

ICONIX BRAND GROUP, INC.

Form 10-K/A

November 25, 2015

Table of Contents

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-K/A**

**(Amendment No. 2)**

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

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

**OR**

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

**FOR THE TRANSITION PERIOD FROM TO**

**001-10593**

**(Commission File Number)**

**ICONIX BRAND GROUP, INC.**

(Exact name of registrant as specified in its charter)

**Delaware** **11-2481903**  
(State or other jurisdiction of **(I.R.S. Employer**  
**incorporation or organization)** **Identification No.)**  
**1450 Broadway, New York, New York 10018**  
(Address of principal executive offices) (zip code)

**Registrant's telephone number, including area code: (212) 730-0030**

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

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

**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, 2014 was approximately \$2,062.5 million. As of November 20, 2015, 48,393,703 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 2015 and the Registrant's Amendment No. 1 on Form 10-K/A filed on April 30, 2015 are incorporated by reference in Items 10, 11, 12, 13 and 14 of Part III of this Form 10-K.

**Table of Contents**

**ICONIX BRAND GROUP, INC. - FORM 10-K**

**TABLE OF CONTENTS**

	<b>Page</b>
<b><u>PART I</u></b>	
Item 1. <u>Business</u>	1
Item 1A. <u>Risk Factors</u>	11
Item 1B. <u>Unresolved Staff Comments</u>	17
Item 2. <u>Properties</u>	17
Item 3. <u>Legal Proceedings</u>	17
Item 4. <u>Mine Safety Disclosures</u>	18
<b><u>PART II</u></b>	
Item 5. <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	18
Item 6. <u>Selected Financial Data</u>	19
Item 7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	20
Item 7A. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	33
Item 8. <u>Financial Statements and Supplementary Data</u>	33
Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	33
Item 9A. <u>Controls and Procedures</u>	33
Item 9B. <u>Other Information</u>	35
<b><u>PART III</u></b>	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	35
Item 11. <u>Executive Compensation</u>	35
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	35
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	35
Item 14. <u>Principal Accounting Fees and Services</u>	35
<b><u>PART IV</u></b>	
Item 15. <u>Exhibits, Financial Statement Schedules</u>	35
<b><u>Signatures</u></b>	
Consolidated Financial Statements	

## **Table of Contents**

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

### **EXPLANATORY NOTE    RESTATEMENT OF FINANCIAL INFORMATION**

Iconix Brand Group, Inc. (the Company) is filing this Amendment No. 2 on Form 10-K/A (the Amended Filing) to amend certain parts of its Annual Reports on Form 10-K for the years ended (i) December 31, 2013, originally filed with the U.S. Securities and Exchange Commission (SEC) on February 27, 2014 (the Original 2013 Filing) and (ii) December 31, 2014, originally filed with the SEC on March 2, 2015 (the Original 2014 Filing, and, together with the Original 2013 Filing, the Original Filings).

#### **Background and Effects of the Restatement**

As previously announced, a special committee (the Special Committee) of the Board of Directors (Board) of the Company has conducted a review of the accounting treatment related to certain transactions. Based on the Special Committee's review and additional review by the Audit Committee (the Audit Committee) of the Board and the Company's current management team, on October 30, 2015, the Board, the Audit Committee and the Company's current management team concluded that the Company will restate its historical financial statements in respect of (i) the fourth quarter and 2013 fiscal year, (ii) the 2014 fiscal year and each quarterly period thereof and (iii) the first and second quarters of 2015 (the Restatement Periods) to correct certain errors in accounting. These restatements include the correction of errors regarding (i) the classification of contractually obligated expenses, retail support and other costs as selling, general and administrative expenses, as opposed to netting such expenses against licensing or other revenue, as applicable, (ii) inadequate support for revenue recognition relating to certain license agreements, and (iii) inadequate estimation of accruals related to retail support for certain license agreements. The Company will be filing Amended Forms 10-Q with respect to the first and second quarters of 2015 to address such errors in accounting. Additionally, this Amendment No. 2 on Form 10-K/A is revising segment disclosures with respect to the periods presented in this report.

#### **Internal Control Over Financial Reporting**

Management has reassessed its evaluation of the effectiveness of its internal control over financial reporting as of December 31, 2014, based on the framework established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. As a result of that reassessment, management identified a material weakness and, accordingly, has concluded that the Company did not maintain effective internal control over financial reporting as of December 31, 2014. Management has restated its report on internal control over financial reporting as of December 31, 2014. For a description of the material weakness in internal control over financial reporting and actions taken, and to be taken, to address the material weakness, see Part II, Item 9A. Controls and Procedures of this 2014 Annual Report on Form 10-K/A. In addition, our auditors have restated their report on the Company's internal control over financial reporting and issued an adverse opinion.

**Table of Contents**

Items Amended in This Filing

This Amended Filing amends and restates the following items of the Company's Original Filing as of, and for the years ended December 31, 2014, 2013 and 2012.

Part II Item 6. Selected Financial Data

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

Part II Item 8. Financial Statements and Supplementary Data

Part II Item 9A. Controls and Procedures

Part IV Item 15. Exhibits and Financial Statement Schedules

Additionally, conforming changes occur throughout the document because of changes to the financial statements.

In accordance with applicable SEC rules, this Amended Filing includes certifications as required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended from the Company's Principal Executive Officer and Principal Financial Officer dated as of the date of this Amended Filing.

Except for the items noted above, no other information included in the Original Filing is being amended by this Amended Filing. The Amended Filing speaks as of the date of the Original Filing and the Company has not updated the Original Filing to reflect events occurring subsequent to the date of the Original Filing. Accordingly, this Amended Filing should be read in conjunction with Iconix's filings made with the SEC subsequent to the date of the Original Filing.

---

**Table of Contents**

**PART I**

**Item 1. Business**

**General**

Iconix Brand Group is a brand management company and owner of a diversified portfolio of 35 global consumer brands across women's, men's, entertainment and home. 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.

The Company's brand portfolio includes Candie's® Bongo®, Badgley Mischka®, Joe Boxer®, Rampage®, Mudd®, London Fog®, Mossimo®, Ocean Pacific/OP®, Danskin/Danskin Now®, Rocawear®/Roc Nation®, Cannon®, Royal Velvet®, Fieldcrest®, Charisma®, Starter®, Waverly®, Ecko Unltd®/Mark Ecko Cut & Sew®, Zoo York®, Sharper Image®, Umbro® and Lee Cooper®; and interest in Artful Dodger®, Material Girl®, Peanuts®, Ed Hardy®, Truth or Dare®, Billionaire Boys Club®, Ice Cream®, Modern Amusement®, Buffalo®, Nick Graham® and Hydraulic®.

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 to the luxury market and, in the case of the Peanuts brand, 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 50 direct-to-retail licenses and more than 1,100 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 vast 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, 2015, the Company had over \$800 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 and Iconix Middle East.

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.

Since October 2004, the Company has acquired the following brands:

<b>Date acquired</b>	<b>Brand</b>
October 2004	Badgley Mischka
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>(1)</sup>
October 2011	Sharper Image
November 2012	Umbro
February 2013	Lee Cooper <sup>(2)</sup>
October 2009, May 2013	Ecko Unltd/ Marc Ecko Cut & Sew <sup>(3)</sup>

<sup>1</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 its effective ownership in the Zoo York brand from 51% to 100%.

<sup>2</sup> In March 2014 the Company sold 50% of its Lee Cooper marks in the United States to its newly formed joint venture, LC Partners.

<sup>3</sup> In May 2013 the Company purchased the remaining 49% of the equity interest in IPH Unltd from its minority partner, increasing its effective ownership of the Ecko portfolio of brands from 51% to 100%.



**Table of Contents**

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, 2014:

<b>Date Acquired/Invested</b>	<b>Brand</b>	<b>Investment / Joint Venture</b>	<b>Iconix's Interest</b>
November 2007	Artful Dodger	Scion	50%
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%
May 2012	Ice Cream, Billionaire Boys Club	Scion	25%
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%

<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%.

Through December 31, 2014, the Company formed 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 :

<b>Date Created</b>	<b>Investment /Joint Venture</b>	<b>Iconix's Interest</b>
September 2008	Iconix China	50%
December 2009	Iconix Europe <sup>(1)</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	50%

<sup>(1)</sup> In January 2014 the Company purchased an additional 1% of the equity interest in Iconix Europe from its partner, increasing its effective ownership from 50% to 51%.

**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 35 iconic brands across women's, men's, home and entertainment. The Company's objective is to grow its existing portfolio organically, both domestically and internationally, and acquire

new brands, both of which leverages 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; and

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. 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.

#### **Brands Wholly-Owned by Iconix:**

##### **Women's Brands**

**Candie's.** Candie's is known primarily 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, intimate apparel, children's apparel, fragrance and home accessories. Candie's shop-in-shops are in all of Kohl's over 1,100 stores, creating a brand specific shopping experience. Celebrity spokespeople for the Candie's brand over the past two decades have included Jenny McCarthy, Destiny's Child, Kelly Clarkson, Hilary Duff, Fergie, Hayden Panettiere, Britney Spears, Vanessa Hudgens, Lea Michele, Carly Rae Jepsen and, currently, singer and actress Bella Thorne. The brand is licensed in Latin America, Southeast Asia, India and Korea and is sold through more than 700 Candie's retail locations in China.

**Bongo.** The Bongo brand is positioned as a California lifestyle brand, with a broad range of women's and children's casual apparel and accessories, including denim, sportswear, eyewear, footwear and watches. 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 across Kmart/Sears, with strong presence across women's apparel, accessories and footwear. Celebrity spokespeople for the Bongo brand have included Liv Tyler, Rachel Bilson, Nicole Richie, Vanessa Minnillo, Kim Kardashian, Jesse McCartney, Audrina Patridge, Lucy Hale and, currently, actress Vanessa Hudgens. The Bongo brand is also licensed in Latin America.

---

**Table of Contents**

**Badgley Mischka.** The Badgley Mischka brand is known as one of the premiere couture eveningwear brands. The brand was established in 1988 and was acquired by the Company in October 2004. Badgley Mischka products are sold in the United States through luxury department and specialty stores, including Bergdorf Goodman, Neiman Marcus and Saks Fifth Avenue, with its largest retail categories being women's apparel, bridal, footwear, handbags and other accessories. In 2013, Badgley Mischka launched a more accessible diffusion line called Belle Badgley Mischka sold exclusively at Dillards and Lord and Taylor. Badgley Mischka designs have been worn by such celebrities as Angelina Jolie, Catherine Zeta Jones, Halle Berry, Kate Winslet, Ashley and Mary Kate Olsen, Teri Hatcher, Eva Longoria, Carrie Underwood, Lauren Hutton, Angelica Huston, Brooke Shields and Rumer Willis. Badgley Mischka products are distributed internationally, primarily by our licensees based in the United States and, also, through 12 Badgley Mischka retail locations in China. The brand is also licensed in Europe, the Middle East, Korea and Canada.

**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 September 2006, the Company expanded the license with Kmart/Sears to extend the brand, already present across Kmart stores, into all Sears stores. In 2013, Joe Boxer launched a clever musical ad campaign across national TV and social media campaigns around Ring in the Holidays that invited people to Kmart to buy their Joe Boxer during the Christmas Season. The brand is also licensed in Europe, Latin America, and Southeast Asia.

**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 sportswear, footwear, intimate apparel and swimwear. Supermodels Petra Nemcova, Gisele Bundchen and Bar Rafaeli have previously been the spokespersons for the Rampage brand and have modeled for its campaigns in past seasons. The brand is also licensed in Latin America, South Korea and Canada.

**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. The brand is also licensed in Latin America and Japan.

**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 Dillards 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. In recent years, the celebrity spokespeople for the brand have been Christina Hendricks and Nicole Scherzinger. Currently, the London Fog spokespersons are Neil Patrick Harris and David Burtka. The brand is also licensed in Latin America, Europe, India and Korea and is sold through more than 60 London Fog retail locations in China.

**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 and Canada, 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. The brand is also licensed on a direct-to-retail basis to Falabella Retail S.A. in Latin America and to wholesale licensees in Europe, Latin America, Southeast Asia, Australia, India, Canada and Japan.

***Ocean Pacific/OP.*** (58% Women's, 42% Men's) 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, Canada, parts of Latin America and the Middle East, with products that include apparel, footwear and swim for men, women and children. OP is distributed via a direct-to-retail license with Sports Direct in Europe. Celebrity endorsers for the brand include Ashley Tisdale, Sarah Hyland and Matt Lanter. The brand is also licensed via wholesalers in certain parts of Latin America and Europe.

***Danskin/Danskin Now.*** Danskin is a 126 year-old iconic brand of women's activewear, legwear, dancewear, yoga apparel 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. In 2014, Danskin enlisted Giuliana Rancic to remain the face of its marketing campaign to authentically represent these attributes. The primary license for the Danskin brand is a direct-to-retail license with Wal-Mart for Danskin Now in the United States, Canada and parts of Latin America covering a wide range of women's and girl's apparel, footwear, accessories and fitness equipment in every store. 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 formed a new partnership with the School of American Ballet and continued its support of the New York City Ballet. The Danskin brand is also licensed in Latin America and Europe.

#### **Men's Brands:**

***Rocawear/Roc Nation.*** Rocawear is a leading youth culture brand established by Shawn "Jay-Z" Carter and his partners in 1999. The Company acquired the Rocawear brand in March 2007. In July 2013, the Company acquired the global rights to the Roc Nation name, a higher-end halo brand of Rocawear, to use and register as a trademark for apparel, footwear and related categories. The Roc Nation brand is a higher-end halo brand of Rocawear associated with the Roc Nation entertainment and talent agency currently licensed in the U.S. The Rocawear brands are 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. The 2014 Rocawear spokesperson, featured in print and online, was Grammy award nominee Fabolous. The brand is also licensed in Europe, Latin America, Southeast Asia, the Middle East, Canada, and Japan.

***Starter.*** Starter, founded in 1971, 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 licensed to Wal-Mart on a direct-to-retail basis. The Starter brand is sold through all Wal-Mart 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. The 2014 spokespeople for the brand included Kevin Love and Eric Decker. Most recently, the Company has partnered with all the professional sports leagues and many NCAA universities throughout the U.S. and re-launched the iconic Starter satin jacket, sold through various specialty stores, sporting goods stores and online. In addition, the brand is licensed in Europe, Latin America, the Middle East, Australia, South Korea, Africa, Canada, and Japan.

**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 kid s apparel and footwear. The Company acquired a 51% interest in the Zoo York brand as part of the Ecko Untld. acquisition in 2009, and the Company increased its ownership to 100% of Zoo York in 2011. In the U.S., the brand has wholesale licensees for men s and boy s apparel, footwear, socks and accessories. 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. With the permission of the NY Yankees, Zoo York unveiled a controversial and highly viewed video of the skate team riding in an empty Yankee Stadium. The brand is also licensed in Canada, Europe, Latin America, Australia, Africa, and Southeast Asia.

---

**Table of Contents**

***Umbro.*** Founded in 1924, Umbro is a global football (soccer) brand. The brand combines its British heritage with a modern football lifestyle to create iconic sports apparel and footwear with strong global awareness and distribution. The Company acquired the Umbro brand in November 2012. In the U.S. the Company has a direct-to-retail license with Dick's Sporting Goods and wholesale licenses for apparel, footwear and accessories for distribution in Department stores. In October 2013, the Company entered into a sponsorship agreement with the Everton Football Club of the English Premier League to supply team kits (i.e. uniforms) through the 2018/2019 season. The Company and its licensees sponsor hundreds of national and league teams across Europe, Latin America and Asia. Umbro products are sold globally through a strong network of licensees in the U.S., Europe, Latin America, Southeast Asia, Middle East, Africa, Canada, and Australia.

***Lee Cooper.*** Founded in 1908, Lee Cooper is an iconic British denim brand that has expanded into multiple lifestyle categories including men's and women's casual wear, footwear and accessories. The Company acquired the Lee Cooper brand in February 2013. Lee Cooper has a wide range of direct-to-retail licenses including, Sports Direct in the UK and with Big W in Australia and over 35 international licensees: the brand is sold in over 80 countries. Lee Cooper continues to execute a global marketing campaign, The Makers, which glorifies the authenticity and tradition of the brand.

**Home Brands:**

***Cannon.*** Cannon is one of the most recognizable brands in home textiles with a strong heritage and history and is known as the first textile brand to sew logos onto products. Cannon was established in 1887, making it the Company's third oldest brand. 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 and Canada in both Kmart and Sears stores in multiple categories. In addition, the brand is licensed in Latin America, Europe, Southeast Asia, Middle East, India, and Australia.

***Royal Velvet.*** Royal Velvet is a distinctive luxury home textile brand that strives to deliver the highest quality to consumers. Royal Velvet products include towels, sheets, rugs and shams. The Royal Velvet towel has been an industry standard since 1954. 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. In addition, the brand has been licensed in Europe, Latin America, the Middle East and Australia.

***Fieldcrest.*** Fieldcrest is a brand known for quality bed and bath textiles that are classic in style. The Fieldcrest brand was established in 1883, making it the Company's second oldest brand. 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, towel, rugs, basic bedding and sheets. The brand is also licensed in Europe, Latin America, Canada, the Middle East and Australia.

***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 Bloomingdales. Celebrity spokespeople for the brand have included Kellan Lutz, Eddie Cibrian, and Scott Foley. Charisma is licensed in Europe, Korea, Canada and Australia.

**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 Walmart for the Waverly Inspirations Collection covering fabrics and craft. Waverly also has wholesale licensees in the United States for products including fabric, window treatments and bedding that are sold through retailers such as Jo-Ann's and Lowe's as well as interior design rooms and other specialty retailers. The Waverly brand is also licensed in Europe, Australia, the Middle East, Southeast Asia and Canada.

**Sharper Image.** Founded in 1977, Sharper Image is a lifestyle brand with unique product assortments across a host of categories including consumer electronics, home goods, luggage, eclectic gifts and kitchen accessories. The Company acquired the Sharper Image brand in October 2011. In the United States, Sharper Image's innovative products are broadly distributed through department/specialty stores, clubs, consumer electronics retailers, travel retail and TV shopping networks. Recent marketing campaigns for the brand have included world-renowned spokespersons Heidi Klum, Betty White and Megan Fox. The brand is also licensed in Canada, Mexico and Japan.

### **Subsequent Events:**

**Strawberry Shortcake.** On February 2, 2015, the Company and certain of its wholly-owned subsidiaries entered into an agreement with American Greetings Corporation and its wholly-owned subsidiary, Those Characters From Cleveland, Inc. (collectively, AG), providing for the purchase of AG's Strawberry Shortcake brand and related intangible assets and licensed agreements. Iconix will pay \$105.0 million in cash at closing and will assume all ordinary course contracts and related ordinary course obligations for the Strawberry Shortcake property arising after the closing. The acquisition is expected to close no later than March 31, 2015, subject to the satisfaction of customary closing conditions and the receipt of required consents.

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 currently has a strong international business, with revenue outside of the U.S. representing approximately 50% of total sales. The two largest international markets are currently Brazil and France, where the brand is highly recognized as a local brand, marketed as Moranguinho in Brazil and Charlotte aux Fraises in France.

### **Brands Acquired by Iconix with Equity Partners at Time of Acquisition**

#### **Women's Brands:**

##### ***MG Icon Material Girl, Truth or Dare***

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. Ambassadors for the Material Girl brand have included Zendaya, Rita Ora, and Kelly Osborne. Material Girl is sold in more than 35 branded retail locations in China. The brand is also licensed in Canada and Australia.

##### ***Buffalo Brand Joint Venture Buffalo by David Bitton***

In February 2013, the Company formed a joint venture with Buffalo International ULC ( Buffalo International ) 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 primarily sold through better department stores including Macy's, Dillard's and Lord & Taylor, and has 20 stand-alone retail stores, mainly in Canada, operated by Buffalo International ULC, our core licensee. Celebrities that have recently

appeared in campaigns are Chandler Parsons, Eric Decker, Erin Heatherton, Adrian Grenier and Amber Arbucci. Additionally, the brand is licensed in Latin America.



---

**Table of Contents*****Hydraulic IP Holdings, LLC***

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. The brand differentiates itself from other denim 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 kid s apparel in the United States.

**Men s Brands:*****Scion- Artful Dodger, Billionaire Boys Club/BBC, Ice Cream***

Scion, a joint venture in which the Company has a 50% interest, is a brand management and licensing company formed by the Company with Shawn Jay-Z Carter in March 2007 to buy and license brands across a spectrum of consumer product categories. 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. BBC and Ice Cream are licensed for distribution in high end boutiques and department stores. Pharell Williams, the iconic singer-songwriter, rapper, record producer, and fashion designer is the founder and an equity partner in these brands. The brands have been worn by celebrities such as Justin Bieber, Miley Cyrus, Beyoncé, Rihanna, and Jay Z. BBC and Ice Cream, is also licensed in Europe, the Middle East, Australia and Japan.

***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 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 kid s apparel, footwear and accessories. Distribution in the United States, includes mass department stores, such as Walmart and Kmart. Celebrities that have worn the brand include Shakira, Lil Wayne, Madonna, Dwight Howard, Jessica Alba and Eva Longoria. In China, the brand is sold through 52 Ed Hardy retail locations. The brand is also licensed in Latin America, Southeast Asia, Canada and India.

***IPH Unltd- Ecko Unltd, Marc Ecko Cut & Sew***

In October 2009, the Company, through the 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. Licenses for Ecko Unltd products in the United States cover a variety of categories, including men s, and kids apparel, outerwear, underwear, fragrance and electronics. Ecko Unltd products are sold primarily through department and specialty stores including Dillard s and JCPenney. Ecko Unltd brand ambassadors include Manny Santiago- Pro Skateboarder and Miguel Cotto. Marc Ecko Cut & Sew is the halo brand. The brand is licensed in men s apparel, outerwear, underwear, fragrance and accessories. It is distributed in boutiques, specialty stores and Dillard s Department Store. The Ecko brands are also licensed to wholesale licensees in Europe, Southeast Asia, Latin America, Australia, Canada, and Africa.

***Icon Modern Amusement Modern Amusement***

In December 2012, the Company entered into an interest purchase and management 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 who distributes men's and has plans to extend into women's apparel and footwear. The brand is also licensed in Australia.

***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 and ties 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.

**Entertainment:**

***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 MetLife, ABC Network, Hallmark, Universal Studios, Warner Bros., Target, Uniqlo, Zara, Benetton, J+J and Nestle. In October 2012, the Company entered into an agreement with Twentieth Century Fox Animation to produce The Peanuts Movie, an animated movie featuring the iconic Peanuts characters, which is scheduled for an international release commencing in November 2015. The Peanuts brand is licensed in over 100 countries.

**Subsequent Events:**

***Pony International, LLC***

On February 2, 2015, the Company through its newly-formed subsidiary, US Pony Holdings, LLC, acquired the North American rights to the Pony 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). The purchase price was \$37.0 million. US Pony Holdings, LLC is owned 75% by the Company and 25% by its partner, Anthony L&S Athletics, LLC. Additionally, the Company received an option to purchase, until February 28, 2015, from the Pony Sellers and their affiliates certain IP related assets and trademarks related to the Pony brand in Europe, the Middle East and Africa. The Company also received a 90-day option, expiring May 29, 2015, to purchase from the Pony Sellers and their affiliates certain IP related assets and trademarks related to the Pony brand in Latin America.

Formed in 1972 in New York City, PONY became one of the top athletic footwear brands worldwide in the 1990s appearing on professional athletes in the World Cup, NBA, NFL, MLB and Boxing. Leveraging this legacy success, the Company expects to utilize a multi-tier strategy, similar to Starter and Danskin, to deliver function and fashion for men and women at accessible price points.



**Table of Contents**

**International Joint Ventures**

The Company's primary purpose in forming international joint ventures is to bring its 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 on its own across a multitude of regional or local offices. The success from the company's first two international joint ventures demonstrate how this approach has enabled its brands to increase licensed revenue, market share and profitability beyond what the Company believes it could have achieved on its own. As an example, in China at the formation of the Iconix China joint venture, the Company's brands had minimal presence. Today, the Company's brands have more than 900 stores, shops-in-shops and counters across China. Similarly, in Latin America, revenue for the Company's brands increased 77% by the end of year two of the joint venture and grew 349% by the end of year five of the joint venture. When the Latin American joint venture was formed in December 2008, the Company had 16 licenses and one direct-to-retail agreement. Today, the Company has 53 licenses and six direct-to-retail licenses with retailers including Falabella, Suburbia and Walmart.

