099                      | 181,193                                  |
| Other tax liabilities   | 5,243                       | 4,865                                    |
| Long-term debt, less current maturities   | 1,093,725                   | 1,388,269                                |
| Other liabilities   | 15,002                      | 19,550                                   |
| <b>Total Liabilities</b>  | <b>\$ 1,454,142</b>         | <b>\$ 1,739,794</b>                      |
| <b>Redeemable Non-Controlling Interests, net of installment payments due from</b>         |                             |  |
| non-controlling interest holders, redemption value of \$60,665 and \$64,935, respectively | 56,729                      | 48,646                                   |
| <b>Commitments and contingencies</b>  |                             |  |
| <b>Stockholders' Equity:</b>  |                             |  |

Edgar Filing: ICONIX BRAND GROUP, INC. - Form 10-K

|  |             |             |
|--|-------------|-------------|
| Common stock, \$.001 par value shares authorized 150,000;                                |             |             |
| shares issued 89,717 and 80,609, respectively  | 89          | 80          |
| Additional paid-in capital   | 1,033,729   | 974,021     |
| Retained earnings  | 254,915     | 514,761     |
| Accumulated other comprehensive loss   | (70,428 )   | (60,893 )   |
| Less: Treasury stock – 32,680 and 32,028 shares at cost, respectively                    | (842,952 )  | (837,179 )  |
| Total Iconix Brand Group, Inc. Stockholders' Equity                                      | 375,353     | 590,790     |
| Non-controlling interests, net of installment payments due from non-controlling interest |             |             |
| holders  | 119,291     | 125,371     |
| Total Stockholders' Equity   | \$494,644   | \$716,161   |
| Total Liabilities, Redeemable Non-Controlling Interest and Stockholders' Equity          | \$2,005,515 | \$2,504,601 |

See accompanying notes to consolidated financial statements

## Iconix Brand Group, Inc. and Subsidiaries

## Consolidated Statements of Operations

(in thousands, except earnings per share data)

|  | Year         | Year         | Year         |
|--|--------------|--------------|--------------|
|  | Ended        | Ended        | Ended        |
|  | December 31, | December 31, | December 31, |
|  | 2016         | 2015         | 2014         |
| Licensing revenue                            | \$ 368,461   | \$ 379,197   | \$ 391,490   |
| Selling, general and administrative expenses | 206,589      | 204,946      | 181,651      |
| Depreciation and amortization                | 3,461        | 4,720        | 7,135        |
| Equity earnings on joint ventures            | (3,578 )     | (5,330 )     | (11,325 )    |
| Gains on sale of trademarks, net             | (38,104 )    | —            | (6,399 )     |
| Goodwill impairment                          | 18,331       | 35,132       | —            |
| Trademark impairment                         | 424,890      | 402,392      | —            |
| Operating income (loss)                      | (243,128 )   | (262,663 )   | 220,428      |
| Other expenses (income):                     |              |              |              |
| Interest expense                             | 97,542       | 86,233       | 84,523       |
| Interest income                              | (1,580 )     | (4,230 )     | (3,711 )     |
| Other income, net                            | (17,508 )    | (50,904 )    | (29,239 )    |
| Loss on extinguishment of debt, net          | 5,903        | —            | —            |
| Foreign currency translation loss (gain)     | (1,484 )     | (9,488 )     | 1,745        |
| Other expenses – net                         | 82,873       | 21,611       | 53,318       |
| Income (loss) before income taxes            | (326,001     |              |              |