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.

Since 2008, the formation and administration of international joint ventures have been a central and ongoing component of our business, and 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 and Iconix Middle East. 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.

**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 Greater China). Iconix China seeks to maximize brand monetization through investment, whereby Iconix China receives 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.

To date, the brands that Iconix China has successfully placed include 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; Ecko Unltd. with Xi Ha Clothing; Badgley Mischka with Eve NY; Joe Boxer with Northeast Socks; and Royal Velvet with Qingdao Hongfang. These brands are collectively sold through more than 850 branded retail locations.

In December 2011, Iconix China completed its first monetization through the initial public offering of China Outfitters Holdings Limited, herein referred to as China Outfitters, its partner for the London Fog brand in the region. In connection with the offering, Iconix China converted a minority equity stake in a subsidiary of China Outfitters that it

had received in 2008 in exchange for the contribution of its rights to the London Fog brand. Also, in December 2012, Iconix China sold its interests in the Artful Dodger and Zoo York brands in Greater China to China Outfitters.

### **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 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. Today, Iconix Latin America has over 50 licenses with key direct-to-retail licenses with Falabella, Walmart and Suburbia.

### **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 LF Asia Limited ( LF Asia ), an affiliate of Li & Fung Limited, in exchange for \$1.5 million from LF Asia. In addition, the Company acquired an additional 1% equity interest in Iconix Europe from LF Asia thereby increasing the Company 's ownership in Iconix Europe to a controlling 51% interest. LF Asia, our joint venture partner in Iconix SE Asia, had recently acquired several licensing companies including The Licensing Company in Europe.

Li & Fung is an investment holding company principally engaged in managing the supply chain for retailers and brands worldwide from over 300 offices and distribution centers in more than 40 countries generating \$19 billion of revenue in 2013. Its subsidiary, LF Asia, is principally engaged in the licensing and wholesale business of global brands.

Iconix Europe has multiple direct-to-retail partnerships including OP with Sports Direct, one of UK 's leading sports retailers and Danskin with Go Sport as well as a wide range of licenses in multiple territories for key brands such as Ecco Unltd., Mossimo, Rocawear and Starter.

### **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 and strong direct-to-retail licenses including licenses for Mossimo, London Fog, Umbro and Cannon and licenses with some of the largest companies in India including Future Group, Arvind and Kapsons.

### **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 Brand ) and Iconix Canada L.P. ( Ico Canada ) and together with Ico Brand, collectively Iconix Canada ). Shortly thereafter, through their acquisitions of limited partnership and general partnership interests, Buffalo International ULC and its affiliates ( BIU ) purchased a 50% interest in Iconix Canada for an aggregate of \$17.8 million.

## **Table of Contents**

Buffalo International ULC ( BIU ) 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 including 20 branded, standalone stores. 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 Walmart, and London Fog at The Bay as well as a wide range of licenses for key brands such as Ecko Unltd. Wholesale licenses are present for virtually all other brands including larger licenses for Charisma, Danskin, Ecko Unltd. and Umbro, which sponsors the Canadian National Soccer team.

## **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.

Pac Brands USA, Inc., a wholly-owned subsidiary of Pacific Brands LLC, is a consumer products company, headquartered in Melbourne, Australia. Pac Brands has approximately 3,500 employees who are responsible for manufacturing, selling and marketing a diverse portfolio of brands throughout Australia and New Zealand. In 2014, Pac Brands generated revenue of approximately \$1 billion.

Iconix Australia has direct-to-retail licenses for Lee Cooper at Big W and Material Girl at Myer as well as licenses for key brands such as Fieldcrest, Mossimo, Starter, Umbro and Zoo York.

## **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, established in 1986 by Gideon Moliov, is the largest wholesale apparel company in Israel. 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 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 Israel has licensed many key brands in the territory including Ecko Unltd., Lee Cooper, OP, Starter and Umbro.

## **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, LF Asia Limited (LF Asia), an affiliate of Li & Fung Limited, purchased a 50% interest in Iconix SE Asia for \$12 million to assist the Company in developing, exploiting, marketing and licensing the Company's brands in the Southeast Asia Territory.

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, LF Asia 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, Global Brands Group Asia Limited f/k/a LF Asia (GBG), formerly, LF Asia, agreed to pay the Company \$21.5 million.

Iconix Southeast Asia has licensed many key brands in the territory including Candie's, Cannon, Rocawear, Lee Cooper, Ecko Unltd., Ed Hardy and Umbro.

## **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.

Iconix Middle East includes a direct-to-retail license with Landmark Group for Lee Cooper through the various retail stores that they own and licenses for Ecko, Rocawear, Cannon, Fieldcrest, Badgley Mischka and many more.

## **Other:**

### **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.

### **Bright Star**

Bright Star provides design direction and arranges for the manufacturing and distribution of men's private label footwear products primarily for Wal-Mart under its private labels. Bright Star acts solely as an agent and never assumes ownership of the goods. For each of the years ended December 31, 2014, 2013 and 2012 Bright Star's agency



commissions represented less than 1% of the Company's revenues. As of December 31, 2014 this company ceased operations.

## **Table of Contents**

### **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. Complex Media is one of the leading multi-media platforms for influential young male consumers focusing its content on style, music, sneakers, sports, games, gear and girls. At the center of the Complex Media platform in its flagship site- Complex.com- a consumer portal into the complex lifestyle of young men.

### **Licensing strategy**

Through its licensing business model, the Company has substantially eliminated inventory risk and reduced the operating exposure associated with traditional operating companies, thereby improving its cash flows and operating margins. The Company enters into strategic licenses with licensees who have the responsibility for manufacturing and selling the licensed products. The Company licenses its brands with respect to a broad range of products, including apparel, footwear, fashion accessories, sportswear, home products and décor, and beauty and fragrance, and in the case of its Sharper Image brand, consumer electronics and novelty products, and further, in the case of our Peanuts 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 the demonstrated ability to meet and exceed minimum sales thresholds and royalty payments to the Company. The Company has over 1,100 licenses and has benefited from the model's scalability, which enables the Company to leverage its existing infrastructure to support new business. 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.

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 and favorable economics. Proprietary brands also typically receive greater support from retailers, including premium shelf space and strong in-store presentations. In a traditional wholesale license, the Company grants rights 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 channel of distribution. For example, the Company licenses the Umbro brand to numerous wholesale suppliers for products ranging from athleticwear to footwear and 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, 2015 the Company and its joint ventures had a contractual right to receive over \$800 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 product, 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 the calculation and payment of royalties.

## **Marketing**

The Company believes marketing is a critical element in maximizing brand value to its licensees and to the Company. The Company's in-house marketing department conceives and produces advertising and marketing initiatives for the Company's brands throughout the year that aim to increase brand awareness, positive perception and drive engagement and conversion.

The Company believes that its national marketing and promotional campaigns result in increased sales and consumer recognition of its brands. Because of the Company's established relationships with agents, managers, celebrities, tastemakers, influencers and media partners, the Company has been able to leverage advertising dollars into successful public relations campaigns reaching hundreds of millions of consumers. The Company also works with its joint venture partners with respect to marketing, advertising and trend direction.

The Company's advertising expenditures for each of its brands are dedicated largely to the crafting and production of marketing campaigns, securing contractual arrangements with spokespeople, content creation for advertisements in magazines, on television, and on the internet and public relations activities including events, securing product placements, product launches and developing sweepstakes and media contests often featuring personal appearances and concerts. The print advertisements for the Company's various brands have appeared in fashion magazines such as Vogue, Seventeen, GQ, Teen Vogue, Cosmopolitan, InStyle and Elle, as well as in popular lifestyle and entertainment magazines such as People, Us Weekly, Sports Illustrated, Better Homes and Gardens, Good Housekeeping, Elle Décor, and Vanity Fair, as well as in newspapers, on outdoor billboards, through social media sites such as Facebook<sup>®</sup>, Twitter<sup>®</sup>, Pinterest<sup>®</sup>, Vine<sup>®</sup>, Snapchat<sup>®</sup>, YouTube<sup>®</sup> and Instagram<sup>®</sup>, as well as through various blogs, e-mail blasts, banner advertisements, online sweepstakes and gift with purchase programs. The Company also has used television commercials to promote certain of its brands, partnering with licensees to create and air commercials to generate excitement for its brands with consumers. Additionally, the company uses new forms of media, including multi-channel networks to build and maintain integrated marketing campaigns that cater to its growing audience who are shifting to digital consumption.

The Company maintains a website ([www.iconixbrand.com](http://www.iconixbrand.com)) to further market its 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. The Company also maintains, in some cases through its licensees, separate, dedicated websites and e-commerce sites for its brands.

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.

---

**Table of Contents**

The Company has organized its brand management and marketing functions to foster its ability to develop creative marketing and brand support for its brands. This structure can be leveraged to support future acquisitions with limited growth in expense. Typically, each brand is staffed with a dedicated brand manager who is supported by a fashion and product development team and who works closely with the creative and graphic groups in the marketing department. Although each brand's creative direction and image is developed independently, the creative team meets together on a regular basis to leverage and share ideas that might work across multiple or all brands. Licensees are provided information both through group meetings and individual sessions, as well as through intranet sites, where creative ideas, brand marketing campaigns and graphics are accessible and easy to download and use in an authorized manner. In addition, the Company produces a quarterly digital newsletter, The Icon, that it shares with its global partners.

**Trend direction**

The Company's in-house fashion direction teams support the brands by providing licensees with unified trend direction and guidance and by coordinating the brand image across licensees and product categories. The team also creates customized brand trims and packaging that all licensees must follow. The Company's trend direction personnel are focused on identifying and interpreting the most current trends, both domestically and internationally, and helping forecast the future design and product demands of the respective brands' customers. Typically, the Company develops a trend guide, including colors, fabrics, silhouettes and an overall style sensibility for a brand and for each product season, and then works with licensees to maintain consistency with the overall brand presentation across product categories. The trend team also provides insight into new 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, which are always the direct-to-retail brands, the brand management team still works 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 trend travels that inspire key items within each collection. With respect to Badgley Mischka, the Company has contracted the exclusive services of the designers who founded the brand to control creative direction. Mark Badgley and James Mischka oversee all design, licensing, and brand marketing. Also, with respect to Alberta ULC (owner of the Buffalo brand), Hardy Way (owner of the Ed Hardy brand), and MG Icon (owner of the Material Girl and Truth or Dare brands), the Company has entered into arrangements with its partners to oversee and control the creative aspects of the brands, including design, original artworks and brand marketing. With respect to our Umbro brand, we have created a design entity, Diamond Icon, who 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, 2014, 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 34% 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, 12%, 13% and 17% of the Company's revenue for the years ended December 31, 2014 (FY 2014), December 31, 2013 (FY 2013) and December 31, 2012 (FY 2012), 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 Walmart.com. The current term of the license continues through December 31, 2016, and may be renewed at Wal-Mart's option for an additional two year term, contingent on Wal-Mart meeting specified performance and minimum sales standards. 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.

*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 Walmart.com a broad range of apparel and accessories under the Ocean Pacific/OP marks in the United States, Canada, Mexico and the Middle East. The current term of the OP license continues through June 30, 2015, and may be renewed at Wal-Mart's option for an additional two year term, contingent on Wal-Mart meeting specified performance and minimum sales standards. 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.

*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, Canada and Mexico. The initial term of this license expired on December 31, 2013 and was renewed for a two-year term expiring on December 31, 2015, and may be renewed at Wal-Mart's option for up to two additional consecutive terms of five years, each contingent on Wal-Mart meeting specified performance and minimum sales standards. The license has been renewed one prior time. 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, 5%, 6% and 7% of the Company's revenue for FY 2014, FY 2013 and FY 2012, 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 and Canada, 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, 2016, 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. In January 2015, Target renewed their Mossimo license for the eighth time at an additional two years and currently expires January 31, 2018.

*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 one prior time. The license provides for guaranteed annual minimum royalties that Target is obligated to pay the Company for each contract year.

---

**Table of Contents*****Kohl's licenses***

Revenue generated by the Company's two licenses with Kohl's accounted for, in the aggregate, 5%, 5%, and 6% of the Company's revenue for FY 2014, FY 2013 and FY 2012, 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. In November 2009, the license agreement was amended to extend the term for an additional five year period expiring on January 26, 2016. 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, juniors' and children's apparel, footwear and accessories (except prescription eyewear), beauty and personal care products, home accessories and electronics. Kohl's has the option to renew the license for up to two additional consecutive terms of five years contingent on Kohl's meeting specified performance and minimum sale standards. The license has been renewed one prior time. 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 initial term of this license expired on January 31, 2015, and was renewed for a five-year term expiring on December 31, 2020 and is subject to Kohl's option to renew for up to two additional consecutive terms of five years. The license has been renewed one prior time. 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 2014, FY 2013 and FY 2012, 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. In June 2010, the license was renewed by Kmart/Sears for an additional five year term continuing through December 31, 2015 and Kmart/Sears has options to renew the license for up to three additional terms of 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 initial term of this license continued through February 1, 2014, and has been renewed for another term ending February 1, 2019, subject to Kmart/Sears' 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 initial term of this license expires on February 1, 2016. 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. Each of its brands has many competitors within each of the brands respective specific distribution channels that span a broad variety of product categories including the fashion apparel and home furnishings and decor, sports and entertainment industries. For example, while Candie's may compete with Express, XOXO and Forever 21 with respect to juniors/ young women's fast fashion in the United States mid-tier, Starter competes with brands like Russell Athletic and C9 in the athletic apparel business and Avia and And1 in the footwear category in the mass tier, and Badgley Mischka competes with other couture apparel and bridal brands in the luxury market, such as Vera Wang or Oscar de la Renta.

Likewise, Umbro competes with global brands like Nike and Adidas in activewear and with global and local brands regarding 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 licenses products.

Other of our brands (such as Danskin), which are distributed both at the mass level (through the diffusion brand Danskin Now) and at the department and specialty store level, may have many competitors in different or numerous distribution channels. These competitors compete with the Company's licensees in terms of fashion, quality, price and advertising.

In addition, the Company faces competition for retail licenses. Companies owning established brands may decide to enter into licensing arrangements with retailers similar to the ones the Company currently has in place, thus creating direct competition. Similarly, the retailers to which the Company currently, or may otherwise, licenses its brands, may decide to develop labels or purchase brands rather than enter into license agreements with the Company.

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

## **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, 2014, we owned nearly 9,000 trademark and service mark registrations and applications – over 600 of which are domestic and over 8,000 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 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 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 1,500 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.

**Table of Contents**

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, 2014, the Company had a total of 150 employees. Of these 150 full-time employees, five were named executive officers of the Company. The remaining employees are senior managers, middle management, marketing and administrative personnel. Of the Company's 150 full-time employees, 126 employees reside in the U.S. and 24 reside in Europe. 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 2014	FY 2013	FY 2012
	(000 s omitted)		
Licensing and other revenue by geographic region:			
United States	\$ 283,064	\$ 292,619	\$ 273,903
Japan	30,168	29,734	36,432
Other <sup>(1)</sup>	126,765	108,273	43,483
<b>Total</b>	<b>\$ 439,997</b>	<b>\$ 430,626</b>	<b>\$ 353,818</b>

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

**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.badgleymischka.com](http://www.badgleymischka.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 enter into 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 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. 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 2014, representing approximately 12%, 5%, 5% 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 the ones 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, this 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, which could slow our growth rate.

***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. 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.

**Table of Contents**

***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.

***We are dependent upon our chief executive officer and other key executives. If we lose the services of these individuals we may not be able to fully implement our business plan and future growth strategy, which would harm our business and prospects.***

Our success is largely due to the efforts of Neil Cole, our president, chief executive officer and chairman. Mr. Cole guides our business model, and our continued success is largely dependent upon his continued efforts and those of the other key executives he has assembled. Although we have entered into an employment agreement with Mr. Cole, expiring on December 31, 2015, as well as employment agreements with other of our key executives, there is no guarantee that we will not lose their services. To the extent that any of their services become unavailable to us, we will be required to hire other qualified executives, and we may not be successful in finding or hiring adequate replacements. This could impede our ability to fully implement our business plan and future growth strategy, which would harm our business and prospects.

***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.

***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 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.

***The terms of our securitized debt financing 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.



## **Table of Contents**

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, Waverly and Sharper Image 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.

***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 2.50% Convertible Notes become due in June 2016 or when our 1.50% Convertible Notes become due in March 2018. Upon conversion of our 2.50% Convertible Notes and 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 \$300.0 million and \$400.0 million in cash to holders of the 2.50% Convertible Notes and 1.50% Convertible Notes, respectively, upon conversion.

If we do not have sufficient cash on hand at the time of conversion, we may have to raise funds through 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 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. A failure to pay the required cash consideration upon conversion 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 2.50% Convertible Notes we purchased convertible note hedges, herein referred to as 2.50% Convertible Note Hedges, from affiliates of Barclays PLC and Goldman Sachs Inc., herein referred to as the 2.50% Hedge Counterparties. At such time, the hedging transactions were expected, but were not guaranteed, to eliminate the potential dilution upon conversion of the 2.50% Convertible Notes. Concurrently, we entered into warrant transactions with the 2.50% Hedge Counterparties, herein referred to as the 2.50% Sold Warrants.

Moreover, in connection with the 2.50% Sold Warrants, to the extent that the price of our common stock exceeds the strike price of the 2.50% Sold Warrants, the warrant transaction could have a dilutive effect on our earnings per share which may affect the value of our common stock.

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, 2014, our consolidated balance sheet reflects debt of approximately \$1,394.1 million, including secured debt of \$774.0 million under our Senior Secured Notes. In accordance with ASC 470, our 1.50% Convertible Notes and our 2.50% Convertible Notes are included in our \$1,394.1 million of consolidated debt at a net debt

carrying value of \$339.9 and \$280.1 million, respectively; however, the principal amount owed to the holders of our 1.50% Convertible Notes and 2.50% Convertible Notes is \$400.0 million (due March 2018) and \$300.0 million (due June 2016), respectively. 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:

**Table of Contents**

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. In addition, as of December 31, 2014, approximately \$65.9 million, or 35%, 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, 2014, our ability to draw down additional funds under a revolving financing facility consisting of variable funding notes, herein referred to as Variable Funding Notes, additional capacity under the securitization facility underlying our Senior Secured Notes, 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 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, 2014, goodwill represented approximately \$231.7 million, or approximately 8% of our total consolidated assets, and trademarks and other intangible assets represented approximately \$2,024.5 million, or approximately 71% 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. While, to date, no impairment write-downs have been necessary, any write-down of goodwill or intangible assets resulting from future periodic evaluations would, as applicable, either decrease our net income or increase our net loss and those decreases or increases could be material.

***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 relating to quotas, the payment of tariffs and duties, fluctuations in foreign currency exchange rates, shipping delays, labor unrest that could hinder or delay shipments 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 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.

## **Table of Contents**

### ***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.

### ***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.

***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;

**Table of Contents**

appropriately valuing the target acquisition and analyzing its marketability;

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 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.

***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 sales 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 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 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 public sales 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 experienced rapid growth in recent years. If we fail to manage this or any future growth, our business and operating results could be harmed.***

Our business has grown dramatically over the past several years. For example, our total revenue increased from \$30.1 million for fiscal 2005 to approximately \$440.0 million for FY 2014. Our growth has largely resulted from our acquisition of new brands of various sizes. Since October 2004, we acquired directly and through our joint ventures numerous iconic brands (or rights to use those brands and trademarks) and increased our total number of licenses from approximately 18 to over 1,100. Furthermore, we continue to evaluate and pursue appropriate acquisition opportunities to the extent we believe that such opportunities would be in the best interests of our company and our stockholders including, without limitation, other asset light models.

## **Table of Contents**

This significant growth has placed considerable demands on our management and other resources and continued growth could place additional demands on such resources. Our ability to compete effectively and to manage future growth, if any, will depend on the sufficiency and adequacy of our current resources and infrastructure and our ability to continue to identify, attract and retain personnel to manage our brands and the businesses we may acquire. There can be no assurance that our personnel, systems, procedures and controls will be adequate to support our operations and properly oversee our brands.

***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, 2014, 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.

These provisions could deter unsolicited takeovers or delay or prevent changes in our control or management, including transactions in which stockholders might otherwise receive a premium for their shares over the then current market price. These provisions may also limit the ability of stockholders to approve transactions that they may deem to be in their best interests.

### **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.

We lease a showroom and office space at 550 7th Avenue, New York, NY, a portion of which has been sublet through the term of the lease, which ends May 31, 2015.

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 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.

### **Item 3. Legal Proceedings**

#### *Normal Course litigation*

From time to time, we are made a party to litigation incurred in the normal course of business. While any litigation has an element of uncertainty, we believe that the final outcome of any of these routine matters will not have a material effect on our financial position or future liquidity.

**Table of Contents****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:

	<b>High</b>	<b>Low</b>
<b>Year Ended December 31, 2014</b>		
Fourth Quarter	\$ 41.03	\$ 32.78
Third Quarter	44.33	36.93
Second Quarter	44.81	36.53
First Quarter	42.47	35.50
<b>Year Ended December 31, 2013</b>		
Fourth Quarter	\$ 40.78	\$ 31.40
Third Quarter	34.63	29.46
Second Quarter	31.22	24.20
First Quarter	26.31	22.33

As of February 23, 2015 there were 1,407 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**

			<b>Weighted</b>	<b>Total Number of</b>	<b>Maximum</b>
			<b>Average Price</b>	<b>Shares Purchased</b>	<b>Approximate Dollar</b>
		<b>Total Number of</b>	<b>Paid</b>	<b>as Part of Publicly</b>	<b>Value of Shares that</b>
		<b>Shares Purchased (*)</b>	<b>per Share</b>	<b>Announced Plan (1)</b>	<b>May Yet be</b>
					<b>Purchased</b>
					<b>Under the Plan</b>
<b>2014</b>					
October 1	October 31	12,420	\$ 36.38	425,000	\$ 531,831,815
November 1	November 30				531,831,815

December 1	December 31	84,799	33.80	169,578	525,668,099
Total		97,219	\$ 34.13	594,578	\$ 525,668,099

(1) 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 ending 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.

During FY 2014, the Company repurchased 4,994,578 shares for \$193.4 million under the Company's July 2013 share repurchase plan. Shares purchased in FY 2014, FY 2013 and FY 2012 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, 2014, \$25.7 million of the Company's common stock may yet be purchased under the Company's July 2013 Program. As of the date of this Annual Report on Form 10-K, the February 2014 Program has \$500.0 million of the Company's common stock that may yet be purchased.

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 2015.



**Table of Contents****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 and has been updated to reflect the restatement as discussed in Note 17 Restatement of Previously Issued Consolidated Financial Statements of Notes to Consolidated Financial Statements in this Amendment No. 2 on Form 10-K/A. The amounts for prior periods presented in this report have been restated primarily to correct certain errors in accounting due to (i) the classification of contractually obligated expenses, retail support and other costs as selling, general and administrative expenses, as opposed to netting such expenses against licensing or other revenue, as applicable, (ii) inadequate support for revenue recognition relating to certain license agreements, and (iii) inadequate estimation of accruals related to retail support for certain license agreements. Additionally, resulting adjustments to deferred income taxes and the provision for income taxes are also reflected in the restatement. The following tables set forth a reconciliation of previously reported and restated selected financial data as of the dates and for the periods shown:

	<b>Year Ended December 31, 2014</b>		
	<b>As Previously Reported</b>	<b>Adjustments</b>	<b>As Restated</b>
Licensing revenue	\$ 406,940	\$ (12,783)	\$ 394,157
Other revenue	54,303	(8,463)	45,840
<b>Total revenue</b>	<b>461,243</b>	<b>(21,246)</b>	<b>439,997</b>
Selling, general and administrative expenses	205,410	(15,257)	190,153
<b>Operating income</b>	<b>255,833</b>	<b>(5,989)</b>	<b>249,844</b>
Income before taxes	229,166	(5,989)	223,177
Provision for income taxes	61,737	(2,096)	59,641
<b>Net income</b>	<b>\$ 167,429</b>	<b>\$ (3,893)</b>	<b>\$ 163,536</b>
<b>Net income attributable to Iconix Brand Group, Inc.</b>	<b>\$ 152,736</b>	<b>\$ (3,893)</b>	<b>\$ 148,843</b>
<b>Earnings per share:</b>			
Basic	\$ 3.15	(\$ 0.08)	\$ 3.07
Diluted	\$ 2.66	(\$ 0.07)	\$ 2.59
<b>Comprehensive income</b>	<b>\$ 126,757</b>	<b>\$ (3,893)</b>	<b>\$ 122,864</b>
<b>Comprehensive income attributable to Iconix Brand Group, Inc.</b>	<b>\$ 112,064</b>	<b>\$ (3,893)</b>	<b>\$ 108,171</b>

<i>(in 000 s)</i>	Year Ended December 31, 2013		
	As Previously Reported	Adjustments	As Restated
Other revenue	\$ 34,579	\$ (2,000)	\$ 32,579
Total revenue	432,626	(2,000)	430,626
Selling, general and administrative expenses	175,215	(2,000)	173,215

Please read the selected consolidated historical financial information set forth below in conjunction with our restated Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, and our restated audited consolidated financial statements and the notes thereto included in Part II, Item 8, Financial Statements and Supplementary Data, of this Amendment No. 2 Form 10-K/A.

We have derived the following selected consolidated income statement information for the years ended December 31, 2014, 2013 and 2012 from our restated consolidated financial information set forth in Part IV, Item 15 of this Amendment No. 2 on Form 10-K/A. We have derived selected income statement information for the years ended December 31, 2011 and 2010 from previously published financial historical financial statements not included in this Amendment No. 2 on Form 10-K/A. We have derived selected consolidated balance sheet data as of December 31, 2014 and 2013 from our restated consolidated financial information set forth in Part IV, Item 15 of this Amendment No. 2 on Form 10-K/A. We have derived selected balance sheet information as of December 31, 2012, 2011 and 2010 from previously published financial historical financial statements not included in this Amendment No. 2 on Form 10-K/A.

We have not amended our previously filed Annual Report on Form 10-K as of and for the year ended December 31, 2013 or Quarterly Reports on Form 10-Q for the periods affected by the restatement relating to 2013. We have set forth, in Part IV, Item 15 of this Amendment No. 2 on Form 10-K/A, restated quarterly financial statements for the three months ended March 31, 2014, the three and six months ended June 30, 2014, and the three and nine months ended September 30, 2014. The financial information that has been previously filed or otherwise reported for these periods is superseded by the information in this Amendment No. 2 on Form 10-K/A, and the financial statements and related financial information contained in such previously filed reports should no longer be relied upon. These historical results are not necessarily indicative of results to be expected for any future periods.

	Year Ended December 31, (000 s omitted)				
	2014 (Restated)	2013 (Restated)	2012	2011	2010
<b>Consolidated Income Statement Data<sup>(1)</sup></b>					
Licensing revenue	\$ 394,157	\$ 398,047	\$ 341,685	\$ 364,265	\$ 332,390
Other revenue	45,840	32,579	12,133	5,580	169
Total revenue	439,997	430,626	353,818	369,845	332,559
Selling, general and administrative expenses	190,153	173,215	138,368	140,985	138,532
Operating income	249,844	257,411	215,450	228,766	209,715
Other expenses <del>net</del>	26,667	56,749	32,978	16,239	46,826
Net income	163,536	142,587	123,509	141,241	110,480
Net income attributable to Iconix Brand Group, Inc.	148,843	128,048	109,408	126,105	98,847
Earnings per share:					
Basic	\$ 3.07	\$ 2.28	\$ 1.57	\$ 1.72	\$ 1.37
Diluted	\$ 2.59	\$ 2.11	\$ 1.52	\$ 1.67	\$ 1.32
Weighted average number of common shares outstanding:					
Basic	48,431	56,281	69,689	73,111	72,151
Diluted	57,366	60,734	71,957	75,495	74,713

\* The year ended December 31, 2011 will herein be referred to as FY 2011; and the year ended December 31, 2010 will herein be referred to as FY 2010.

**Table of Contents**

	At December 31, (000 s omitted)				
	2014 (Restated)	2013	2012	2011	2010
<b>Consolidated Balance Sheet Data</b>					
Cash	\$ 128,019	\$ 278,789	\$ 238,672	\$ 167,717	\$ 118,635
Working capital	242,150	339,186	258,391	(78,278)	125,906
Trademarks and other intangibles, net	2,024,541	1,955,644	1,769,508	1,550,996	1,400,550
Total assets	2,867,877	2,864,158	2,481,738	2,161,303	1,951,470
Long-term debt, including current portion	1,394,077	1,427,319	911,718	633,389	584,387
Total stockholders' equity	\$ 1,050,643	\$ 1,101,942	\$ 1,299,840	\$ 1,293,576	\$ 1,138,914

- (1) During FY 2014, FY 2013, FY 2012, FY 2011 and FY 2010, the Company made four (including investments in joint venture that are consolidated in our financial statements), two, two, three (including the purchase of Zoo York from our IPH Untld joint venture, effectively increasing our ownership in the Zoo York brand from 51% to 100%, and our additional investment in Hardy Way, which increased our ownership from 50% to 85%), and one acquisitions (including investments in joint ventures that are consolidated in our financial statements), respectively. See Note 3 of Notes to Consolidated Financial Statements for information about the Company's 2014 acquisitions and investments through its joint ventures.
- (2) Includes a non-cash gain of approximately \$37.9 million in FY 2014 related to our purchase of our joint venture partner's interest in Iconix Latin America, and a non-cash gain of approximately \$21.5 million in FY 2011 related to our additional investment in Hardy Way (see Note 3 of Notes to Consolidated Financial Statements). Also includes net gain related to specific litigation of \$15.7 million in FY 2010.

**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 Amendment No. 2 on Form 10-K/A, 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, 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.

### **Restatement of Previously Issued Consolidated Financial Statements**

Management's Discussion and Analysis of Financial Condition and Results of Operations have been updated to reflect the effects of the restatement described in Note 17 Restatement of Previously Issued Consolidated Financial Statements of Notes to Consolidated Financial Statements in this Amendment No. 2 on Form 10-K/A. Following the discussion of our restated results of operations for FY 2014 compared to FY 2013, we have also included a discussion of our restated results of operations for the three months ended March 31, 2014, the three and six months ended June 30, 2014, the three and nine months ended September 30, 2014, and FY 2013 compared to FY 2012. In addition, we have also included our restated financial statements for the three months ended March 31, 2014, the three and six months ended June 30, 2014, the three and nine months ended September 30, 2014 following our FY 2014 financial statements set forth in Part IV, Item 15 of this Amendment No. 2 on Form 10-K/A under the heading Restated Quarterly Financial Statements .

As discussed in the Explanatory Note of this Amendment No. 2 on Form 10-K/A, the Special Committee of the Board of the Company conducted a review of the accounting treatment related to certain transactions. Based on the Special Committee's review and additional review by the Audit Committee and the Company's current management team, on October 30, 2015, the Board, the Audit Committee and the Company's current management team concluded that the Company will restate its historical financial statements in respect of (i) the fourth quarter and 2013 fiscal year, (ii) the 2014 fiscal year and each quarterly period thereof and (iii) the first and second quarters of 2015 (the Restatement Periods ) to correct certain errors in accounting. These restatements include the correction of errors regarding (i) the classification of contractually obligated expenses, retail support and other costs as selling, general and administrative expenses, as opposed to netting such expenses against licensing or other revenue, as applicable, (ii) inadequate support for revenue recognition relating to certain license agreements, and (iii) inadequate estimation of accruals related to retail support for certain license agreements. The consolidated financial statements for the Restatement periods presented in this report have been restated primarily to reflect these adjustments, as well as the resulting adjustments to deferred income taxes and the provision for income taxes. While these non-cash adjustments impact licensing revenues, other revenues, total revenues, selling, general and administrative expenses, operating income, net income before taxes, provision for income taxes, net income, and net income attributable to Iconix for each period, as well as total assets, total liabilities and total stockholders' equity, these adjustments do not impact the Company's liquidity. Additionally, this Amendment No. 2 on Form 10-K/A is revising segment disclosures with respect to the periods presented in this report See Note 14 of Notes to Consolidated Financial Statements in this Amendment No. 2 on Form 10-K/A.

**Table of Contents****Overview**

We are a brand management company and owner of a diversified portfolio of 35 global consumer brands across women's, men's, entertainment and home. 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.

The Company's brand portfolio includes Candie's® Bongo®, Badgley Mischka®, Joe Boxer®, Rampage®, Mudd®, London Fog®, Mossimo®, Ocean Pacific/OP®, Danskin/Danskin Now®, Rocawear®/Roc Nation®, Cannon®, Royal Velvet®, Fieldcrest®, Charisma®, Starter®, Waverly®, Ecko Unltd®/Mark Ecko Cut & Sew®, Zoo York®, Sharper Image®, Umbro® and Lee Cooper®; and interest in Artful Dodger®, Material Girl®, Peanuts®, Ed Hardy®, Truth or Dare®, Billionaire Boys Club®, Ice Cream®, Modern Amusement®, Buffalo®, Nick Graham® and Hydraulic®.

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 to the luxury market and, in the case of the Peanuts brand, 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 50 direct-to-retail licenses and more than 1,100 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 vast 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, 2015, the Company had over \$800 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 with five distinct reportable operating segments: men's, women's, home, entertainment and corporate. Therefore, the Company has disclosed these reportable segments for the periods shown below. This information has been revised from the original Form 10-K for the year ended December 31, 2014.

<i>(in 000's)</i>	<b>FY 2014</b>	<b>FY 2013</b>	<b>FY 2012</b>
	<b>(Restated)</b>	<b>(Restated)</b>	
<b><u>Licensing and other revenue by segment:</u></b>			
Men's	\$ 98,910	\$ 143,916	\$ 99,093
Women's	148,482	138,262	120,743
Home	43,694	40,920	40,527

Entertainment	103,071	74,949	81,322
Corporate	45,840	32,579	12,133
	\$ 439,997	\$ 430,626	\$ 353,818

**Operating income (loss):**

Men's	\$ 51,728	\$ 97,448	\$ 74,040
Women's	124,681	118,454	105,036
Home	34,926	35,435	34,122
Entertainment	31,018	21,319	23,613
Corporate	7,491	(15,245)	(21,361)
	\$ 249,844	\$ 257,411	\$ 215,450

**Highlights of FY 2014 (Restated)**

Total revenue of \$440.0 million, a 2% increase from prior year.

Other revenue of \$45.8 million, a 41% increase from prior year.

Continued expansion of international platform

Acquired full ownership and control of Iconix Latin America

Expanded South East Asia joint venture partnership with Global Brands Group to include additional territories and brands

Established Iconix Middle East joint venture

Strong Peanuts business

Renewed ABC and MetLife licenses

Women's and home business divisions supported by strong stable direct-to-retail licenses

Repurchase of approximately 5.0 million shares of our common stock for \$193.4 million

**FY 2014 (restated) Compared to FY 2013 (restated)**

*Licensing Revenue.* Licensing revenue for FY 2014 totaled \$394.2 million, a 1% decrease as compared to \$398.0 million for FY 2013. The entertainment segment increased 38% from \$74.9 million in FY 2013 to \$103.1 million in

FY 2014 primarily driven by (i) revenue recognized for the renewal of the license for Peanuts television specials with ABC Networks, (ii) an increase in licensing revenue from our license with Metlife, and (iii) an increase in license revenue from our licenses in Japan. The women's segment increased 7% from \$138.3 million in FY 2013 to \$148.5 million in FY 2014 due to (i) an increase in licensing revenue from the core licensee for our Rampage brand, (ii) a full year of revenue from our Buffalo brand (acquired February 2013), and (iii) the inclusion of revenue from our former Latin America joint venture which, following our buy-out of our partner's equity interest in January 2014, is now consolidated with the Company. The men's segment decreased 31% from \$143.9 million in FY 2013 to \$98.9 million in FY 2014 primarily due to weakness in our Rocawear, Ecko and Ed Hardy brands, as well as a decrease in revenue from the Umbro brand related to the timing of the transition from Nike operated territories to our new licensee base. The home segment increased 7% from \$40.9 million in FY 2013 to \$43.7 million in FY 2014 primarily due to an increase in licensing revenue from Royal Velvet at JC Penney and revenues related to our Sharper Image brand.



**Table of Contents**

*Other Revenue.* Other revenue for FY 2014 totaled \$45.8 million, a 40% increase as compared to \$32.6 million for FY 2013. We realized (i) an aggregate \$27.0 million gain in FY 2014 on the partial sale of certain trademarks to our Iconix SE Asia joint venture (see Note 3 of Notes to Consolidated Financial Statements for descriptions of these transactions), (ii) a \$7.2 million gain on the partial sale of certain trademarks to our Iconix Middle East joint venture (iii) a \$7.8 million gain on the sale of the sharperimage.com domain name and certain categories under the Sharper Image trademark and (iv) a \$4.0 million gain on the formation of a Lee Cooper U.S. joint venture, as compared to an aggregate \$32.6 million gain realized in FY 2013 on the formation of our Iconix Canada, Iconix Australia, Iconix Israel and Iconix South East Asia joint ventures as well as the sale of the Umbro trademark in Korea (see Note 3 of Notes to Consolidated Financial Statements for descriptions of these transactions).

*Operating Expenses.* Selling, general and administrative ( SG&A ) expenses totaled \$190.2 million for FY 2014 compared to \$173.2 million for FY 2013 an increase of \$16.9 million. SG&A in the entertainment segment increased 34% from \$53.6 million in FY 2013 to \$72.1 million in FY 2014 primarily due to (i) increased talent expenses incurred as a result of the incremental increase in revenue in FY 2014, and such revenue increased primarily as a result of the renewal of the license for Peanuts television specials with ABC Networks, (ii) an increase in compensation costs, and (iii) an increase in agent fees as a result of increased revenue from our licenses in Japan. SG&A in the women s segment increased 20% from \$19.8 million in FY 2013 to \$23.8 million in FY 2014 mainly due to a \$1.9 million increase in advertising for the Buffalo brand. SG&A in the men s segment increased 2% from \$46.5 million in FY 2013 to \$47.2 million in FY 2014 mainly due to \$0.7 million an increase in accounts receivable reserves and write-offs of doubtful accounts. SG&A in the home segment increased 60% from \$5.5 million in FY 2013 to \$8.8 million in FY 2014 mainly due to \$1.1 million increase in advertising costs primarily for the Royal Velvet brand, as well as an increase of \$0.9 million related to professional fees. SG&A in the corporate segment decreased 20% from \$47.8 million in FY 2013 to \$38.3 million in FY 2014 mainly due to an \$8.6 million decrease in compensation costs driven by a reduction in performance-based stock compensation and cash bonuses.

*Operating Income.* Operating income for FY 2014 decreased to \$249.8 million, or approximately 57% of total revenue, compared to \$257.4 million or approximately 60% of total revenue in FY 2013. Operating income from the women s segment was \$124.7 million in FY 2014 compared to \$118.5 million in FY 2013. Operating income from the men s segment was \$51.7 million in FY 2014 compared to \$97.4 million in the FY 2013. Operating income from the home operating segment was \$34.9 million in FY 2014 compared to \$35.4 million in FY 2013. Operating income from the entertainment segment was \$31.0 million in FY 2014 compared to \$21.3 million in FY 2013. Corporate operating income was \$7.5 million in FY 2014 compared to an operating loss of \$15.2 million in FY 2013.

*Other Expenses Net.* Other expense net was approximately \$26.7 million in FY 2014 as compared to \$56.7 million in FY 2013. Interest expense increased approximately \$8.2 million for the following reasons: (i) an increase in interest related to our Senior Secured Notes (issued November 2012 and June 2013) of approximately \$3.0 million, due to the second tranche of Senior Secured Notes issued in June 2013, (ii) an increase of approximately \$5.3 million in interest related to our 1.50% Convertible Notes issued March 2013, partially offset by \$1.7 million of interest expense related to our Ecco Note (extinguished in May 2013) in FY 2013 for which there is no comparable expense in FY 2014. Interest and other income increased \$33.4 million from \$7.4 million in FY 2013 to approximately \$40.8 million in FY 2014 primarily due to a \$37.9 million non-cash gain in FY 2014 related to the fair value re-measurement of our original 50% interest in Iconix Latin America see Note 3 to Notes to Consolidated Financial Statements for a description of this transaction, as compared to a \$5.4 million gain in FY 2013 related to the sale of securities for which there is no comparable transaction in FY 2014. Our equity earnings on joint ventures increased approximately \$4.9 million from approximately \$12.1 million in FY 2013 to \$17.0 million in FY 2014, due to international joint ventures created since June 2013 as compared to a full twelve months of earnings in FY 2014, partially offset by our Latin America joint venture which was included in equity earnings on joint ventures until February 2014 when we began consolidating following our purchase of our partner s remaining interest in Iconix Latin America see Note 3 to Notes to

Consolidated Financial Statements for a description of these joint ventures.

*Provision for Income Taxes.* The effective income tax rate for FY 2014 is approximately 26.7% resulting in a \$59.6 million income tax expense, as compared to an effective income tax rate of 28.9% in FY 2013 which resulted in the \$58.1 million income tax expense. The decrease in our effective tax rate primarily relates to, a larger portion of our income in FY 2014 as compared to FY 2013 being generated and permanently reinvested in countries outside the U.S. that have lower statutory rates than the U.S., partially offset by a one-time tax assessment of approximately \$2.1 million related to new legislation on income related to New York State Corporation taxes.

*Net Income.* Our net income was approximately \$163.5 million in FY 2014, compared to net income of approximately \$142.6 million in FY 2013, as a result of the factors discussed above.

### Restated Quarterly Comparisons

*(amounts in tables in thousands, except earnings per share amounts)*

The following tables and subsequent sections discuss the effect of the restatement for impacted line items on the condensed consolidated statements of operations for the first three fiscal quarters in FY 2014. The total impact to the income statements is set forth in Part IV, Item 15 of this Amendment No. 2 on Form 10-K/A under the heading Restated Quarterly Financial Statements .

	<b>Three Months Ended March 31, 2014 (Unaudited)</b>		
	<b>As Previously Reported</b>	<b>Adjustments</b>	<b>As Restated</b>
Licensing revenue	\$ 112,167	\$ (515)	\$ 111,652
Total revenue	116,138	(515)	115,623
Selling, general and administrative expenses	48,202	(438)	47,764
Operating income	67,936	(77)	67,859
Income before taxes	88,396	(77)	88,319
Provision for income taxes	25,554	(27)	25,527
Net income	62,842	(50)	62,792
Net income attributable to Iconix Brand Group, Inc.	59,768	(50)	59,718
<b>Earnings per share:</b>			
Basic	\$ 1.21	\$ 0.00	\$ 1.21
Diluted	\$ 1.03	\$ 0.00	\$ 1.03
Comprehensive income	62,554	(50)	62,504
Comprehensive income attributable to Iconix Brand Group, Inc.	59,480	(50)	59,430



**Table of Contents**

	(Unaudited)	
	Three Months Ended March 31, 2014 (Restated)	Three Months Ended March 31, 2013
<b><u>Licensing and other revenue by segment:</u></b>		
Men s	\$ 23,377	\$ 38,273
Women s	41,452	37,756
Home	10,979	10,894
Entertainment	35,844	18,139
Corporate	3,971	
	<b>\$ 115,623</b>	<b>\$ 105,062</b>
<b><u>Operating income (loss):</u></b>		
Men s	\$ 15,107	\$ 30,567
Women s	35,553	33,729
Home	9,568	9,260
Entertainment	12,112	5,500
Corporate	(4,481)	(12,820)
	<b>\$ 67,859</b>	<b>\$ 66,236</b>

The three months ended March 31, 2014 (restated) ( Q1 2014 ) compared to the three months ended March 31, 2013 ( Q1 2013 )

**Highlights of Q1 2014**

Acquisition of additional 50% interest in Iconix Latin America; increased ownership to 100%

Acquisition of additional 1% interest in Iconix Europe; increased ownership to 51%

Formation of Lee Cooper U.S. joint venture

Total revenue growth of 10%, from \$105.1 million in Q1 2013 to \$115.6 million in Q1 2014

Repurchase of 2.9 million shares of our common stock for \$109.4 million

*Licensing revenue.* Licensing revenue for Q1 2014 totaled \$111.7 million, a 6% increase as compared to \$105.1 million for Q1 2013. The entertainment segment increased 98% from \$18.1 million in Q1 2013 to \$35.8 million in Q1

2014 primarily driven by revenue recognized for the renewal of the license for Peanuts television specials with ABC Networks. The women's segment increased 10% from \$37.8 million in Q1 2013 to \$41.5 million in Q1 2014 due to a full fiscal quarter of revenue from our Buffalo brand (acquired February 2013). The men's segment decreased 39% from \$38.3 million in Q1 2013 to \$23.4 million in Q1 2014 primarily due to weakness in our Rocawear, Ecko and Ed Hardy brands, as well as a decrease in revenue from the Umbro brand related to the timing of the transition from Nike operated territories to our new licensee base. The home segment increased 1% from \$10.9 million in Q1 2013 to \$11.0 million in Q1 2014 primarily due to increased revenues related to Royal Velvet at JC Penney.

*Other Revenue.* Other revenue for Q1 2014 totaled \$4.0 million, as compared to zero for Q1 2013. This increase was driven by the gain realized on the formation of our Lee Cooper U.S. joint venture.

*Operating Expenses.* SG&A totaled \$47.8 million for Q1 2014 compared to \$38.8 million for Q1 2013. SG&A in the entertainment segment increased 88% from \$12.6 million in Q1 2013 to \$23.7 million in Q1 2014 primarily due to \$10.7 million increase in talent expenses mainly as a result of the renewal of the license for Peanuts television specials with ABC Networks. SG&A in the women's segment increased 46% from \$4 million in Q1 2013 to \$5.9 million in Q1 2014 mainly due to a \$1.5 million increase in advertising for the Buffalo brand. SG&A in the men's segment increased 7% from \$7.7 million in Q1 2013 to \$8.3 million in Q1 2014 primarily due to a \$0.6 million increase in accounts receivable reserves and write-offs of doubtful accounts. SG&A in the home segment decreased 14% from \$1.6 million in Q1 2013 to \$1.4 million in Q1 2014 mainly due to an approximate \$0.3 million decrease in license contract amortization for acquisitions that occurred prior to 2014. SG&A in the corporate segment decreased 34% from \$12.8 million in Q1 2013 to \$8.5 million in Q1 2014 primarily due to a \$1.4 million decrease in professional fees and \$1 million decrease in compensation.

*Operating Income.* Operating income for Q1 2014 increased to \$67.9 million, or approximately 59% of total revenue, compared to approximately \$66.2 million or approximately 63% of total revenue in Q1 2013. Operating income from the women's segment was \$35.6 million in Q1 2014 compared to \$33.7 million in Q1 2013. Operating income from the men's segment was \$15.1 million in Q1 2014 compared to \$30.6 million in the Q1 2013. Operating income from the home operating segment was \$9.6 million in Q1 2014 compared to \$9.3 million in Q1 2013. Operating income from the entertainment segment was \$12.1 million in Q1 2014 compared to \$5.5 million in Q1 2013. Corporate operating loss was \$4.5 million in Q1 2014 compared to a corporate operating loss of \$12.8 million in Q1 2013.

*Other Expenses Net.* Other income net was approximately \$20.5 million in Q1 2014 as compared to \$11.9 million other expense net in Q1 2013. Interest expense increased approximately \$7.0 million for the following reasons: (i) interest related to our Senior Secured Notes (issued November 2012 and June 2013) was approximately \$8.9 million in Q1 2014 as compared to \$6.3 million in Q1 2013 due to the second tranche of Senior Secured Notes offered in June 2013 and (ii) interest related to our 1.50% Convertible Notes (issued March 2013) was approximately \$5.4 million in Q1 2014 as compared to \$0.9 million in Q1 2013. These increases were partially offset by \$1.0 million of interest expense related to our Ecko Note which was extinguished in May 2013. Interest and other income increased \$38.2 million from \$0.3 million in Q1 2013 to \$38.5 million in the Q1 2014 due to a \$37.9 million non-cash gain in Q1 2014 related to the fair value re-measurement of our original 50% interest in Iconix Latin America see Note 3 to Notes to Unaudited Condensed Consolidated Financial Statements for a description of this transaction. Our equity earnings on joint ventures increased approximately \$1.2 million from approximately \$1.9 million in Q1 2013 to \$3.1 million in Q1 2014, primarily due to international joint ventures created after Q1 2013 see Note 3 to Notes to Consolidated Financial Statements for a description of these joint ventures.

*Provision for Income Taxes.* The effective income tax rate for Q1 2014 is approximately 28.9% resulting in a \$25.5 million income tax expense, as compared to an effective income tax rate of 27.7% in Q1 2013 which resulted in the \$15.0 million income tax expense. The increase in our effective tax rate primarily relates to a smaller portion of our income being generated and permanently reinvested in countries outside the U.S. that have lower statutory rates than the U.S., largely due to the non-cash gain during Q1 2014 on the re-measurement of our investment in Iconix Latin America see Note 3 to Notes to Consolidated Financial Statements for a description of this transaction.

*Net Income.* Our net income was approximately \$62.8 million in Q1 2014, compared to net income of approximately \$39.3 million in Q1 2013, as a result of the factors discussed above.

**Table of Contents**

	<b>Three Months Ended June 30, 2014 (Unaudited)</b>		
	<b>As Previously Reported</b>	<b>Adjustments</b>	<b>As Restated</b>
Licensing revenue	\$ 97,542	\$ (1,471)	\$ 96,071
Other revenue	21,401	(5,363)	16,038
<b>Total revenue</b>	<b>118,943</b>	<b>(6,834)</b>	<b>112,109</b>
Selling, general and administrative expenses	44,293	(438)	43,855
<b>Operating income</b>	<b>74,650</b>	<b>(6,396)</b>	<b>68,254</b>
Income before taxes	59,560	(6,396)	53,164
Provision for income taxes	20,778	(2,239)	18,539
<b>Net income</b>	<b>38,782</b>	<b>(4,157)</b>	<b>34,625</b>
Net income attributable to Iconix Brand Group, Inc.	35,319	(4,157)	31,162
<b>Earnings per share:</b>			
Basic	\$ 0.73	(\$ 0.09)	\$ 0.64
Diluted	\$ 0.60	(\$ 0.07)	\$ 0.53
<b>Comprehensive income</b>	<b>36,450</b>	<b>(4,157)</b>	<b>32,293</b>
Comprehensive income attributable to Iconix Brand Group, Inc.	32,987	(4,157)	28,830

**(Unaudited)**

	<b>Three Months Ended June 30, 2014 (Restated)</b>	<b>Three Months Ended June 30, 2013</b>	<b>Six Months Ended June, 30 2014 (Restated)</b>	<b>Six Months Ended June 30, 2013</b>
	<b><u>Licensing and other revenue by segment:</u></b>			
Men's	\$ 25,742	\$ 39,098	\$ 49,119	\$ 77,371
Women's	39,985	38,268	81,437	76,024
Home	11,242	10,139	22,221	21,033
Entertainment	19,102	17,852	54,946	35,990
Corporate	16,038	9,769	20,009	9,769
	<b>\$ 112,109</b>	<b>\$ 115,125</b>	<b>\$ 227,732</b>	<b>\$ 220,187</b>

**Operating income (loss):**

Men s	\$ 14,970	\$ 28,962	\$ 30,077	\$ 59,529
Women s	34,595	32,764	70,148	66,493
Home	9,416	8,179	18,985	17,440
Entertainment	3,498	4,649	15,610	10,149
Corporate	5,775	(3,040)	1,294	(15,861)
	\$ 68,254	\$ 71,514	\$ 136,114	\$ 137,750

The three months ended June 30, 2014 (restated) ( Q2 2014 ) compared to the three months ended June 30, 2013 ( Q2 2013 )

**Highlights of Q2 2014**

Gain related to the sale of certain trademarks to our Iconix Southeast Asia joint venture

Gain related to the sale of certain categories under the Sharper Image trademark

*Licensing revenue.* Licensing revenue for Q2 2014 totaled \$96.1 million, a 9% decrease as compared to \$105.4 million for Q2 2013. The entertainment segment increased 7% from \$17.9 million in Q2 2013 to \$19.1 million in Q2 2014 primarily driven by increased revenues from Europe and Japan. The women s segment increased 4% from \$38.3 million in Q2 2013 to \$40.0 million in Q2 2014 primarily due to increased revenues related to our direct-to-retail licensees for Mossimo, OP and Bongo. The men s segment decreased 34% from \$39.1 million in Q2 2013 to \$25.7 million in Q2 2014 primarily due to weakness in our Rocawear and Ecko brands. The home segment increased 11% from \$10.1 million in Q2 2013 to \$11.2 million in Q2 2014 primarily due increased revenues related to our direct-to-retail licensees for Royal Velvet and Charisma.

*Other Revenue.* Other revenue for Q2 2014 totaled \$16.0 million, as compared to \$9.8 million for Q2 2013. The \$16.0 million of other revenue in Q2 2014 consists of an \$8.2 million gain realized on the partial sale of certain trademarks to our Iconix Southeast Asia joint venture and a \$7.8 million gain on the sale of the sharperimage.com domain name and certain categories under the Sharper Image trademark. The \$9.8 million of other revenue in Q2 2013 consists entirely of the gain realized on the formation of our Iconix Canada joint venture.

*Operating Expenses.* SG&A totaled \$43.9 million for Q2 2014 compared to \$43.6 million for Q2 2013. SG&A in the entertainment segment increased 18% from \$13.2 million in Q2 2013 to \$15.6 million in Q2 2014 primarily due to increased talent and agent expenses incurred as a result of increased revenues in Q2 2014. SG&A in the women s segment decreased 2% from \$5.5 million in Q2 2013 to \$5.4 million in Q2 2014 mainly due to decreased advertising costs partially offset by increased compensation costs. SG&A in the men s segment increased 6% from \$10.1 million in Q2 2013 to \$10.8 million in Q2 2014 mainly due to a \$2.7 million increase in compensation costs partially offset by a decrease in advertising costs, professional fees and license contract amortization from prior period acquisitions. SG&A in the home segment decreased 7% from \$2.0 million in Q2 2013 to \$1.8 million in Q2 2014 mainly due to a \$0.9 million decrease in advertising costs primarily related to the Royal Velvet brand. SG&A in the corporate segment decreased 20% from \$12.8 million in Q2 2013 to \$10.3 million in Q2 2014 mainly due to a \$1.5 million decrease in compensation.

*Operating Income.* Operating income for Q2 2014 decreased to \$68.3 million, or approximately 61% of total revenue, compared to approximately \$71.5 million or approximately 62% of total revenue in Q2 2013. Operating income from the women s segment was \$34.6 million in Q2 2014 compared to \$32.8 million in Q2 2013. Operating income from the men s segment was \$15.0 million in Q2 2014 compared to \$29.0 million in the Q2 2013. Operating income from



the home operating segment was \$9.4 million in Q2 2014 compared to \$8.2 million in Q2 2013. Operating income from the entertainment segment was \$3.5 million in Q2 2014 compared to \$4.6 million in Q2 2013. Corporate operating income was \$5.8 million in Q2 2014 compared to an operating loss of \$3.0 million in Q2 2013.

**Table of Contents**

*Other Expenses Net.* Other expenses net was approximately \$15.1 million in Q2 2014 as compared to \$10.8 million other expense net in Q2 2013. Interest expense increased approximately \$2.2 million primarily due to interest related to our Senior Secured Notes (issued November 2012 and June 2013), which was approximately \$8.7 million in Q2 2014 as compared to \$6.8 million in Q2 2013 due to the second tranche of Senior Secured Notes issued in June 2013. This increase was partially offset by \$0.7 million of interest expense related to our Ecko Note which was extinguished in May 2013. Interest and other income decreased \$5.5 million from \$6.0 million in Q2 2013 to \$0.5 million in Q2 2014 due to a gain in Q2 2013 related to the sale of securities for which there is no comparable transaction in Q2 2014. Our equity earnings on joint ventures increased approximately \$3.4 million from approximately \$2.3 million in Q2 2013 to \$5.7 million in Q2 2014, primarily due to international joint ventures created after Q2 2013 see Note 3 to Notes to Consolidated Financial Statements for a description of these joint ventures.

*Provision for Income Taxes.* The effective income tax rate for Q2 2014 is approximately 34.9% resulting in an \$18.5 million income tax expense, as compared to an effective income tax rate of 30.8% in Q2 2013 which resulted in an \$18.7 million income tax expense. The increase in our effective tax rate primarily relates to a one-time tax assessment of approximately \$2.1 million related to new legislation on income earned in New York State, as well as a smaller portion of our income in Q2 2014 as compared Q2 2013 being generated and permanently reinvested in countries outside the U.S. that have lower statutory rates than the U.S.

*Net Income.* Our net income was approximately \$34.6 million in Q2 2014, compared to net income of approximately \$42.0 million in Q2 2013, as a result of the factors discussed above.

**The six months ended June 30, 2014 (restated) ( Six Months 2014 ) compared to the six months ended June 30, 2013 ( Six Months 2013 )**

*Licensing revenue.* Licensing revenue for Six Months 2014 totaled \$207.7 million, a 1% decrease as compared to \$210.4 million for Six Months 2013. The entertainment segment increased 53% from \$36.0 million in Six Months 2013 to \$54.9 million in Six Months 2014 primarily driven by revenue recognized for the renewal of the license for Peanuts television specials with ABC Networks. The women's segment increased 7% from \$76.0 million in Six Months 2013 to \$81.4 million in Six Months 2014 due to increased revenues related to our direct-to-retail licenses specifically our OP and Danskin brands, as well as a full year of revenue from our Buffalo brand (acquired February 2013). The men's segment decreased 37% from \$77.4 million in Six Months 2013 to \$49.1 million in Six Months 2014 primarily due to weakness in our Rocawear, Ecko and Ed Hardy brands, as well as a decrease in revenue from the Umbro brand related to the timing of the transition from Nike operated territories to our new licensee base. The home segment increased 6% from \$21.0 million in Six Months 2013 to \$22.2 million in Six Months 2014 primarily due to an increase in revenues from Royal Velvet at JC Penney.

*Other Revenue.* Other revenue for Six Months 2014 totaled \$20.0 million, as compared to \$9.8 million for Six Months 2013. The \$20.0 million of other revenue in Six Months 2014 consists of (i) a \$4.0 million gain realized on the partial sale of the Lee Cooper U.S. trademarks to our Lee Cooper U.S. joint venture, (ii) an \$8.2 million gain realized on the partial sale of certain trademarks to our Iconix Southeast Asia joint venture and (iii) a \$7.8 million gain on the sale of the sharperimage.com domain name and certain categories under the Sharper Image trademark. The \$9.8 million of other revenue in Six Months 2013 consists entirely of the gain realized on the formation of our Iconix Canada joint venture.

*Operating Expenses.* SG&A totaled \$91.6 million for Six Months 2014 compared to \$82.4 million for Six Months 2013. SG&A in the entertainment segment increased 52% from \$25.8 million in Six Months 2013 to \$39.3 million in Six Months 2014 primarily due to \$11.0 million increase in talent fees incurred as a result of an incremental increase in revenue primarily due to the renewal of the license for Peanuts television specials with ABC Networks. SG&A in

the women's segment increased 18% from \$9.5 million in Six Months 2013 to \$11.3 million in Six Months 2014 mainly due to \$1.4 million in increased compensation costs. SG&A in the men's segment increased 7% from \$17.8 million in Six Months 2013 to \$19.0 million in Six Months 2014 mainly due to \$5.2 million increase in compensation costs, partially offset by \$3.1 million decrease in advertising costs. SG&A in the home segment decreased 10% from \$3.6 million in Six Months 2013 to \$3.2 million in Six Months 2014 mainly due to a \$1.0 million decrease in advertising costs mostly related to the Royal Velvet brand. SG&A in the corporate segment decreased 27% from \$25.6 million in Six Months 2013 to \$18.7 million in Six Months 2014 mainly due to \$2.5 million decrease in compensation costs and \$1.7 million decrease in professional fees.

*Operating Income.* Operating income for Six Months 2014 decreased to \$136.1 million, or approximately 60% of total revenue, compared to approximately \$137.8 million or approximately 63% of total revenue in Six Months 2013. Operating income from the women's segment was \$70.1 million in Six Months 2014 compared to \$66.5 million in Six Months 2013. Operating income from the men's segment was \$30.1 million in Six Months 2014 compared to \$59.5 million in the Six Months 2013. Operating income from the home operating segment was \$19.0 million in Six Months 2014 compared to \$17.4 million in Six Months 2013. Operating income from the entertainment segment was \$15.6 million in Six Months 2014 compared to \$10.1 million in Six Months 2013. Corporate operating income was \$1.3 million in Six Months 2014 compared to an operating loss of \$15.9 million in Six Months 2013.

*Other Income Net.* Other income net was approximately \$5.4 million in Six Months 2014 as compared to other expenses net of \$22.8 million in Six Months 2013. Interest expense increased approximately \$9.1 million for the following reasons: (i) an increase in interest related to our Senior Secured Notes (issued November 2012 and June 2013) of approximately \$4.4 million, due to the second tranche of Senior Secured Notes issued in June 2013, (ii) an increase of approximately \$4.8 million in interest related to our 1.50% Convertible Notes issued March 2013, partially offset by \$1.7 million of interest expense related to our Ecko Note (extinguished in May 2013) in Six Months 2013 for which there is no comparable expense in Six Months 2014. Interest and other income increased \$32.7 million from \$6.3 million in the Six Months 2013 to approximately \$39.0 million in the Six Months 2014 primarily due to a \$37.9 million non-cash gain in the Six Months 2014 related to the fair value re-measurement of our original 50% interest in Iconix Latin America see Note 3 to Notes to Consolidated Financial Statements for a description of this transaction, as compared to a \$5.4 million gain in the Six Months 2013 related to the sale of securities for which there is no comparable transaction in Six Months 2014. Our equity earnings on joint ventures increased approximately \$4.6 million from approximately \$4.2 million in the Six Months 2013 to \$8.8 million in Six Months 2014, primarily due to international joint ventures created after Q2 2013 see Note 3 to Notes to Consolidated Financial Statements for a description of these joint ventures.

*Provision for Income Taxes.* The effective income tax rate for Six Months 2014 is approximately 31.1% resulting in a \$44.1 million income tax expense, as compared to an effective income tax rate of 29.3% in Six Months 2013 which resulted in the \$33.7 million income tax expense. The increase in our effective tax rate primarily relates to a one-time tax assessment of approximately \$2.1 million related to new legislation on income earned in New York State, as well as a smaller portion of our income in Six Months 2014 as compared to the Six Months 2013 being generated and permanently reinvested in countries outside the U.S. that have lower statutory rates than the U.S.

*Net Income.* Our net income was approximately \$97.4 million in Six Months 2014, compared to net income of approximately \$81.3 million in Six Months 2013, as a result of the factors discussed above.

<b>Three Months Ended</b>		
<b>September 30, 2014</b>		
<b>(Unaudited)</b>		
<b>As</b>	<b>Adjustments</b>	<b>As</b>
<b>Previously</b>		<b>Restated</b>

	<b>Reported</b>		
Licensing revenue	\$ 95,070	(3,458)	\$ 91,612
Total revenue	113,750	(3,458)	110,292
Selling, general and administrative expenses	50,190	(3,312)	46,878
Operating income	63,560	(146)	63,414
Income before taxes	47,119	(146)	46,973
Provision for income taxes	9,907	(51)	9,856
Net income	37,212	(95)	37,117
Net income attributable to Iconix Brand Group, Inc.	33,779	(95)	33,684
Earnings per share:			
Basic	\$ 0.70	\$ 0.00	\$ 0.70
Diluted	\$ 0.58	\$ 0.00	\$ 0.58
Comprehensive income	10,738	(95)	10,643
Comprehensive income attributable to Iconix Brand Group, Inc.	7,305	(95)	7,210

**Table of Contents**

	(Unaudited)			
	Three Months Ended September 30, 2014 (Restated)	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014 (Restated)	Nine Months Ended September 30, 2013
<b><u>Licensing and other revenue by segment:</u></b>				
Men s	\$ 24,433	\$ 36,128	\$ 73,552	\$ 113,499
Women s	32,998	32,159	114,435	108,182
Home	10,968	10,740	33,189	31,773
Entertainment	23,213	20,109	78,158	56,099
Corporate	18,680	8,040	38,690	17,809
	\$ 110,292	\$ 107,175	\$ 338,024	\$ 327,362
<b><u>Operating income (loss):</u></b>				
Men s	\$ 10,818	\$ 23,848	\$ 40,895	\$ 83,376
Women s	27,022	26,324	97,170	92,818
Home	8,959	9,130	27,944	26,570
Entertainment	8,742	6,162	24,351	16,310
Corporate	7,873	(3,994)	9,167	(19,854)
	\$ 63,414	\$ 61,470	\$ 199,527	\$ 199,220

The three months ended September 30, 2014 (restated) ( Q3 2014 ) compared to the three months ended September 30, 2013 ( Q3 2013 )

**Highlights of Q3 2014**

Gain related to the sale of our Umbro and Lee Cooper trademarks in the Greater China territory to our Iconix Southeast Asia joint venture

*Licensing revenue.* Licensing revenue for Q3 2014 totaled \$91.6 million, an 8% decrease as compared to \$99.4 million for Q3 2013. The entertainment segment increased 15% from \$20.1 million in Q3 2013 to \$23.2 million in Q3 2014 primarily driven by increased revenues related to our license with Metlife. The women s segment increased 3% from \$32.2 million in Q3 2013 to \$33.0 million in Q3 2014 due to increased revenues related to our London Fog and Rampage brands. The men s segment decreased 33% from \$36.4 million in Q3 2013 to \$24.4 million in Q3 2014 primarily due to weakness in our Rocawear and Ecko brands. The home segment increased 2% from \$10.7 million in Q3 2013 to \$11.0 million in Q3 2014 primarily due to increased revenues related to our Royal Velvet and Sharper Image brands.

*Other Revenue.* Other revenue for Q3 2014 totaled \$18.7 million, as compared to \$7.8 million for Q3 2013. The \$18.7 million of other revenue in Q3 2014 consists entirely of a gain realized on the partial sale of our Umbro and Lee Cooper trademarks in the Greater China territory to our Iconix Southeast Asia joint venture. The \$8.0 million of other revenue in Q3 2013 consists primarily of the gain realized on the formation of our Iconix Australia joint venture.

*Operating Expenses.* SG&A totaled \$46.9 million for Q3 2014 compared to \$45.7 million for Q3 2013. SG&A in the entertainment segment increased 4% from \$13.9 million in Q3 2013 to \$14.4 million in Q3 2014 primarily due to a (i) \$0.7 million increase in compensation costs, (ii) \$0.5 million increase in advertising expense, and (iii) \$0.2 million increase in professional fees, partially offset by an increase in talent fees due to the increase in revenue (see above). SG&A in the women's segment increased 2% from \$5.8 million in Q3 2013 to \$6.0 million in Q3 2014 mainly due to \$0.7 million of increased compensation costs. SG&A in the men's segment increased 9% from \$12.5 million in Q3 2013 to \$13.6 million in Q3 2014 mainly due to a \$1.4 million increase in compensation costs. SG&A in the home segment increased 25% from \$1.6 million in Q3 2013 to \$2.0 million in Q3 2014 mainly due to a \$0.2 million increase in accounts receivable reserves and write-offs of doubtful accounts. SG&A in the corporate segment decreased 8% from \$11.8 million in Q3 2013 to \$10.8 million in Q3 2014 mainly due to an approximate \$0.7 million decrease in consulting fees.

*Operating Income.* Operating income for Q3 2014 increased to \$63.4 million, or approximately 57% of total revenue, compared to approximately \$61.5 million or approximately 57% of total revenue in Q3 2013. Operating income from the women's segment was \$27.0 million in Q3 2014 compared to \$26.3 million in Q2 2013. Operating income from the men's segment was \$10.8 million in Q3 2014 compared to \$23.8 million in the Q3 2013. Operating income from the home operating segment was \$9.0 million in Q3 2014 compared to \$9.1 million in Q3 2013. Operating income from the entertainment segment was \$8.7 million in Q3 2014 compared to \$6.1 million in Q3 2013. Corporate operating income was \$7.9 million in Q3 2014 compared to a corporate operating loss of \$4.0 million in Q2 2013.

*Other Expenses Net.* Other expenses net was approximately \$16.4 million in Q3 2014 as compared to approximately \$17.2 million other expense net in Q3 2013. Our equity earnings on joint ventures increased approximately \$0.7 million from approximately \$3.4 million in Q3 2013 to \$4.1 million in Q3 2014, primarily due to international joint ventures created after Q3 2013 see Note 3 to Notes to Consolidated Financial Statements for a description of these joint ventures.

**Table of Contents**

*Provision for Income Taxes.* The effective income tax rate for Q3 2014 is approximately 21.0% resulting in a \$9.9 million income tax expense, as compared to an effective income tax rate of 31.1% in Q3 2013 which resulted in the \$13.7 million income tax expense. The decrease in our effective tax rate primarily relates to a larger portion of our income in Q3 2014 as compared to Q3 2013 being generated and permanently reinvested in countries outside the U.S. that have lower statutory rates than the U.S., primarily driven by the sale of our Umbro and Lee Cooper trademarks in the Greater China territory to our Iconix SE Asia joint venture.

*Net Income.* Our net income was approximately \$37.1 million in Q3 2014, compared to net income of approximately \$30.5 million in Q3 2013, as a result of the factors discussed above.

**The nine months ended September 30, 2014 (restated) ( Nine Months 2014 ) compared to the nine months ended September 30, 2013 ( Nine Months 2013 )**

*Licensing revenue.* Licensing revenue for Nine Months 2014 totaled \$299.3 million, a 3% decrease as compared to \$309.8 million for Nine Months 2013. The entertainment segment increased 39% from \$56.0 million in Nine Months 2013 to \$78.2 million in Nine Months 2014 primarily driven by revenue recognized for the renewal of the license for Peanuts television specials with ABC Networks. The women's segment increased 6% from \$108.2 million in Nine Months 2013 to \$114.4 million in Nine Months 2014 due to increased revenues related to our direct-to-retail licenses, specifically for our Mudd and Danskin brands, as well as a full year of revenue from our Buffalo brand (acquired February 2013). The men's segment decreased 35% from \$113.7 million in Nine Months 2013 to \$73.6 million in Nine Months 2014 primarily due to weakness in our Rocawear, Ecko and Ed Hardy brands, as well as a decrease in revenue from the Umbro brand related to the timing of the transition from Nike operated territories to our new licensee base. The home segment increased 4% from \$31.8 million in Nine Months 2013 to \$33.2 million in Nine Months 2014 primarily due to increased revenues related to our Royal Velvet and Sharper Image brands.

*Other Revenue.* Other revenue for Nine Months 2014 totaled \$38.7 million, as compared to \$17.6 million for Nine Months 2013. The \$38.7 million of other revenue in Nine Months 2014 consists of (i) a \$4.0 million gain realized on the formation of our Lee Cooper U.S. joint venture, (ii) an \$8.2 million gain realized on the partial sale of certain trademarks to our Iconix Southeast Asia joint venture, (iii) a \$7.8 million gain on the sale of the sharperimage.com domain name and certain categories under the Sharper Image trademark, and (iv) an \$18.7 million gain realized on the partial sale of our Umbro and Lee Cooper trademarks in the Greater China territory to our Iconix Southeast Asia joint venture. The \$17.6 million of other revenue in Nine Months 2013 consists primarily of (i) the \$9.8 gain realized on the formation of our Iconix Canada joint venture and (ii) the \$5.1 million gain realized on the formation of our Iconix Australia joint venture.

*Operating Expenses.* SG&A totaled \$138.5 million for Nine Months 2014 compared to \$128.1 million for Nine Months 2013. SG&A in the entertainment segment increased 35% from \$39.8 million in Nine Months 2013 to \$53.8 million in Nine Months 2014 primarily due to \$10.3 million increase in talent fees incurred as a result of an incremental increase in revenue primarily due to the renewal of the license for Peanuts television specials with ABC Networks. SG&A in the women's segment increased 12% from \$15.4 million in Nine Months 2013 to \$17.3 million in Nine Months 2014 mainly due to a \$2.1 million increase in compensation costs. SG&A in the men's segment increased 8% from \$30.4 million in Nine Months 2013 to \$32.7 million in Nine Months 2014 mainly due to a \$6.6 million increase in compensation costs partially offset by a \$3.6 million decrease in advertising costs. SG&A in the home segment increased slightly from \$5.2 million in Nine Months 2013 to \$5.2 million in Nine Months 2014. SG&A in the corporate segment decreased 21% from \$37.4 million in Nine Months 2013 to \$29.5 million in Nine Months 2014 mainly due to a \$2.9 million decrease in compensation costs and a \$1.6 million decrease in professional fees.

*Operating Income.* Operating income for Nine Months 2014 increased slightly to \$199.5 million, or approximately 59% of total revenue, compared to approximately \$199.2 million or approximately 61% of total revenue in Nine Months 2013. Operating income from the women's segment was \$97.2 million in Nine Months 2014 compared to \$92.8 million in Nine Months 2013. Operating income from the men's segment was \$40.9 million in Nine Months 2014 compared to \$83.4 million in the Nine Months 2013. Operating income from the home operating segment was \$27.9 million in Nine Months 2014 compared to \$26.6 million in Nine Months 2013. Operating income from the entertainment segment was \$24.4 million in Nine Months 2014 compared to \$16.3 million in Nine Months 2013. Corporate operating income was \$9.2 million in Nine Months 2014 compared to a corporate operating loss of \$19.9 million in Nine Months 2013.

*Other Expense Net.* Other expense net was approximately \$11.1 million in Nine Months 2014 as compared to \$40.0 million in Nine Months 2013. Interest expense increased approximately \$9.0 million for the following reasons: (i) an increase in interest related to our Senior Secured Notes (issued November 2012 and June 2013) of approximately \$3.8 million, due to the second tranche of Senior Secured Notes issued in June 2013, (ii) an increase of approximately \$5.0 million in interest related to our 1.50% Convertible Notes issued March 2013, partially offset by \$1.7 million of interest expense related to our Ecko Note (extinguished in May 2013) in Nine Months 2013 for which there is no comparable expense in Nine Months 2014. Interest and other income increased \$32.7 million from \$6.9 million in Nine Months 2013 to approximately \$39.6 million in Nine Months 2014 primarily due to a \$37.9 million non-cash gain in Nine Months 2014 related to the fair value re-measurement of our original 50% interest in Iconix Latin America see Note 3 to Notes to Consolidated Financial Statements for a description of this transaction, as compared to a \$5.4 million gain in Nine Months 2013 related to the sale of securities for which there is no comparable transaction in the Nine Months 2014. Our equity earnings on joint ventures increased approximately \$5.3 million from approximately \$7.6 million in Nine Months 2013 to \$12.9 million in Nine Months 2014, primarily due to international joint ventures created since June 2013 as compared to a full nine months of earnings in Nine Months 2014, partially offset by our Latin America joint venture which was included in equity earnings on joint ventures until February 2014 when we began consolidating following our purchase of our partner's remaining interest in Iconix Latin America see Note 3 to Notes to Consolidated Financial Statements for a description of these joint ventures.

*Provision for Income Taxes.* The effective income tax rate for Nine Months 2014 is approximately 28.6% resulting in a \$53.9 million income tax expense, as compared to an effective income tax rate of 29.8% in Nine Months 2013 which resulted in the \$47.4 million income tax expense. The decrease in our effective tax rate primarily relates to, a smaller portion of our income in Nine Months 2014 as compared to Nine Months 2013 being generated and permanently reinvested in countries outside the U.S. that have lower statutory rates than the U.S., partially offset by a one-time tax assessment of approximately \$2.1 million related to new legislation on income earned in New York State.

*Net Income.* Our net income was approximately \$134.5 million in Nine Months 2014, compared to net income of approximately \$111.8 million in Nine Months 2013, as a result of the factors discussed above.

	<b>2013</b>	<b>2012</b>
	<b>(Restated)</b>	
<b><u>Licensing and other revenue by segment:</u></b>		
Men's	\$ 143,916	\$ 99,093
Women's	138,262	120,743
Home	40,920	40,527
Entertainment	74,949	81,322
Corporate	32,579	12,133
	<b>\$ 430,626</b>	<b>\$ 353,818</b>



**Operating income (loss):**

Men s	\$ 97,448	\$ 74,040
Women s	118,454	105,036
Home	35,435	34,122
Entertainment	21,319	23,613
Corporate	(15,245)	(21,361)
	\$ 257,411	\$ 215,450

**Highlights of 2013**

Acquisition of the Lee Cooper brand

51% investment in the Buffalo brand

**Table of Contents**

Formation of four international joint ventures:

Iconix Canada

Iconix Australia

Iconix Southeast Asia

Iconix Israel

Licensing revenue growth of 16%, from \$341.7 million in FY 2012 to \$398.0 million in FY 2013

Repurchase of approximately 15.8 million shares of our common stock for \$436.4 million

Completion of a secondary issuance of our Senior Secured Notes for \$275.0 million

Completion of issuance of 1.50% Convertible Notes for \$400.0 million

**FY 2013 (restated) Compared to FY 2012**

*Licensing revenue.* Licensing revenue for FY 2013 totaled \$398.0 million, a 16% increase as compared to \$341.7 million for FY 2012. The women's segment increased 15% from \$120.7 million in the FY 2012 to \$138.3 million in FY 2013 primarily due to our Buffalo brand which was acquired in February 2013 and therefore has no comparable revenue in FY 2012. The men's segment increased 45% from \$99.1 million in FY 2012 to \$143.9 million in FY 2013 primarily due to our Umbro brand, acquired in November 2012, and our Lee Cooper brand, acquired in February 2013 and therefore has no comparable revenue in FY 2012. The home segment increased 1% from \$40.5 million in FY 2012 to \$40.9 million in FY 2013 primarily due to an increase in revenues from our Royal Velvet and Waverly brands. The entertainment segment decreased 8% from \$81.3 million in FY 2012 to \$74.9 million in FY 2013 partially driven by weakness in the Yen as well as softness in the European market.

*Other Revenue.* Other revenue for FY 2013 totaled \$32.6 million, a 169% increase as compared to \$12.1 million for FY 2012. This increase was driven by the revenue realized on the formation of our Iconix Australia, Iconix Canada, Iconix Southeast Asia, Iconix Israel and the Umbro Korea transactions as compared to our Iconix India joint venture and OP Japan transaction in FY 2012.

*Operating Expenses.* SG&A totaled \$173.2 million for FY 2013 compared to \$138.4 million for FY 2012. SG&A in the entertainment segment decreased 7% from \$57.7 million in FY 2012 to \$53.6 million in FY 2013 primarily due to a \$4.1 million decrease in talent expenses incurred as a result of decreased revenues in FY 2013 partially offset by \$1.2 million increase in advertising costs. SG&A in the women's segment increased 26% from \$15.7 million in FY

2012 to \$19.8 million in FY 2013 mainly due to a \$3.1 million in advertising in the Buffalo brand which was acquired in February 2013 and therefore has no comparable costs in FY 2012. SG&A in the men's segment increased 85% from \$25.1 million in FY 2012 to \$46.5 million in FY 2013 mainly due to our Umbro brand, acquired in November 2012, and our Lee Cooper brand, acquired in February 2013 and therefore there is no corresponding SG&A in FY 2012. SG&A in the home segment decreased 14% from \$6.4 million in FY 2012 to \$5.5 million in FY 2013 mainly due to a \$1.7 million decrease in license contract amortization for prior period acquisitions. SG&A in the corporate segment increased 43% from \$33.5 million in FY 2012 to \$47.8 million in FY 2013 mainly due to an \$8.0 million increase in compensation costs mostly related to performance-based stock compensation and \$4.0 million increase in professional fees.

*Operating Income.* Operating income for FY 2013 increased to \$257.4 million, or approximately 60% of total revenue, compared to approximately \$215.5 million or approximately 61% of total revenue in FY 2012. Operating income from the women's segment was \$118.5 million in FY 2013 compared to \$105.0 million in FY 2012. Operating income from the men's segment was \$97.4 million in FY 2013 compared to \$74.0 million in the FY 2012. Operating income from the home operating segment was \$35.4 million in FY 2014 compared to \$34.1 million in FY 2012. Operating income from the entertainment segment was \$21.3 million in FY 2013 compared to \$23.6 million in FY 2012. Corporate operating loss was \$15.2 million in FY 2013 compared to a corporate operating loss of \$21.4 million in FY 2012.

*Other Expenses Net.* Other expenses net was approximately \$56.7 million in FY 2013 as compared to \$33.0 million in FY 2012. Interest expense increased approximately \$29.7 million for the following reasons: (i) interest related to our Senior Secured Notes (issued November 2012 and June 2013) was approximately \$29.1 million, for which there is no comparable expense in FY 2012, (ii) interest related to our 1.50% Convertible Notes (issued March 2013) was approximately \$17.3 million, for which there is no comparable expense in FY 2012 and (iii) an increase in the amortization of our deferred financing fees of \$1.6 million as a result of our recently completed financings; partially offset by: (i) \$11.3 million of interest expense in FY 2012 related to our 1.875% convertible notes which were paid off in June 2012, (ii) interest expense related to our Ecko Note decreased approximately \$3.0 million primarily related to the early extinguishment of the Ecko Note in May 2013, (iii) interest expense related to our asset-backed notes (repaid and extinguished in November 2012) was \$2.7 million and (iv) \$2.3 million of interest expense related to our revolver financing which we drew down in June 2012 and was paid off and extinguished in November 2012, for each of which there is no comparable expense in FY 2013. Interest and other income increased \$4.7 million from \$2.7 million in FY 2012 to \$7.4 million in FY 2013 due to a \$5.4 million gain in FY 2013 related to the sale of securities that had been written down to zero in FY 2010. Our equity earnings on joint ventures increased approximately \$1.2 million from approximately \$10.9 million in FY 2012 to \$12.1 million in FY 2013, primarily due to an increase in income from our MG Icon joint venture, as well as strong aggregate earnings from our international joint ventures, partially offset by a gain realized by our Iconix China joint venture in FY 2012 related to the monetization of an investment.

*Provision for Income Taxes.* The effective income tax rate for FY 2013 is approximately 28.9% resulting in a \$58.1 million income tax expense, as compared to an effective income tax rate of 32.3% in FY 2012 which resulted in the \$59.0 million income tax expense. The decrease in our effective tax rate primarily relates to a greater portion of our income being generated and permanently reinvested in countries outside the U.S. that have lower statutory rates than the U.S.

*Net Income.* Our net income was approximately \$142.6 million in FY 2013, compared to net income of approximately \$123.5 million in FY 2012, 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, 2014 and December 31, 2013, our cash totaled \$128.0 million and \$278.8 million, respectively, not including short-term restricted cash of \$59.6 million and \$58.9 million, respectively. Our short term restricted cash primarily consists of collection and investment accounts related to our Senior Secured 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 and our currently available cash will be sufficient to satisfy our anticipated working capital requirements for the foreseeable future. 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. See Note 6 of Notes to Consolidated Financial Statements for a description of certain prior financings consummated by us.

Subsequent to FY 2014, 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 will be used primarily for acquisitions, as well as for general corporate purposes. See below under Obligations and Commitments for a description of our Variable Funding Notes. See Note 16 to Notes to Consolidated Financial Statements for additional disclosure regarding this funding of our Variable Funding Notes as well as our acquisition of the Strawberry Shortcake brand and related assets.

## **Table of Contents**

### *Changes in Working Capital*

At December 31, 2014 and December 31, 2013 the working capital ratio (current assets to current liabilities) was 2.76 to 1 and 3.57 to 1, respectively.

### *Operating Activities*

Net cash provided by operating activities decreased approximately \$40.6 million, from \$203.2 million in FY 2013 to \$162.5 million in FY 2014. After excluding the non-cash gain in FY 2014 related to the fair value re-measurement of our original 50% interest in Iconix Latin America and the deferred taxes associated with that non-cash gain, the decrease in net cash provided by operating activities was primarily related to an increase in the gains on sale of trademarks (see Note 3 of Notes to Consolidated Financial Statements for descriptions of these transactions) and an increase in our earnings from our equity investments in joint ventures in FY 2014, as well as an aggregate decrease in the net change in balance sheet items of approximately \$17.3 million. These aggregate decreases were partially offset by an increase in amortization of the convertible note discount related to the 1.50% Convertible Notes financed in March 2013, and a gain on the sale of securities of \$5.4 million FY 2013 as compared to \$0.3 million in FY 2014.

### *Investing Activities*

Net cash used in investing activities decreased approximately \$129.7 million, from \$163.4 million in FY 2013 to \$33.7 million in FY 2014. This decrease is primarily due to our purchase of the remaining 50% interest in Iconix Latin America from our joint venture partner in FY 2014 for \$42.0 million in cash, as compared to the following acquisitions in FY 2013: our acquisition of a 51% interest in Buffalo for \$76.5 million in cash, our acquisition of Lee Cooper for \$66.7 million in cash, which is net of approximately \$6 million obtained from the entity, our investment in Marcy Media for \$32.0 million in cash, and our investment in Complex Media for \$25.0 million in cash.

### *Financing Activities*

Net cash used in financing activities was \$272.3 million in FY 2014, compared to \$0.5 million in the FY 2013. In FY 2013 we issued our 1.50% Convertible Notes which resulted in net proceeds of \$364.2 million (which includes the purchase of hedges and sale of warrants), as well as the issuance of the second tranche of our Senior Secured Notes which resulted in net proceeds of \$267.8 million. There were no comparable financings in FY 2014. This was partially offset by a decrease in share repurchases of \$243.0 million from \$436.4 million in FY 2013 to \$193.4 million in FY 2014, and a decrease in principal payments of \$32.2 million from \$95.1 million FY 2013 compared to \$62.9 million in FY 2014 primarily related to the early extinguishment of our Ecko Note in May 2013, partially offset by an increase in principal payments related to the second tranche of our Senior Secured Notes which was issued in June 2013 for which there was only one quarterly principal payment in FY 2013.

## **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.

As of December 31, 2014, no amounts under the Variable Funding Notes have been drawn (see above regarding subsequent event). 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 and a 50% interest in the Ice Cream trademark and the Billionaire Boys Club 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.

---

**Table of Contents**

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, Charisma, and Sharper Image (other than for a Sharper Image branded website or catalog in the United States and other specified jurisdictions); (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 2014 and FY 2013.

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 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, 2014, the total principal balance of the Senior Secured Notes is \$774.0 million, of which \$61.1 million is included in the current portion of long-term debt on the consolidated balance sheet. As of December 31, 2014 and December 31, 2013, \$59.6 million and \$58.9 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.

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. The *2.50% Convertible Notes* bear interest at an annual rate of *2.50%*, payable semi-annually in arrears on June 1 and December 1 of each year, commencing as of December 1, 2011. At December 31, 2014, the net balance of the *2.50% Convertible Notes* was \$254.7 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 *2.50% Convertible Note* holders is \$300.0 million.



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 will generally have 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 are separate and legally distinct instruments that bind only us and the counterparties thereto and have no binding effect on the holders of the 2.50% Convertible Notes.

**Table of Contents**

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. There are no covenants for this debt obligation.

The following is a summary of contractual cash obligations, including interest for the periods indicated that existed as of December 31, 2014:

	2015	2016	2017	2018	2019	Thereafter	Total
	(000 s omitted)						
Senior Secured Notes	\$ 61,123	\$ 61,123	\$ 61,123	\$ 61,123	\$ 61,123	\$ 468,415	\$ 774,030
1.50% Convertible Notes				400,000			400,000
2.50% Convertible Notes		300,000					300,000
Operating leases	2,933	2,750	2,806	2,628	2,639	11,257	25,013
Employment contracts	5,771	874					6,645
Interest	45,235	38,252	32,518	24,910	21,301	76,500	238,716
<b>Total contractual cash obligations</b>	<b>\$ 115,062</b>	<b>\$ 402,999</b>	<b>\$ 96,447</b>	<b>\$ 488,661</b>	<b>\$ 85,063</b>	<b>\$ 556,172</b>	<b>\$ 1,744,404</b>

**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**

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which is the new comprehensive revenue recognition standard that will supersede all existing revenue recognition guidance under U.S. GAAP. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to a customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This ASU is effective for annual and interim periods beginning on or after December 15, 2016, and early adoption is not permitted. Companies will have the option of using either a full retrospective approach or a modified approach to adopt the guidance in the ASU. We are currently evaluating the impact of adopting this guidance.

In April 2014, the FASB issued ASU 2014-08 Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity (ASU 2014-08). ASU 2014-08 raises the threshold for a disposal to qualify as a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. This ASU is effective for annual periods beginning on or after December 15, 2014. Early adoption is permitted but only for disposals that have not been reported in financial statements previously issued. We do not expect this new accounting pronouncement to have an impact on our consolidated financial statements.

## **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.



---

**Table of Contents**

In addition, 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 brand's 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*.

**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 (December 31 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 follows: (i) discount rates; (ii) royalty rates; (iii) projected average revenue growth rates; and (iv) 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 the years FY 2014, FY 2013 and FY 2012, there were no write-downs from impairments.

***Goodwill***

Goodwill is tested for impairment at the reporting unit level (The Company has one operating segment with various components, that have been aggregated into one Reporting Unit or one level below an operating segment) on an annual basis (December 31 for the Company) 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. As of December 31, 2014 there have been no impairments.

### **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 any consolidated entity 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 us.

### **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. At December 31, 2014, the total unrecognized tax benefit was \$1,180 million. However, this unrecognized tax benefit is not recognized for accounting purposes because the related deferred tax asset has been fully reserved in prior years. We are continuing our practice of recognizing interest and penalties related to income tax matters in income tax expense. There was no accrual for interest and penalties related to uncertain tax positions for the year ended December 31, 2014. We file federal and state tax returns and we are generally no longer subject to tax examinations for fiscal years prior to 2009.

## **Table of Contents**

### **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 2.50% Convertible Notes and 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 (Restated)**

Our current management, with the participation of our Interim Chief Executive Officer and current Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2014. 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.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Our current management, with the participation of our Interim Chief Executive Officer and current Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this Annual Report (December 31, 2014) on Form 10-K. Based upon that original evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2014. However, due to the material weaknesses in internal control over financial reporting described



below, our Interim Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective, and were not operating at the reasonable assurance level as of December 31, 2014.

### **Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2014 that materially affected, or are reasonable likely to materially affect, our internal control over financial reporting. However, as noted below, we are reviewing and implanting changes to our internal control over financial reporting to address the material weaknesses described below.

### **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 (Revised)**

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 Chief Executive Officer and Chief Financial 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 generally accepted accounting principles. 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 generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

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 current management, under the supervision of our Interim Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our internal control 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 determined that a material weakness existed as of December 31, 2014 as described below. Weaknesses were identified in certain of the Company's review controls. In addition, as a result of the Special Committee's review (as described in the introduction to Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations), and the subsequent review undertaken by the Audit Committee of the Board of Directors and current management, certain adjustments were noted that were subsequently recorded by the Company with respect to (i) the 2013 fiscal year and fourth quarter thereof (ii) the 2014 fiscal year and each quarterly period thereof and (iii) the first and second quarters of 2015, to correct certain errors in accounting. The errors include (i) the classification of contractually obligated expenses, retail support and other costs as selling, general and administrative expenses, as opposed to netting such expenses against licensing or other revenue, as applicable, (ii) inadequate support for revenue recognition relating to certain license agreements, and (iii) inadequate estimation of accruals related to retail support for certain license agreements. These adjustments resulted, in large part, from the inadequate review control procedures at the Company. The Company will address the matters related to the first and second quarters of 2015 in amended Forms 10-Q with respect to these periods which will be filed with the SEC.

As a result of this material weakness, current management concluded that our internal control over financial reporting was not effective as of December 31, 2014. 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 ), has reissued their report on our internal controls over financial reporting as of December 31, 2014. BDO's reissued report appears in Part II, Item 9A of this Amendment No. 2 on Form 10-K/A.

#### Addressing the Material Weaknesses

The current management team, including the Interim Chief Executive Officer and Chief Financial Officer, are implementing expanded review and monitoring controls in 2015 to address these findings and the adjustments discussed above. We will test the ongoing operating effectiveness of the new controls in future periods. The material weaknesses cannot be considered addressed until the applicable additional controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

The foregoing has been approved by our management, including our Interim 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, meets regularly with management and the independent accountants to review accounting, reporting, auditing and internal control matters. The Audit Committee has direct and private access to external auditors. 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.

**Table of Contents**

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, 2014, 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

In our report dated March 2, 2015, we expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2014. Subsequent to March 2, 2015, Iconix Brand Group Inc identified material misstatements in its annual and quarterly consolidated financial statements for 2014, requiring restatement of such financial statements. Management revised its assessment of internal control over financial reporting due to the identification of a material weakness, described in the following paragraph, in connection with the financial statement restatements. Accordingly, our opinion on the effectiveness of Iconix Brand Group, Inc.'s internal control over financial reporting as of December 31, 2014 expressed herein is different from that expressed in our previous report.

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. A material weakness regarding management's failure to timely and adequately perform management review control functions has been identified and described in management's revised assessment. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2014 financial statements (as restated).

In our opinion, Iconix Brand Group, Inc. did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2014, 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, 2014 and 2013, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2014 and our report dated March 2, 2015, except for Notes 14 and 17, as to which the date is November 25, 2015, expressed an unqualified opinion thereon, but included an explanatory paragraph regarding the restatement of the 2013 and 2014 financial statements.

/s/ BDO USA LLP

New York, New York

March 2, 2015, except for the effects of the material weakness, which is November 25, 2015

**Table of Contents**

**Item 9B. Other Information**

None.

**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 2015 ( 2015 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 2015 Definitive Proxy Statement.

**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 2015 Definitive Proxy Statement.

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

The information required under this item is hereby incorporated by reference from our 2015 Definitive Proxy Statement.

**Item 14. Principal Accounting Fees and Services**

The information required under this item is hereby incorporated by reference from our 2015 Definitive Proxy Statement.

**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, 2014 (restated) and 2013

Consolidated Income Statements for the years ended December 31, 2014 (restated), 2013 (restated) and 2012

Consolidated Statements of Comprehensive Income for the years ended December 31, 2014 (restated), 2013 and 2012

Consolidated Statements of Stockholders Equity for the years ended December 31, 2014 (restated), 2013 and 2012

Consolidated Statements of Cash Flows for the years ended December 31, 2014 (restated), 2013 (restated) and 2012

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 for the years ended December 31, 2014 (restated), 2013 (restated) and 2012

Schedule II Valuation and qualifying accounts (restated)

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.

Table of Contents

**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: November 25, 2015

By: /s/ F. Peter Cuneo

**F. Peter Cuneo**  
**Interim Chief Executive Officer**

/s/ David K. Jones

**David K. Jones**  
**Executive Vice President and Chief Financial Officer**

**Table of Contents**

**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>
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>
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	Employment Agreement between Neil Cole and the Company dated January 28, 2008 <sup>(7)</sup> *



- 10.8 Option Agreement of Neil Cole dated November 29, 1999<sup>(18)\*</sup>
- 10.9 The Company's 2006 Equity Incentive Plan and forms of options granted thereunder<sup>(19)\*</sup>
- 10.10 Form of Restricted Stock Agreement for officers under the Company's 2006 Equity Incentive Plan<sup>(20)\*</sup>
- 10.11 Form of Restricted Stock Agreement for Directors under the Company's 2006 Equity Incentive Plan<sup>(20)\*</sup>

**Table of Contents****Exhibit**

<b>Numbers</b>	<b>Description</b>
10.12	Form of Option Agreement under the Company's 1997 Stock Option Plan <sup>(21)*</sup>
10.13	Form of Option Agreement under the Company's 2000 Stock Option Plan <sup>(21)*</sup>
10.14	Form of Option Agreement under the Company's 2001 Stock Option Plan <sup>(21)*</sup>
10.15	Form of Option Agreement under the Company's 2002 Stock Option Plan <sup>(21)*</sup>
10.16	Common Stock Purchase Warrant issued to UCC Consulting Corporation <sup>(22)</sup>
10.17	Note and Security Agreement dated November 7, 2007 made by Artful Holdings, LLC in favor of the Company <sup>(23)</sup>
10.18	Restricted Stock Grant Agreement dated February 19, 2008 between the Company and Neil Cole <sup>(24)*</sup>
10.19	Restricted Stock Performance Unit Agreement dated February 19, 2008 between the Company and Neil Cole <sup>(24)*</sup>
10.20	Lease dated as of November 12, 2007 with respect to the Company's Executive Offices <sup>(24)</sup>
10.21	Iconix Brand Group, Inc. Executive Incentive Bonus Plan <sup>(25)</sup>
10.22	Agreement dated May 2008 between the Company and Neil Cole <sup>(26)*</sup>
10.23	Agreement dated December 24, 2008 between the Company and Neil Cole <sup>(27)*</sup>
10.24	Form of restricted stock agreement under the 2009 Equity Incentive Plan <sup>(28)*</sup>
10.25	Form of stock option agreement under the 2009 Equity Incentive Plan <sup>(28)*</sup>
10.26	Restricted Stock Performance Unit Agreement with Neil Cole dated September 23, 2009 <sup>(28)*</sup>
10.27	Restricted Stock Agreement with Warren Clamen dated September 22, 2009 <sup>(28)*</sup>
10.28	Restricted Stock Agreement with Andrew Tarshis dated September 22, 2009 <sup>(28)*</sup>
10.29	Employment Agreement dated February 26, 2009 between the Company and David Blumberg <sup>(29)*</sup>
10.30	Restricted Stock Agreement with David Blumberg dated September 22, 2009 <sup>(29)*</sup>
10.31	Purchase Agreement, dated May 17, 2011, among Iconix Brand Group, Inc., Barclays Capital Inc. and Goldman, Sachs & Co. <sup>(11)</sup>
10.32	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>
10.33	Confirmation of OTC Convertible Note Hedge, dated May 17, 2011, between the Company and Goldman, Sachs & Co. <sup>(11)</sup>
10.34	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>
10.35	Confirmation of OTC Warrant Transaction, dated May 17, 2011, between the Company and Goldman, Sachs & Co. <sup>(11)</sup>
10.36	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>

- 10.37 Confirmation of Additional OTC Convertible Note Hedge, dated May 18, 2011, between the Company and Goldman, Sachs & Co.<sup>(11)</sup>
- 10.38 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>

**Table of Contents****Exhibit**

<b>Numbers</b>	<b>Description</b>
10.39	Confirmation of Additional OTC Warrant Transaction, dated May 18, 2011, between the Company and Goldman, Sachs & Co. <sup>(11)</sup>
10.40	Amendment to Employment Agreement between Neil Cole and the Company dated June 17, 2011 <sup>(30)*</sup>
10.41	Restricted Stock Agreement dated June 17, 2011 between the Company and Neil Cole <sup>(31)*</sup>
10.42	Restricted Stock Performance Unit Agreement dated June 17, 2011 between the Company and Neil Cole <sup>(31)*</sup>
10.43	Employment Agreement Amendment dated October 7, 2011 between the Company and Warren Clamen <sup>(32)*</sup>
10.44	Employment Agreement Amendment dated October 7, 2011 between the Company and Andrew Tarshis <sup>(32)*</sup>
10.45	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>
10.46	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>
10.47	Employment Agreement dated March 5, 2012 between the Company and David Blumberg <sup>(34)*</sup>
10.48	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>
10.49	Management Agreement dated November 29, 2012 by and among the Co-Issuers, Registrant and Citibank, N.A., as trustee <sup>(12)</sup>
10.50	Amendment to Employment Agreement entered into February 15, 2013 to be effective February 1, 2013 between the Company and David Blumberg <sup>(35) *</sup>
10.51	PSU Agreement dated February 15, 2013 between Iconix Brand Group, Inc. and David Blumberg <sup>(35)*</sup>
10.52	Form of RSU Agreement pursuant to the Amended and Restated 2009 Plan (Executive) <sup>(36)*</sup>
10.53	Form of RSU Agreement pursuant to the Amended and Restated 2009 Plan (Non-Executive) <sup>(36)*</sup>
10.54	Form of RSU Agreement pursuant to the Amended and Restated 2009 Plan (Non-employee Director) <sup>(36)*</sup>
10.55	Amended and Restated 2009 Equity Incentive Plan <sup>(36)*</sup>
10.56	Clawback policy form of Acknowledgement <sup>(36)*</sup>
10.57	Employment Agreement dated as of August 19, 2013 between the Company and Jason Schaefer <sup>(37)*</sup>

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

- 10.58 Employment Agreement Amendment dated as of March 18, 2014 between the Company and Seth Horowitz<sup>(38)</sup>\*
- 10.59 Employment Agreement dated as of March 18, 2014 between the Company and Jeff Lupinacci<sup>(38)</sup>\*
- 10.60 Purchase Agreement dated March 12, 2013 between Iconix Brand Group, Inc. and Barclays Capital Inc.<sup>(39)</sup>\*
- 10.61 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> \*
- 10.62 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> \*
- 10.63 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> \*
- 10.64 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> \*
- 21 Subsidiaries of the Company++
- 23 Consent of BDO USA, LLP++
- 31.1 Certification of Chief Executive Officer Pursuant To Rule 13a-14 Or 15d-14 Of The Securities Exchange Act Of 1934, As Adopted Pursuant To Section 302 Of The Sarbanes-Oxley Act Of 2002++
- 31.2 Certification of Principal Financial Officer Pursuant To Rule 13a-14 Or 15d-14 Of The Securities Exchange Act Of 1934, As Adopted Pursuant To Section 302 Of The Sarbanes-Oxley Act of 2002++
- 32.1 Certification of Chief Executive Officer Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 Of The Sarbanes-Oxley Act of 2002++
- 32.2 Certification of Principal Financial Officer Pursuant To 18 U.S.C. Section 1350, As Adopted pursuant To Section 906 Of The Sarbanes-Oxley Act Of 2002++
- (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.

**Table of Contents**

- (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) Filed as an exhibit to the Company s Current Report on Form 8-K for the event dated January 28, 2008 and incorporated by reference herein.
- (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) 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) Filed as an exhibit to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 and incorporated by reference herein.
- (27) Filed as an exhibit to the Company s Current Report on Form 8-K for the event dated December 24, 2008 and incorporated by reference herein.
- (28)

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

- 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) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated June 17, 2011 and incorporated by reference herein.
- (31) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011 and incorporated herein by reference.
- (32) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated October 7, 2011 and incorporated by reference herein.
- (33) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated November 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.

**Table of Contents**

- (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 Form 10-Q for the quarter ended September 30, 2013 and incorporated by reference herein.

(38) Filed as an exhibit to the Company's Current Report on Form 8-K for the event dated March 18, 2014 and incorporated by reference herein.

(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.

\* Denotes management compensation plan or arrangement

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

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

++ Filed herewith.



**Table of Contents**

**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, 2014**

**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:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets - December 31, 2014 (Restated) and 2013

Consolidated Income Statements for the years ended December 31, 2014 (Restated), 2013 (Restated) and 2012

Consolidated Statements of Comprehensive Income for the years ended December 31, 2014 (Restated), 2013 (Restated) and 2012

Consolidated Statements of Stockholders' Equity for the years ended December 31, 2014 (Restated), 2013 and 2012

Consolidated Statements of Cash Flows for the years ended December 31, 2014 (Restated), 2013 and 2012

Notes to Consolidated Financial Statements

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

Report of Independent Registered Public Accounting Firm on Financial Statement Schedule

Schedule II Valuation and qualifying accounts

**Restated Quarterly Financial Statements** (Unaudited)

Restated Quarterly Financial Statements for the Three Months Ended March 31, 2014

Consolidated Balance Sheet as of March 31, 2014

Consolidated Statements of Income for the Three Months Ended March 31, 2014 and 2013

Consolidated Statements of Comprehensive Income for the Three Months Ended March 31, 2014 and 2013

Consolidated Statement of Stockholders' Equity for the Three Months Ended March 31, 2014

Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2014 and 2013

Notes to Consolidated Financial Statements as of March 31, 2014

Restated Quarterly Financial Statements for the Three Months and Six Months Ended June 30, 2014

Consolidated Balance Sheet as of June 30, 2014

Consolidated Statements of Income for the Three Months and Six Months Ended June 30, 2014 and 2013

Consolidated Statements of Comprehensive Income for the Three Months and Six Months Ended June 30, 2014 and 2013

Consolidated Statement of Stockholders' Equity for the Six Months Ended June 30, 2014

Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2014 and 2013

Notes to Consolidated Financial Statements as of June 30, 2014

Restated Quarterly Financial Statements for the Three Months and Nine Months Ended September 30, 2014

Consolidated Balance Sheet as of September 30, 2014

Consolidated Statements of Income for the Three Months and Nine Months Ended September 30, 2014 and 2013

Consolidated Statements of Comprehensive Income for the Three Months and Nine Months Ended September 30, 2014 and 2013

Consolidated Statement of Stockholders' Equity for the Nine Months Ended September 30, 2014

Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2014 and 2013

Notes to Consolidated Financial Statements as of September 30, 2014

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.

**Table of Contents**

**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 as of December 31, 2014 and 2013 and the related consolidated statements of income, comprehensive income, stockholders equity, and cash flows for each of the three years in the period ended December 31, 2014. 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 financial statement presentation. 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, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

The financial statements as of December 31, 2014 and for the years ended December 31, 2014 and 2013, have been restated to reflect adjustments relating to revenues and certain expenses as described in Note 17 of these financial statements. In addition, the Company has revised its segment disclosures, as described in Note 14.

We have also 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, 2014, based on criteria established in Internal Control - Integrated Framework issued (2013) by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report (revised) dated March 2, 2015, except for the material weakness which is November 25, 2015, expressed an adverse opinion thereon.

/s/ BDO USA, LLP

March 2, 2015, except for Notes 14 and 17, which is November 25, 2015

New York, New York

**Table of Contents****Iconix Brand Group, Inc. and Subsidiaries****Consolidated Balance Sheets****(in thousands, except par value)**

	<b>December 31, 2014 (Restated)</b>	<b>December 31, 2013</b>
<b>Assets</b>		
Current Assets:		
Cash	\$ 128,019	\$ 278,789
Restricted cash	59,560	58,858
Accounts receivable	115,066	90,777
Deferred income tax assets	10,328	4,160
Other assets - current	66,781	38,424
<b>Total Current Assets</b>	<b>379,754</b>	<b>471,008</b>
Property and equipment:		
Furniture, fixtures and equipment	22,704	21,197
Less: Accumulated depreciation	(14,946)	(12,360)
	7,758	8,837
Other Assets:		
Other assets	63,334	33,214
Trademarks and other intangibles, net	2,024,541	1,955,644
Deferred financing costs, net	19,842	25,103
Investments and joint ventures	140,910	139,376
Goodwill	231,738	230,976
	2,480,365	2,384,313
<b>Total Assets</b>	<b>\$ 2,867,877</b>	<b>\$ 2,864,158</b>
<b>Liabilities and Stockholders Equity</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 38,762	\$ 30,482
Deferred revenue	24,978	29,126
Current portion of long-term debt	61,123	61,250
Other liabilities - current	12,741	10,964
<b>Total current liabilities</b>	<b>137,604</b>	<b>131,822</b>
Deferred income tax liability	320,792	260,605

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

Long-term debt, less current maturities	1,332,954	1,366,069
Deferred revenue		724
Other liabilities	11,660	2,996
<b>Total Liabilities</b>	<b>1,803,010</b>	<b>1,762,216</b>
Redeemable non-controlling interest	14,224	
Commitments and contingencies		
<b>Stockholders' Equity</b>		
Common stock, \$.001 par value; shares authorized 150,000; shares issued 79,263 and 77,048, respectively	79	77
Additional paid-in capital	948,714	910,145
Retained earnings	805,526	657,877
Accumulated other comprehensive income (loss)	(24,186)	16,486
Less: Treasury stock 31,310 and 25,920 shares at cost, respectively	(812,429)	(599,816)
<b>Total Iconix Brand Group, Inc. Stockholders' Equity</b>	<b>917,704</b>	<b>984,769</b>
Non-controlling interest	132,939	117,173
<b>Total Stockholders' Equity</b>	<b>1,050,643</b>	<b>1,101,942</b>
<b>Total Liabilities, Redeemable Non-Controlling Interest, and Stockholders' Equity</b>	<b>\$ 2,867,877</b>	<b>\$ 2,864,158</b>

*See accompanying notes to consolidated financial statements.*

**Table of Contents****Iconix Brand Group, Inc. and Subsidiaries****Consolidated Income Statements****(in thousands, except earnings per share data)**

	<b>Year Ended December 31, 2014 (Restated)</b>	<b>Year Ended December 31, 2013 (Restated)</b>	<b>Year Ended December 31, 2012</b>
Licensing revenue	\$ 394,157	\$ 398,047	\$ 341,685
Other revenue	45,840	32,579	12,133
<b>Total revenue</b>	<b>439,997</b>	<b>430,626</b>	<b>353,818</b>
Selling, general and administrative expenses	190,153	173,215	138,368
<b>Operating income</b>	<b>249,844</b>	<b>257,411</b>	<b>215,450</b>
Other expenses (income):			
Interest expense	84,523	76,321	46,576
Interest and other income	(40,826)	(7,443)	(2,711)
Equity earnings on joint ventures	(17,030)	(12,129)	(10,887)
Other expenses net	26,667	56,749	32,978
<b>Income before income taxes</b>	<b>223,177</b>	<b>200,662</b>	<b>182,472</b>
Provision for income taxes	59,641	58,075	58,963
<b>Net income</b>	<b>\$ 163,536</b>	<b>\$ 142,587</b>	<b>\$ 123,509</b>
Less: Net income attributable to non-controlling interest	\$ 14,693	\$ 14,539	\$ 14,101
<b>Net income attributable to Iconix Brand Group, Inc.</b>	<b>\$ 148,843</b>	<b>\$ 128,048</b>	<b>\$ 109,408</b>
Earnings per share:			
Basic	\$ 3.07	\$ 2.28	\$ 1.57
Diluted	\$ 2.59	\$ 2.11	\$ 1.52
Weighted average number of common shares outstanding:			
Basic	48,431	56,281	69,689
Diluted	57,366	60,734	71,957

*See accompanying notes to consolidated financial statements.*

Table of Contents

**Iconix Brand Group, Inc. and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**

(in thousands)

	<b>Year Ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<b>(Restated)</b>		
Net income	\$ 163,536	\$ 142,587	\$ 123,509
Other comprehensive income (loss):			
Foreign currency translation (loss) gain	(40,672)	16,486	
Change in fair value of cash flow hedge			483
Total other comprehensive income (loss)	(40,672)	16,486	483
Comprehensive income	\$ 122,864	\$ 159,073	\$ 123,992
Less: comprehensive income attributable to non-controlling interest	14,693	14,539	14,101
Comprehensive income attributable to Iconix Brand Group, Inc.	\$ 108,171	\$ 144,534	\$ 109,891

*See accompanying notes to consolidated financial statements.*

**Table of Contents**

**Iconix Brand Group, Inc. and Subsidiaries**  
**Consolidated Statements of Stockholders Equity**

(in thousands)

	Common Stock			Accumulated Other			Treasury Stock	Non-Controlling Interest	Total
	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Comprehensive Loss				
Balance at January 1, 2012	75,827	\$ 76	\$ 802,193	\$ 420,421	\$ (483)	\$ (33,154)	\$ 104,523	\$ 1,293,576	
Shares issued on exercise of stock options and warrants	267	1	756					757	
Shares issued on vesting of restricted stock	311								
Shares issued for earn-out on acquisition	144								
Tax benefit of stock option exercises			1,495					1,495	
Compensation expense in connection with restricted stock and stock options			11,491					11,491	
Shares repurchased on the open market						(125,341)		(125,341)	
Cost of shares repurchased on vesting of restricted stock and exercise of stock options						(1,195)		(1,195)	
Equity portion of convertible notes									
Net cost of hedge on convertible notes									
Net income				109,408			14,101	123,509	
Change in fair value of cash flow hedge					483			483	
Distributions to joint ventures							(9,039)	(9,039)	
Non-controlling interest of acquired companies							4,104	4,104	



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

Balance at January 1, 2013	76,549	\$ 77	\$ 815,935	\$ 529,829	\$	\$ (159,690)	\$ 113,689	\$ 1,299,840
Shares issued on exercise of stock options and warrants	131		353					353
Shares issued on vesting of restricted stock	368							
Purchase of minority interest in consolidated joint venture			17,246					17,246
Tax benefit of stock option exercises			1,193					1,193
Compensation expense in connection with restricted stock and stock options			20,018					20,018
Shares repurchased on the open market						(436,419)		(436,419)
Cost of shares repurchased on vesting of restricted stock and exercise of stock options						(3,707)		(3,707)
Net income				128,048			14,539	142,587
Net cost of hedge on convertible notes			3,038					3,038
Foreign currency translation						16,486		16,486
Distributions to joint ventures							(8,290)	(8,290)
Non-controlling interest of acquired companies							(2,765)	(2,765)
Equity portion of convertible notes			52,362					52,362
Balance at January 1, 2014	77,048	\$ 77	\$ 910,145	\$ 657,877	\$	\$ 16,486	\$ (599,816)	\$ 117,173
Shares issued on exercise of stock options and warrants	1,332	1	10,087					10,088
Shares issued on vesting of restricted stock	883	1						1
Tax benefit of stock option exercises			10,706					10,706
Compensation expense in connection with restricted stock and stock options			18,492					18,492

Shares repurchased on the open market						(193,434)			(193,434)
Cost of shares repurchased on vesting of restricted stock and exercise of stock options						(19,179)			(19,179)
Change in redemption value of redeemable non-controlling interest			(716)						(716)
Net income			148,843					14,693	163,536
Foreign currency translation						(40,672)			(40,672)
Distributions to joint ventures			(1,193)					(10,455)	(11,648)
Non-controlling interest of acquired companies								11,528	11,528
Balance at December 31, 2014 (Restated)	79,263	\$ 79	\$ 948,714	\$ 805,526	\$ (24,186)	\$ (812,429)	\$ 132,939	\$ 1,050,643	

*See accompanying notes to consolidated financial statements.*

**Table of Contents****Iconix Brand Group, Inc. and Subsidiaries****Consolidated Statements of Cash Flows (in thousands)**

	<b>Year Ended December 31, 2014 (Restated)</b>	<b>Year Ended December 31, 2013 (Restated)</b>	<b>Year Ended December 31, 2012</b>
<b>Cash flows from operating activities:</b>			
Net income	\$ 163,536	\$ 142,587	\$ 123,509
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation of property and equipment	2,605	2,702	2,784
Amortization of trademarks and other intangibles	4,530	7,428	5,528
Amortization of deferred financing costs	5,263	4,816	3,263
Amortization of convertible note discount	29,616	24,838	20,098
Stock-based compensation expense	18,492	20,018	11,492
Non-cash gain on re-measurement of equity investment	(37,893)		
Provision for doubtful accounts	9,627	9,718	5,362
Earnings on equity investments in joint ventures	(17,030)	(12,129)	(10,887)
Distributions from equity investments	7,145	13,116	2,265
Gain on sale of securities	(342)	(5,395)	
Gain on sale of trademarks	(45,840)	(32,579)	(12,133)
Deferred income tax provision	43,474	31,416	24,385
Changes in operating assets and liabilities, net of business acquisitions:			
Accounts receivable	(22,822)	3,730	(10,942)
Other assets - current	(14,449)	(4,491)	20,513
Other assets	(5,719)	(9,132)	11,889
Deferred revenue	(7,414)	6,102	(3,745)
Accounts payable and accrued expenses	29,742	407	13,543
Net cash provided by operating activities	162,521	203,152	206,924
<b>Cash flows used in investing activities:</b>			
Purchases of property and equipment	(1,505)	(1,209)	(1,595)
Acquisition of interest in Buffalo		(76,500)	
Acquisition of Lee Cooper		(66,667)	
Acquisition of interest in Complex Media		(25,120)	
Acquisition of interest in Marcy Media Holdings		(32,000)	
Acquisition of interest in Latin America	(42,000)		
Acquisition of interest in MG Icon			(4,000)
Acquisition of interest in NGX	(6,000)		
Acquisition of interest in Hydraulic	(6,000)		
Acquisition of interest in iBrands	(2,500)		
Acquisition of Umbro			(225,000)

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

Acquisition of interest in Modern Amusement			(5,000)
Purchase of securities	(5,998)		
Proceeds from sale of securities	6,341	5,395	
Additional investments in joint ventures		(744)	(6,870)
Earn-out payment on acquisitions			(3,771)
Proceeds from sale of trademarks	24,915	41,866	2,000
Additions to trademarks	(915)	(8,372)	(633)
Net cash used in investing activities	(33,662)	(163,351)	(244,869)
<b>Cash flows (used in) provided by financing activities:</b>			
Shares repurchased on the open market	(193,434)	(436,419)	(125,341)
Proceeds from long-term debt		392,000	750,000
Proceeds from sale of warrants		57,707	
Payment for purchase of convertible note hedge		(84,106)	
Payment of long-term debt	(62,856)	(95,113)	(491,765)
Deferred financing costs		(3,838)	(20,941)
Distributions to non-controlling interests	(11,648)	(8,290)	(9,039)
Payment of note payable to Purim		(3,000)	
Acquisition of interest in IPH Unltd		(45,000)	
Excess tax benefit from share-based payment arrangements	10,706	1,193	1,495
Cost of shares repurchased on vesting of restricted stock and exercise of stock options	(16,024)	(3,707)	(1,195)
Proceeds from exercise of stock options and warrants	10,088	353	757
Proceeds from Securitization		270,188	
Restricted cash	(9,163)	(42,496)	4,929
Net cash provided by (used in) financing activities	(272,331)	(528)	108,900
Effect of exchange rate changes on cash	(7,298)	844	
Net increase (decrease) in cash and cash equivalents	(150,770)	40,117	70,955
Cash and cash equivalents, beginning of year	278,789	238,672	167,717
Cash and cash equivalents, end of year	\$ 128,019	\$ 278,789	\$ 238,672

	<b>Year Ended December 31, 2014</b>	<b>Year Ended December 31, 2013</b>	<b>Year Ended December 31, 2012</b>
<b>Supplemental disclosure of cash flow information:</b>			
Cash paid during the year:			
Income taxes	\$ 3,508	\$ 20,054	\$ 14,847
Interest	\$ 48,224	\$ 40,410	\$ 16,043
Non-cash investing activities:			
Sale of trademarks for notes receivable	\$ 51,246	\$ 15,763	\$ 4,000
Non-cash financing activities:			
Shares repurchased on the open market included in payable	\$ 3,156	\$	\$
Acquisitions:			
Common stock issued	\$	\$	\$ 2,221

*See accompanying notes to consolidated financial statements.*

**Table of Contents**

**Iconix Brand Group, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

**Information as of and for the Years Ended December 31, 2014, 2013 and 2012**

**(dollars are in thousands (unless otherwise noted), except per share data)**

**The Company**

**General**

Iconix Brand Group is a brand management company and owner of a diversified portfolio of 35 global consumer brands across women's, men's, entertainment and home. 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.

The Company's brand portfolio includes Candie's® Bongo®, Badgley Mischka®, Joe Boxer®, Rampage®, Mudd®, London Fog®, Mossimo®, Ocean Pacific/OP®, Danskin /Danskin Now®, Rocawear® /Roc Nation®, Cannon®, Royal Velvet®, Fieldcrest®, Charisma®, Starter®, Waverly®, Ecko Unltd® /Mark Ecko Cut & Sew®, Zoo York®, Sharper Image®, Umbro® and Lee Cooper®; and interest in Artful Dodger®, Material Girl®, Peanuts®, Ed Hardy®, Truth or Dare®, Billionaire Boys Club®, Ice Cream®, Modern Amusement®, Buffalo®, Nick Graham® and Hydraulic®.

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 through 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 to the luxury market and, in the case of the Peanuts brand, 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.

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 vast majority of the Company's licensing agreements include minimum guaranteed royalty revenue which provides the Company with greater visibility into future cash flows.

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 and Iconix Middle East.

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.

## 1. Summary of Significant Accounting Policies

### *Principles of Consolidation*

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, and, in accordance with U.S. GAAP and accounting for variable interest entities and majority owned subsidiaries, the Company consolidates eight joint ventures (Scion, Peanuts Holdings, Hardy Way, Icon Modern Amusement, Alberta ULC, Iconix Europe, Hydraulic IP Holdings and NGX, LLC; see Note 3 for explanation). All significant intercompany transactions and balances have been eliminated in consolidation. The Company uses either the equity method or the cost method of accounting, depending on a variety of factors as set forth in Accounting Standards Codification (ASC) 323 Investments (ASC 323) and ASC 810 Consolidation (ASC 810), to account for those investments and joint ventures which are not required to be consolidated under U.S. GAAP.

### *Business Combinations, Joint Ventures and Investments*

The purchase method of accounting requires that the total purchase price of an acquisition be allocated to the assets acquired and liabilities assumed based on their fair values on the date of the business acquisition. The results of operations from the acquired businesses are included in the accompanying consolidated statements of income from the acquisition date. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill.

Since January 1, 2012 the Company has acquired the following brands:

<b>Date Acquired</b>	<b>Brand</b>
November 2012	Umbro
February 2013	Lee Cooper

Since January 1, 2012 the Company has acquired ownership interest in various brands through its investments in joint ventures. The chart below illustrates the Company's ownership interest in these joint ventures as of December 31, 2014:

<b>Date Acquired/Invested</b>	<b>Brand</b>	<b>Investment / Joint Venture</b>	<b>Iconix's Investment</b>
December 2012	Modern Amusement	Icon Modern Amusement	51%
February 2013	Buffalo	Alberta ULC	51%
November 2014	Nick Graham	NGX	51%
December 2014	Hydraulic	Hydraulic IP Holdings	51%



**Table of Contents**

Further, since January 1, 2012 the Company established the following joint ventures to develop and market the Company's brands in specific international markets:

<b>Date Created</b>	<b>Investment /Joint Venture</b>	<b>Iconix's Investment</b>
May 2012	Iconix India	50%
September 2013	Iconix Australia	50%
June 2013	Iconix Canada	50%
October 2013	Iconix Southeast Asia	50%
December 2013	Iconix Israel	50%
December 2014	Iconix Middle East	50%

For further information on the Company's accounting for joint ventures and investments, see Note 3.

***Use of Estimates***

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company reviews all significant estimates affecting the financial statements on a recurring basis and records the effect of any adjustments when necessary.

***Cash and Cash Equivalents***

Cash and cash equivalents consist of actual cash as well as cash equivalents, defined as short-term, highly liquid financial instruments with insignificant interest rate risk that are readily convertible to cash and have maturities of three months or less from the date of purchase.

***Restricted Cash***

Restricted cash consists of actual cash deposits held in accounts primarily for debt service, as well as cash equivalents, defined as short-term, highly liquid financial instruments with insignificant interest rate risk that are readily convertible to cash and have maturities of three months or less from the date of purchase, the restrictions on all of which lapse every three months or less.

***Concentration of Credit Risk***

Financial instruments which potentially subject the Company to concentration of credit risk consist principally of short-term cash investments and accounts receivable. The Company places its cash in investment-grade, short-term instruments with high quality financial institutions. The Company performs ongoing credit evaluations of its customers' financial condition and, generally, requires no collateral from its customers. The allowance for non-collection of accounts receivable is based upon the expected collectability of all accounts receivable.

One customer accounted for 12% of the Company's total revenue for the year ended December 31, 2014 ( FY 2014 ), 13% of the Company's total revenue for the year ended December 31, 2013 ( FY 2013 ), and 17% of the Company's total revenue for the year ended December 31, 2012 ( FY 2012 ).

### ***Accounts Receivable***

Accounts receivable are reported at amounts the Company expects to be collected, net of provision for doubtful accounts, based on the Company's ongoing discussions with its licensees, and its evaluation of each licensee's payment history and account aging. As of December 31, 2014 and 2013, the Company's provision for doubtful accounts was \$8.7 million and \$12.1 million, respectively.

One customer accounted for approximately 15% of the Company's accounts receivable, (which includes long-term accounts receivables included in other assets on the Company's consolidated balance sheets) as of December 31, 2014. For the year ended December 31, 2013 no licensee accounted for over 10% of the Company's accounts receivable.

### ***Derivatives***

The Company's objective for holding any derivative financial instruments is to manage interest rate risks. The Company does not use financial instruments for trading or other speculative purposes. However, from time to time the Company uses derivative financial instruments to hedge the variability of anticipated cash flows of a forecasted transaction (a cash flow hedge). The Company's strategy related to derivative financial instruments has been to use foreign currency forward contracts to hedge a portion of anticipated future short-term license revenues to offset the effects of changes in foreign currency exchange rates (primarily between the U.S. dollar and the Japanese Yen).

The Company's foreign currency forward contracts are highly effective hedges because all the critical terms of the derivative instruments match those of the hedged item. On the date the qualifying derivative contract is entered into, the Company designates the derivative as a cash flow hedge. Changes in derivative fair values that are designated as cash flow hedges are deferred and recorded as a component of accumulated other comprehensive income until the associated hedged transactions impact the income statement, at which time the deferred gains and losses are reclassified to either interest expense or interest and other income. Any ineffective portion of a hedging derivative's changes in fair value will be immediately recognized in either interest expense or interest and other income. The fair values of the derivatives, which are based on quoted market prices, are reported as other assets or other liabilities, as appropriate. The Company had no derivative instruments in FY 2014 or FY 2013.

### ***Restricted Stock***

Compensation cost for restricted stock is measured using the quoted market price of the Company's common stock at the date the common stock is granted. For restricted stock where restrictions lapse with the passage of time (time-based restricted stock), compensation cost is recognized over the period between the issue date and the date that restrictions lapse. Time-based restricted stock is included in total common shares outstanding upon the lapse of any restrictions. For restricted stock where restrictions are based on performance measures (performance-based restricted stock), restrictions lapse when those performance measures have been deemed earned. Performance-based restricted stock is included in total common shares outstanding upon the lapse of any restrictions. Performance-based restricted stock is included in total diluted shares outstanding when the performance measures have been deemed earned but not issued.

**Table of Contents*****Other Assets-Current***

	<b>December 31, 2014 (Restated)</b>	<b>December 31 2013</b>
<b>Other assets- current consisted of the following:</b>		
Short-term receivable- Beagle note receivable	\$ 2,085	\$ 2,188
Notes receivables from joint venture partners	24,219	10,413
Prepaid advertising	6,633	5,312
Prepaid expenses	724	294
Prepaid taxes	26,448	10,182
Prepaid insurance	439	589
Due from related parties	3,331	6,106
Other current assets	2,902	3,340
<b>Total</b>	<b>\$ 66,781</b>	<b>\$ 38,424</b>

***Stock Options***

Compensation cost for stock options, in accordance with accounting for share-based payment under U.S. GAAP, is calculated using the Black-Scholes valuation model based on awards ultimately expected to vest, reduced for estimated forfeitures, and expensed on a straight-line basis over the requisite service period of the grant. Forfeitures are estimated at the time of grant based on the Company's historical forfeiture experience and will be revised in subsequent periods if actual forfeitures differ from those estimates. The Company will use alternative models if grants have characteristics that cannot be reasonably estimated using this model.

***Treasury Stock***

Treasury stock is recorded at acquisition cost. Gains and losses on disposition are recorded as increases or decreases to additional paid-in capital with losses in excess of previously recorded gains charged directly to retained earnings.

***Deferred Financing Costs***

The Company incurred costs (primarily professional fees and placement agent fees) in connection with borrowings under senior secured notes and convertible bond offerings. These costs have been deferred and are being amortized using the effective interest method over the life of the related debt.

***Property, Equipment, Depreciation and Amortization***

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are determined by the straight line method over the estimated useful lives of the respective assets ranging from three to seven years. Leasehold improvements are amortized by the straight-line method over the initial term of the related lease or estimated useful life, whichever is less.

***Operating Leases***

Total rent payments under operating leases that include scheduled payment increases and rent holidays are amortized on a straight-line basis over the term of the lease. Landlord allowances are amortized by the straight-line method over the term of the lease as a reduction of rent expense.

### ***Long-Lived Assets***

If circumstances mandate, the Company evaluates the recoverability of its long-lived assets, other than goodwill and other indefinite life intangibles (discussed below), by comparing estimated future undiscounted cash flows with the assets' carrying value to determine whether a write-down to market value, based on discounted cash flow, is necessary.

Assumptions used in our fair value estimates are as follow: (i) discount rates; (ii) royalty rates; (iii) projected average revenue growth rates; and (iv) 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 the years FY 2014, FY 2013 and FY 2012, there were no write-downs from impairments.

### ***Goodwill and Other Intangibles***

Goodwill represents the excess of purchase price over the fair value of net assets acquired in business combinations accounted for under the purchase method of accounting. On an annual basis and as needed, the Company tests goodwill and indefinite life trademarks for impairment through the use of discounted cash flow models. Other intangibles with determinable lives, including certain trademarks, license agreements and non-compete agreements, are evaluated for the possibility of impairment when certain indicators are present, and are otherwise amortized on a straight-line basis over the estimated useful lives of the assets (currently ranging from 1 to 15 years).

The changes in the carrying amount of goodwill for FY 2014 and FY 2013 are as follows:

	<b>FY 2014</b>	<b>FY 2013</b>
Beginning balance	\$ 230,976	\$ 225,687
Acquisitions	1,130	5,117
Foreign Currency Adjustment	(368)	172
Ending balance	\$ 231,738	\$ 230,976

In February 2014, the Company completed the acquisition of the remaining 50% interest in the Iconix Latin America joint venture and related assets. In allocating the purchase price of this acquisition, \$1.1 million was allocated to goodwill.

In February 2013, the Company completed the acquisition of a 51% interest in the Buffalo brand and related assets. In allocating the purchase price of this acquisition, \$4.1 million was allocated to goodwill. Also in February 2013, the Company completed the acquisition of the Lee Cooper brand and related assets. In allocating the purchase price of this acquisition, \$1.1 million was allocated to goodwill.

See Note 3 for details of these transactions.

---

**Table of Contents**

The Company operates as a single integrated business, and as such has one operating segment with multiple components which have been aggregated for reporting unit purposes in evaluating goodwill for impairment. The fair value of the reporting unit is determined using discounted cash flow analysis and estimates of sales proceeds with consideration of market participant data. As part of this analysis, the Company considers its market capitalization in comparison to its book value. The annual evaluation of goodwill is performed as of October 1, the beginning of the Company's fourth fiscal quarter.

***Other Liabilities Current***

As of December 31, 2014 and December 31, 2013, other current liabilities include amounts due to related parties of \$8.7 million and \$4.0 million, respectively, and amounts due to Purim LLC related to the MG Icon acquisition of \$4.0 million and \$7.0 million, respectively.

***Revenue Recognition***

The Company enters 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 of 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.

In addition, from time to time, 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 brand's global recognition and revenue. The Company considers, among others, the following guidance in determining the appropriate accounting for 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*, ASC 845, *Nonmonetary Transactions - Exchanges Involving Monetary Consideration* and Staff Accounting Bulletin No. 104.

***Taxes on Income***

The Company uses the asset and liability approach of accounting for income taxes and provides deferred income taxes for temporary differences that will result in taxable or deductible amounts in future years based on the reporting of certain costs in different periods for financial statement and income tax purposes. Valuation allowances are recorded when uncertainty regarding their realizability exists.

***Earnings Per Share***

Basic earnings per share includes no dilution and is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect, in periods in which they have a dilutive effect, the effect of common shares issuable upon exercise of

stock options, warrants and restricted stock. The difference between reported basic and diluted weighted-average common shares results from the assumption that all dilutive stock options, warrants, convertible debt and restricted stock outstanding were exercised into common stock.

***Advertising Campaign Costs***

All costs associated with production for the Company’s national advertising campaigns are expensed during the periods when the activities take place. All other advertising costs such as print and online media are expensed when the advertisement occurs. Advertising expenses for FY 2014, FY 2013 and FY 2012 amounted to \$29.5 million, \$25.8 million, and \$21.4 million, respectively.

***Comprehensive Income***

Comprehensive income includes certain gains and losses that, under U.S. GAAP, are excluded from net income as such amounts are recorded directly as an adjustment to stockholders’ equity. The Company’s comprehensive income is primarily comprised of net income, foreign currency translation and cash flow hedge.

***New Accounting Standards***

In May 2014, the Financial Accounting Standards Board ( FASB ) issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which is the new comprehensive revenue recognition standard that will supersede all existing revenue recognition guidance under U.S. GAAP. The standard’s core principle is that a company will recognize revenue when it transfers promised goods or services to a customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This ASU is effective for annual and interim periods beginning on or after December 15, 2016, and early adoption is not permitted. Companies will have the option of using either a full retrospective approach or a modified approach to adopt the guidance in the ASU. We are currently evaluating the impact of adopting this guidance.

In April 2014, the FASB issued Accounting Standards Update No. 2014-08 (ASU 2014-08) Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. ASU 2014-08 raises the threshold for a disposal to qualify as a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. This ASU is effective for annual periods beginning on or after December 15, 2014. Early adoption is permitted but only for disposals that have not been reported in financial statements previously issued. We do not expect this new accounting pronouncement to have an impact on our consolidated financial statements.

***Presentation of Prior Year Data***

Certain reclassifications have been made to conform prior year data to the current presentation.

**2. Trademarks and Other Intangibles, net**

Trademarks and other intangibles, net consist of the following:

	<b>December 31, 2014</b>		<b>December 31, 2013</b>	
<b>Estimated Lives in Years</b>	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>

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

Indefinite life trademarks and copyrights	Indefinite	\$ 2,012,333	\$	\$ 1,939,534	\$
Definite life trademarks	10-15	19,629	10,985	19,622	9,531
Non-compete agreements	2-15	940	450	940	215
Licensing contracts	1-9	24,323	21,249	23,979	18,685
		\$ 2,057,225	32,684	\$ 1,984,075	\$ 28,431
Trademarks and other intangibles, net			\$ 2,024,541		\$ 1,955,644

## **Table of Contents**

In December 2014, the Company acquired a 51% controlling interest in Hydraulic IP Holdings, LLC. As a result of this transaction, Hydraulic IP Holdings, LLC is consolidated with the Company, which increased the Company's indefinite-lived trademarks by \$11.8 million. See Note 3 for further details on this transaction.

In December 2014, the Company contributed certain trademarks in the Middle East to its Iconix Middle East joint venture, thereby decreasing indefinite-lived trademarks by approximately \$16.5 million.

In December 2014, the Company acquired a 51% controlling interest in NGX, LLC. As a result of this transaction, NGX, LLC is consolidated with the Company, which increased the Company's indefinite-lived trademarks by \$11.8 million. See Note 3 for further details on this transaction.

In September 2014, the Company contributed certain trademarks in China to its Iconix Southeast Asia joint venture, thereby decreasing indefinite-lived trademarks by approximately \$5.2 million.

In June 2014, the Company contributed certain trademarks in Korea, Europe and Turkey to its Iconix Southeast Asia joint venture, thereby decreasing indefinite-lived trademarks by approximately \$3.6 million.

In June 2014, the Company sold the exclusive right to use the sharperimage.com domain name and Sharper Image trademark in connection with the operation of a branded website and catalog distribution in specified jurisdictions, thereby decreasing indefinite-lived trademarks by approximately \$2.2 million.

In February 2014, the Company acquired the 50% interest in Iconix Latin America held by its joint venture partner, thereby increasing its ownership in Iconix Latin America to 100%. As a result of this transaction, Iconix Latin America is now consolidated with the Company, which increased the Company's indefinite life trademarks by \$82.4 million. In January 2014, the Company acquired a 1% interest in Iconix Europe, thereby increasing its ownership in Iconix Europe to 51%, in addition the Iconix Europe agreement was amended to provide for additional rights to the Company. As a result of this transaction, Iconix Europe is now consolidated with the Company, which increased the Company's indefinite life trademarks by \$27.0 million. See Note 3 for further explanation of these transactions.

In February 2013, the Company completed the acquisition of a 51% interest in the Buffalo brand, including trademarks and related assets. As a result of this transaction, the Company increased its indefinite life trademarks by \$142.6 million, its licensing agreements by \$2.4 million and its non-compete agreements by \$0.9 million. Also in February 2013, the Company completed the acquisition of the Lee Cooper brand, including trademarks and related assets. As a result of this transaction, the Company increased its indefinite life trademarks by \$69.3 million and its licensing agreements by \$0.9 million. See Note 3 for further explanation of these transactions.

Amortization expense for intangible assets for FY 2014, FY 2013 and FY 2012 was \$4.5 million, \$7.4 million and \$5.5 million, respectively. The Company projects amortization expenses to be \$2.5 million, \$1.9 million, \$1.7 million, \$1.3 million and \$1.1 million for FY 2015, FY 2016, FY 2017, FY 2018 and FY 2019, respectively.

The trademarks of Candie's, Bongo, Joe Boxer, Rampage, Mudd, London Fog, Mossimo, Ocean Pacific, Danskin, Rocawear, Cannon, Royal Velvet, Fieldcrest, Charisma, Starter, Waverly, Ecko, Zoo York, Peanuts, Ed Hardy, Sharper Image, Umbro, Modern Amusement, Buffalo and Lee Cooper have been determined to have an indefinite useful life and accordingly, consistent with ASC Topic 350, no amortization has been recorded in the Company's consolidated income statements. Instead, each of these intangible assets are tested for impairment annually and as needed on an individual basis as separate single units of accounting, with any related impairment charge recorded to the statement of operations at the time of determining such impairment. The annual evaluation of the Company's indefinite-lived trademarks is performed as of October 1, the beginning of the Company's fourth fiscal quarter.



Consistent with ASC Topic 350, there was no impairment of the indefinite-lived trademarks during FY 2014, FY 2013 and FY 2012. Further, as it relates to the Company's definite-lived trademarks, and consistent with ASC Topic 360, there was no impairment of the definite-lived trademarks during FY 2014, FY 2013 and FY 2012.

### 3. Consolidated Entities

The following entities and joint ventures are consolidated with the Company:

#### *Iconix Latin America*

In December 2008, the Company contributed substantially all rights to its brands in Mexico, Central America, South America, and the Caribbean (the Latin America Territory) to Iconix Latin America LLC (Iconix Latin America), a then newly formed subsidiary of the Company. On December 29, 2008, New Brands America LLC (New Brands), an affiliate of the Falic Group, purchased a 50% interest in Iconix Latin America. In consideration for its 50% interest in Iconix Latin America, New Brands agreed to pay \$6.0 million to the Company. New Brands paid \$1.0 million upon closing of this transaction and committed to pay an additional \$5.0 million over the 30-month period following closing. As of December 31, 2011 this obligation was paid in full.

During FY 2011, the Company contributed to Iconix Latin America its share of the rights to revenues from IPH Unltd (see below) for the exploitation of the Ecko brands in the Latin America Territory. Also in FY 2011, the Company contributed to Iconix Latin America its rights to the Ed Hardy brands for the Latin America Territory. During FY 2012, the Company contributed to Iconix Latin America the rights to the Zoo York and Sharper Image brands for the Latin America Territory.

Prior to the 2014 Buy-out (defined below), based on the corporate structure, voting rights and contributions of the Company and New Brands, Iconix Latin America was not subject to consolidation. This conclusion was based on the Company's determination that the entity met the criteria to be considered a business, and therefore was not subject to consolidation due to the business scope exception of ASC Topic 810. As such, prior to the 2014 Buy-out, the Company had recorded its investment under the equity method of accounting.

In February 2014, the Company purchased from New Brands its 50% interest in Iconix Latin America for \$42.0 million, which was funded entirely from cash on hand (the 2014 Buy-out), thereby taking full ownership of 100% of the equity interests in Iconix Latin America. The following is a reconciliation of cash paid to New Brands:

Fair value of 50% interest in Iconix Latin America	\$ 42,698
Less: note receivable owed to the Company	(1,695)
Add: accrued distributions due to New Brands	997
Cash paid to New Brands	\$ 42,000

**Table of Contents**

As a result of the 2014 Buy-out and in accordance with ASC Topic 805, the Company recorded a non-cash pre-tax re-measurement gain of approximately \$37.9 million, representing the increase in fair value of its original 50% investment in Iconix Latin America. This re-measurement gain is included in interest and other income on the Company's consolidated income statement in FY 2014. Further, as a result of the 2014 Buy-out, the balance owed to the Company from New Brands was settled. As a result of the 2014 Buy-out, Iconix Latin America is subject to consolidation and is included in the Company's consolidated financial statements at December 31, 2014.

The estimated fair value of the assets acquired, less liabilities assumed, is allocated as follows:

Fair value of 50% interest in Iconix Latin America	\$ 42,698
Value of initial equity investment prior to 2014 Buy-out	4,805
Gain on re-measurement of initial equity investment	37,893
	\$ 85,396
Trademarks	82,400
License agreements	700
Cash	1,842
Working capital deficit	(676)
Goodwill	1,130
	\$ 85,396

The Iconix Latin America trademarks have been determined by management to have an indefinite useful life and accordingly, consistent with ASC Topic 350, no amortization is being recorded in the Company's consolidated income statements. The goodwill and trademarks are subject to a test for impairment on an annual basis. The \$1.1 million of goodwill resulting from the 2014 Buy-out is deductible for income tax purposes.

As of December 31, 2014, the impact of consolidating Iconix Latin America on the Company's consolidated balance sheet has increased current assets by \$5.7 million, non-current assets by \$84.1 million, current liabilities by \$0.5 million and total liabilities by \$0.5 million. For FY 2014, the impact of consolidating Iconix Latin America on the Company's consolidated income statement has increased licensing revenue by \$8.3 million and operating income by \$6.8 million.

***Iconix Europe***

In December 2009, the Company contributed substantially all rights to its brands in the European Territory (defined as all member states and candidate states of the European Union and certain other European countries) to Iconix Europe LLC, a then newly formed wholly-owned subsidiary of the Company (Iconix Europe). Also in December 2009 and shortly after the formation of Iconix Europe, an investment group led by The Licensing Company and Albion Equity Partners LLC purchased a 50% interest in Iconix Europe through Brand Investments Vehicles Group 3 Limited (BIV), to assist the Company in developing, exploiting, marketing and licensing the Company's brands in the European Territory. In consideration for its 50% interest in Iconix Europe, BIV agreed to pay \$4.0 million, of which \$3.0 million was paid upon closing of this transaction in December 2009 and the remaining \$1.0 million of which was paid in January 2011.

At inception and prior to the January 2014 transaction described below, the Company determined, in accordance with ASC 810, based on the corporate structure, voting rights and contributions of the Company and BIV, that Iconix Europe is not a variable interest entity and was not subject to consolidation. The Company had recorded its investment under the equity method of accounting.

In January 2014, the Company consented to the purchase of BIV's 50% ownership interest in Iconix Europe by LF Asia Limited (LF Asia), an affiliate of Li & Fung Limited. In exchange for this consent, the Company received \$1.5 million from LF Asia. As a result of this transaction, the Company recorded a gain of \$1.5 million, which is included in licensing revenue in the Company's consolidated income statement for FY 2014. In addition, the Company acquired an additional 1% equity interest in Iconix Europe from LF Asia, and amended the operating agreement (herein referred to as the IE Operating Agreement) thereby increasing its ownership in Iconix Europe to a controlling 51% interest and reducing its preferred profit distribution from Iconix Europe to \$3.0 million after which all profits and losses are recognized 51/49 in accordance with each principal's membership interest percentage.

The estimated fair value of the assets acquired, less liabilities assumed, is allocated as follows:

Fair value of 50% interest in Iconix Europe	\$ 13,800
Value of initial equity investment prior to this transaction	13,800
Gain on re-measurement of initial equity investment	
	\$ 27,600
Trademarks	27,000
Cash	677
Working capital deficit, excluding cash	(77)
	\$ 27,600

ASC Topic 810 affirms that consolidation is appropriate when one entity has a controlling financial interest in another entity. As a result of this transaction, the Company owns a 51% membership interest in Iconix Europe compared to the minority owner's 49% membership interest. Further, the Company believes that the voting and veto rights of the minority shareholder are merely protective in nature and do not provide the minority shareholder with substantive participating rights in Iconix Europe. As such, Iconix Europe is subject to consolidation with the Company, which is reflected in the consolidated financial statements as of December 31, 2014.

Pursuant to the IE Operating Agreement, for a period following the fifth anniversary of the closing of this transaction (i.e. January 2014) and again following the eighth anniversary of the closing of this transaction, the Company has a call option to purchase, and LF Asia has a put option to initiate the Company's purchase of LF Asia's 49% equity interests in Iconix Europe for a calculated amount as defined in the IE Operating Agreement. As a result of the January 2014 transaction, the Company records this redeemable non-controlling interest as mezzanine equity on the Company's consolidated balance sheet. The Company is accreting the difference between the fair value of the put option and the non-controlling interest at inception over the five year term of the first put option to additional paid-in-capital on the Company's balance sheet.

**Table of Contents**

As of December 31, 2014, the impact of consolidating Iconix Europe on the Company's consolidated balance sheet has increased current assets by \$2.1 million, non-current assets by \$27.0 million, current liabilities by \$0.7 million and total liabilities by \$0.7 million. For FY 2014, the impact of consolidating Iconix Europe on the Company's consolidated income statement has increased licensing revenue by \$3.2 million and operating income by \$1.0 million.

***Umbro***

On November 30, 2012, the Company completed its acquisition from NIKE, Inc., an Oregon corporation ( Parent ) through its direct and indirect wholly-owned subsidiaries, Umbro International Limited, a company incorporated in England ( Seller ) and Nike Global Services Pte. Ltd. a company incorporated in Singapore (the International Subsidiary ), of all of Parent's, Seller's and International Subsidiary's IP rights and licenses and certain other related assets relating principally or exclusively to the Umbro brand name pursuant to an asset purchase agreement entered into on October 24, 2012 among the Company, Umbro IP Holdings LLC ( US Buyer ), Iconix Luxembourg Holdings SÀRL, a Société à responsabilité limitée registered in The Grand Duchy of Luxembourg ( Global Buyer ), Seller, International Subsidiary and Parent.

In accordance with the terms of the asset purchase agreement, at the closing, the Company paid the Seller \$225.0 million in cash, of which approximately \$6.8 million was released from an escrow account entered into at the time the asset purchase agreement was signed.

The cash paid to the Sellers and the estimated fair value of the assets acquired is allocated as follows:

Cash paid to sellers by the Company	\$ 225,000
Trademarks	\$ 220,500
License agreements	2,200
Goodwill	2,300
	\$ 225,000

In December 2013, the Company sold its Umbro trademarks in South Korea to a licensee for \$10.0 million. As a result of this transaction, the Company recorded a gain of \$10.0 million, which is included in other revenue on the consolidated income statement in FY 2013 (see Note 4).

***Lee Cooper***

In February 2013, the Company, through its wholly-owned subsidiary Iconix Luxembourg Holdings SÀRL, acquired the Lee Cooper brand for approximately \$72.7 million, funded entirely from cash on hand. Founded in 1908, Lee Cooper is an iconic British denim brand that has expanded into multiple lifestyle categories including men's and women's casual wear, footwear and accessories.

The cash paid to the Sellers and the estimated fair value of the assets acquired is allocated as follows:

Cash paid to sellers by the Company	\$ 72,735
-------------------------------------	-----------

Trademarks	\$ 69,250
License agreements	850
Goodwill	1,058
Working capital	1,577
	\$ 72,735

### ***Hydraulic IP Holdings, LLC***

In December 2014, the Company formed a joint venture with Top On International Group, LLC ( Top On ). The name of the joint venture is Hydraulic IP Holdings, LLC ( Hydraulic ), a Delaware limited liability company. The Company paid \$6.0 million, which was funded entirely from cash on hand, in exchange for a 51% controlling ownership of Hydraulic. Top On owns the remaining 49% interest in Hydraulic. Hydraulic owns the IP rights, licenses and other assets relating principally to the Hydraulic brand (the Hydraulic brand ). Concurrently, Hydraulic and iBrands International, LLC ( iBrands ) entered into a license agreement pursuant to which Hydraulic licensed the Hydraulic brand to iBrands as licensee in certain categories and geographies. Additionally, the Company and Top On entered into a limited liability company agreement with respect to their ownership of Hydraulic.

ASC Topic 810 affirms that consolidation is appropriate when one entity has a controlling financial interest in another entity. The Company owns a 51% membership interest in Hydraulic compared to the minority owner s 49% membership interest. Further, the Company believes that the voting and veto rights of the minority shareholder are merely protective in nature and do not provide them with substantive participating rights in Hydraulic. As such, Hydraulic is subject to consolidation with the Company, which is reflected in the consolidated financial statements.

In accordance with ASC Topic 810, the Company recognizes the non-controlling interest of Hydraulic as equity in consolidated financial statements and separate from the parent s equity.

As of December 31, 2014, the impact of consolidating Hydraulic on the Company s consolidated balance sheet has increased current assets by \$0.2 million and non-current assets by \$11.8 million. For FY 2014, the impact of consolidating Hydraulic on the Company s consolidated income statement has increased licensing revenue by \$0.2 million and operating income by \$0.2 million.

### ***NGX, LLC***

In October 2014, the Company formed a joint venture with NGO, LLC ( NGO ). The name of the joint venture is NGX, LLC ( NGX ), a Delaware limited liability company. The Company paid \$6.0 million, which was funded entirely from cash on hand; in exchange for a 51% controlling ownership of NGX. NGO owns the remaining 49% interest in NGX. NGX owns the IP rights, licenses and other assets relating principally to the Nick Graham brand ( Nick Graham ). Concurrently, NGX and NGL, LLC ( NGL ) entered into a license agreement pursuant to which NGX licensed the Nick Graham brand to NGL as licensee in certain categories and geographies. Additionally, the Company and NGO entered into a limited liability company operating agreement with respect to their ownership of NGX.

**Table of Contents**

ASC Topic 810 affirms that consolidation is appropriate when one entity has a controlling financial interest in another entity. The Company owns a 51% membership interest in NGX compared to the minority owner's 49% membership interest. Further, the Company believes that the voting and veto rights of the minority shareholder are merely protective in nature and do not provide them with substantive participating rights in NGX. As such, NGX is subject to consolidation with the Company, which is reflected in the consolidated financial statements.

In accordance with ASC Topic 810, the Company recognizes the non-controlling interest of NGX as equity in consolidated financial statements and separate from the parent's equity.

As of December 31, 2014, the impact of consolidating NGX on the Company's consolidated balance sheet has increased current assets by \$0.2 million and non-current assets by \$11.8 million. For FY 2014, the impact of consolidating NGX on the Company's consolidated income statement has increased licensing revenue by \$0.9 million and operating income by \$0.9 million.

***Buffalo Brand Joint Venture***

In February 2013, Iconix CA Holdings, LLC (ICA Holdings), a Delaware limited liability company and a wholly-owned subsidiary of the Company, formed a joint venture with Buffalo International ULC (BII). The name of the joint venture is 1724982 Alberta ULC (Alberta ULC), an Alberta, Canada unlimited liability company. The Company, through ICA Holdings, paid \$76.5 million, which was funded entirely from cash on hand, in exchange for a 51% controlling ownership of Alberta ULC which consists of a combination of equity and a promissory note. BII owns the remaining 49% interest in Alberta ULC. Alberta ULC owns the IP rights, licenses and other assets relating principally to the Buffalo David Bitton brand (the Buffalo brand). Concurrently, Alberta ULC and BII entered into a license agreement pursuant to which Alberta ULC licensed the Buffalo brand to BII as licensee in certain categories and geographies. Additionally, ICA Holdings and BII entered into a shareholder agreement with respect to their ownership of Alberta ULC.

The following table is a reconciliation of cash paid to sellers and the fair value of the seller's non-controlling interest:

Cash paid to sellers	\$ 76,500
Fair value of 49% non-controlling interest to sellers	59,489
	<b>\$ 135,989</b>

The estimated fair value of the assets acquired is allocated as follows:

Trademarks	\$ 142,600
License agreements	2,400
Non-compete agreement	940
Goodwill	4,060
Deferred tax liability	(14,011)
	<b>\$ 135,989</b>

ASC Topic 810 affirms that consolidation is appropriate when one entity has a controlling financial interest in another entity. The Company owns a 51% membership interest in Alberta ULC compared to the minority owner's 49% membership interest. Further, the Company believes that the voting and veto rights of the minority shareholder are merely protective in nature and do not provide them with substantive participating rights in Alberta ULC. As such, Alberta ULC is subject to consolidation with the Company, which is reflected in the consolidated financial statements.

### ***Icon Modern Amusement***

In December 2012, the Company entered into an interest purchase and management agreement with Dirty Bird Productions, Inc., a California corporation, in which the Company effectively purchased a 51% interest in the Modern Amusement trademarks and related assets for \$5.0 million, which was funded entirely from cash on the balance sheet. To acquire its 51% interest in the trademark, the Company formed a new joint venture company, Icon Modern Amusement LLC (Icon MA), a Delaware limited liability company. ASC Topic 810 affirms that consolidation is appropriate when one entity has a controlling financial interest in another entity. The Company owns a 51% membership interest in Icon MA compared to the minority owner's 49% membership interest. Further, the Company believes that the voting and veto rights of the minority shareholder are merely protective in nature and do not provide them with substantive participating rights in Icon MA. As such, Icon MA is subject to consolidation with the Company, which is reflected in the consolidated financial statements.

ASC Topic 810 affirms that consolidation is appropriate when one entity has a controlling financial interest in another entity. The Company owns a 51% membership interest in Icon MA compared to the minority owner's 49% membership interest. Further, the Company believes that the voting and veto rights of the minority shareholder are merely protective in nature and do not provide them with substantive participating rights in Icon MA. As such, Icon MA is subject to consolidation with the Company, which is reflected in the consolidated financial statements.

### ***Peanuts Holdings***

On June 3, 2010 (the Peanuts Closing Date), the Company consummated an interest purchase agreement with United Feature Syndicate, Inc (UFS) and The E.W. Scripps Company (the Parent) (Parent and UFS, collectively, the Sellers), pursuant to which it purchased all of the issued and outstanding interests (Interests) of Peanuts Worldwide, a then newly formed Delaware limited liability company, to which, prior to the closing of this acquisition, copyrights and trademarks associated with the Peanuts characters and certain other assets were contributed by UFS. On the Peanuts Closing Date, the Company also assigned its right to buy all of the Interests to Peanuts Holdings, a newly formed Delaware limited liability company and joint venture owned 80% by Icon Entertainment LLC (IE), a wholly-owned subsidiary of the Company, and 20% by Beagle Scout LLC, a Delaware limited liability company (Beagle) owned by certain Schulz family trusts.

Further, on the Closing Date, IE and Beagle entered into an operating agreement with respect to Peanuts Holdings (the Peanuts Operating Agreement). Pursuant to the Peanuts Operating Agreement, the Company, through IE, and Beagle made capital contributions of \$141.0 million and \$34.0 million, respectively, in connection with the acquisition of Peanuts Worldwide. The Interests were then purchased for \$172.1 million in cash, as adjusted for acquired working capital.

In connection with the Peanuts Operating Agreement, the Company through IE, loaned \$17.5 million to Beagle (the Beagle Note), the proceeds of which were used to fund Beagle's capital contribution to Peanuts Holdings in connection with the acquisition of Peanuts Worldwide. The Beagle Note bears interest at 6% per annum, with minimum principal payable in equal annual installments of approximately \$2.2 million on June 3, with any remaining unpaid principal balance and accrued interest to be due on June 3, 2015, the Beagle Note maturity date. Principal may be prepaid at any time. The Beagle Note is secured by the membership interest in Peanuts Holdings owned by Beagle. As of December 31, 2014, the current portion of approximately \$2.1 million is included in other assets- current in the Company's consolidated balance sheet.

## **Table of Contents**

ASC Topic 810 affirms that consolidation is appropriate when one entity has a controlling financial interest in another entity. The Company owns an 80% membership interest in Peanuts Holdings, compared to the non-controlling owner's 20% membership interest. As such, Peanuts Holdings is subject to consolidation with the Company, which is reflected in the Company's consolidated financial statements as of the acquisition date.

In accordance with ASC Topic 810, the Company recognizes the non-controlling interest of Peanuts Holdings as equity in the consolidated financial statements and separate from the parent's equity.

### ***IPH Unltd***

In October 2009, the Company consummated, through IPH Unltd, a then newly formed subsidiary of the Company, a transaction with the sellers of the Ecko portfolio of brands, including Ecko and Zoo York (the Ecko Assets), pursuant to which the sellers sold and/or contributed the Ecko Assets to IPH Unltd in exchange for a 49% membership interest in IPH Unltd and \$63.5 million in cash which had been contributed to IPH Unltd by the Company. As a result of this transaction, the Company owned a 51% controlling membership interest in IPH Unltd. In addition, as part of this transaction, IPH Unltd borrowed \$90.0 million from a third party to repay certain indebtedness of the sellers.

On July 27, 2011 the Company, through its newly formed wholly owned subsidiary ZY Holdings LLC (ZY Holdings), acquired the Zoo York trademark and related assets from IPH Unltd for a net purchase price of \$18.0 million, effectively increasing its ownership in the Zoo York assets from 51% to 100%. In accordance with ASC Topic 810, no gain was recognized on this transaction as the Company retained a controlling interest in the Zoo York assets before and after the increase in its ownership interest.

ASC Topic 810 affirms that consolidation is appropriate when one entity has a controlling financial interest in another entity. Prior to May 17, 2013, the Company owned a 51% membership interest in IPH Unltd compared to the minority owner's 49% membership interest. Further, the Company believed that the voting and veto rights of the minority shareholder were merely protective in nature and did not provide them with substantive participating rights in IPH Unltd. IPH Unltd was subject to consolidation with the Company, which is reflected in the consolidated financial statements.

In accordance with ASC Topic 810, prior to May 17, 2013, the Company recognized the non-controlling interest of IPH Unltd as equity in the consolidated financial statements and separate from the parent's equity.

On May 17, 2013 the Company purchased the remaining 49% minority interest in IPH Unltd for \$45.0 million in cash, increasing its ownership in IPH Unltd from 51% to 100%. In accordance with ASC Topic 810, no gain was recognized on this transaction as the Company retained a controlling interest in IPH Unltd before and after the increase in its ownership interest.

On May 30, 2013, the Company paid to the holders of the Ecko Note (see Note 6) approximately \$52.7 million, representing total outstanding principal and accrued interest to date. This Ecko Note was issued by IPH Unltd in connection with the Company's original acquisition of a 51% interest in the Ecko and Zoo York brands and related assets in October 2009.

### ***Scion***

Scion is a brand management and licensing company formed by the Company with Shawn Jay-Z Carter in March 2007 to buy, create and develop brands across a spectrum of consumer product categories. On November 7, 2007, Scion, through its wholly-owned subsidiary Artful Holdings LLC, purchased Artful Dodger, an urban apparel brand



for a purchase price of \$15.0 million. At inception, the Company determined that it would consolidate Scion since, under ASC Topic 810, it is the primary beneficiary of the variable interest entity.

In March 2009, the Company, through its investment in Scion, effectively acquired a 16.6% interest in one of its licensees, Roc Apparel Group LLC ( RAG ) for \$1. The Company has determined that this entity is a variable interest entity as defined by ASC Topic 810. However, the Company is not the primary beneficiary of this entity. The investment in this entity is accounted for under the cost method of accounting. As part of the transaction, the Company and its Scion partner each contributed approximately \$2.1 million to Scion, totaling approximately \$4.1 million, which was deposited as cash collateral under the terms of RAG 's financing agreements. In June 2010, approximately \$3.3 million of the collateral was released to Scion and distributed to the Scion members equally; as of December 31, 2011 the remaining \$0.8 million was included in short-term restricted cash on the Company 's consolidated balance sheet. In January 2012, the Company and its Scion partner each contributed \$1.1 million, totaling \$2.2 million, to Scion, which was deposited as additional cash collateral under the new terms of RAG 's financing agreements. In January 2013, the Company contributed an additional \$2.6 million to the cash collateral pool under RAG 's financing agreements. The aggregate \$5.6 million of cash collateral, which is owned by Scion, is included as short-term restricted cash in the Company 's consolidated balance sheet as of December 31, 2013. Subsequent to FY 2013, in January 2014 the Company contributed an additional \$3.0 million to the cash collateral pool under RAG 's financing agreements. In July 2014, the lender under this financing arrangement made a cash collateral call, reducing the Company 's restricted cash by \$8.5 million. In FY 2014, the Company recorded a \$2.7 million charge to reduce the receivable to \$5.8 million, and the Company expects to recover this amount through assets secured by this financing arrangement as well as through contractual obligations under an agreement between the licensee and the Company.

In May 2012, Scion, through a newly formed subsidiary, Scion BBC LLC, purchased a 50% interest in BBC Ice Cream LLC, owner of the Billionaire Boys Club and Ice Cream brands for approximately \$3.5 million. The purchase price for the transaction was funded by the Company through a cash contribution to Scion. In addition, pursuant to the terms of an amendment to the Scion operating agreement, signed in March 2012, the Company has agreed to commit an additional \$6.5 million to Scion to fund investments and acquisitions mutually agreed upon by the Company and its Scion partner, Jay-Z.

In accordance with ASC Topic 810, the Company recognizes the non-controlling interest of Scion as equity in the consolidated financial statements and separate from the parent 's equity.

As of December 31, 2014 and December 31, 2013, the carrying value of the consolidated assets that are collateral for the variable interest entity 's obligations total \$8.5 million and \$9.5 million, respectively, which is primarily comprised of the Artful Dodger trademark.

### ***Joint Ventures/Equity Method Investees***

The following joint ventures are recorded using the equity method of accounting:

#### ***Iconix Middle East Joint Venture***

In December 2014, the Company formed Iconix MENA ( Iconix Middle East ) a wholly owned subsidiary of the Company and contributed to it 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 Middle East Territory ). Shortly thereafter, Global Brands Group Asia Limited ( GBG ), purchased a 50% interest in Iconix Middle East for approximately \$18.8 million. GBG paid \$6.3 million in cash upon the closing of the transaction and committed to pay an additional \$12.5 million over the 24-month period following closing. As a result of this transaction, the Company recorded a gain of \$7.2 million in FY 2014 for the difference

between the consideration (cash and notes receivable) received by the Company less \$3.1 million of expenses related to its diligence and market analysis in the Iconix Middle East Territory incurred by the Company as part of this transaction which were deducted from the gain due to lack of evidence of fair value of such expenses, and the book value of the brands contributed to the joint venture. As of December 31, 2014, of the \$12.3 million, net of discount for present value, remaining due to the Company from GBG, approximately \$6.3 million is included in other assets current and \$6.0 million is included in other assets on the consolidated balance sheet.

**Table of Contents**

Pursuant to the joint venture agreement entered into in connection with the formation of Iconix Middle East, each of GBG and the Company holds specified put and call rights, respectively, relating to GBG's ownership interest in the joint venture.

**Company Two-Year Call Option:** At any time during the six month period commencing December 19, 2016, the Company has the right to call up to 5% of the total equity in Iconix Middle East from GBG for an amount in cash equal to \$1.8 million.

**Five-Year and Eight-Year Put/Call Options:** At any time during the six month period commencing December 19, 2019, and again at any time during the six month period commencing December 19, 2022, GBG may deliver a put notice to the Company, and the Company may deliver a call notice to GBG, in each case, for the Company's purchase of all equity in the joint venture held by GBG. In the event of the exercise of such put or call rights, the purchase price for GBG's equity in Iconix Middle East is an amount equal to (x) the Agreed Value (in the event of GBG put) or (y) 120% of Agreed Value (in the event of an Iconix call). The purchase price is payable in cash.

**Agreed Value Five-Year Put/Call:** (i) Percentage of Iconix Middle East owned by GBG, multiplied by (ii) 5.5, multiplied by (iii) aggregate royalty generated by Iconix Middle East for the year ending December 31, 2019; provided, however, that such Agreed Value cannot be less than \$12,000,000.

**Agreed Value Eight-Year Put/Call:** (i) Percentage of Iconix Middle East owned by GBG, multiplied by (b) 5.5, multiplied by (iii) aggregate royalty generated by Iconix Middle East for the year ending December 31, 2022; provided, however, that the Agreed Value cannot be less than \$12,000,000.

The Company serves as Iconix Middle East's administrative manager, responsible for arranging for or providing back-offices services, including legal maintenance of trademarks (e.g. renewal of trademark registrations) for the brands in respect of Iconix Middle East Territory. Further Iconix Middle East has access to general brand marketing materials prepared and owned by the Company to refit for use by the joint venture in marketing brands in the Middle East Territory. GBG serves as Iconix Middle East's local manager, responsible for providing market experience in respect of the applicable territory, managing the joint venture on a day-to-day basis (other than back-office services), identifying potential licensees and assisting the Company in enforcement of license agreements in respect of the applicable territory. The Company receives a monthly fee in connection with the performance of its services as administrative manager in an amount equal to 5% of Iconix Middle East's gross revenue collected in the prior month (other than in respect of the Umbro and Lee Cooper brands). GBG receives a monthly fee in connection with the performance of its services as local manager in an amount equal to 15% of Iconix Middle East's gross revenue collected in the prior month (other than in respect of the Umbro and Lee Cooper brands). In addition, following the closing of GBG's purchase of 50% of Iconix Middle East, GBG received from the Company \$3.1 million for expenses related to its diligence and market analysis in the Iconix Middle East Territory, which was deducted from the gain included in other revenue in the consolidated income statement for the year ended December 31, 2014.

At inception, the Company determined, in accordance with ASC 810, based on the corporate structure, voting rights and contributions of the Company and GBG, that Iconix Middle East is not a variable interest entity and not subject to consolidation. The Company has recorded its investment under the equity method of accounting.

***LC Partners U.S.***

In March 2014, the Company formed LC Partners US, LLC ( *LCP* ), a wholly-owned subsidiary of the Company, and contributed to it substantially all its rights to the Lee Cooper brand in the US through an agreement with LCP. Shortly thereafter, Rise Partners, LLC ( *Rise Partners* ), purchased a 50% interest in LCP for \$4.0 million, of which \$0.8

million in cash was received during FY 2014, with the remaining \$3.2 million to be paid in four equal annual installments on the first through the fourth anniversaries of the closing date. As of December 31, 2014, of the \$3.2 million remaining due to the Company, approximately \$0.8 million is included in other assets current and \$2.4 million is included in other assets on consolidated balance sheet.

As a result of this transaction, the Company recorded a \$4.0 million gain in FY 2014 for the difference between the consideration (cash and notes receivable) received by the Company and the book value of the brands contributed to the joint venture (see Note 4).

Pursuant to the operating agreement entered into in connection with the formation of LCP, Rise Partners holds specified put rights, relating to its ownership interest in the joint venture.

**Put Option:** For the 30 day period following (x) a change of control of the Company occurring prior to December 31, 2019; and (y) December 31, 2019, if Rise Partners has paid the purchase price for its interest in LCP in full, Rise Partners may deliver a put notice to the Company for the Company's purchase of all the equity in LCP held by Rise Partners at a purchase price in cash equal to the greater of: (i) \$4.0 million and (ii) an amount equal to (x) 5, multiplied by (y) the product of (1) 0.10 and (2) the amount of net wholesale sales of applicable Lee Cooper branded product sold in the US for the annual period ending December 31, 2019.

The Company serves as LCP's administrative manager, responsible for arranging for or providing back-office services, including legal maintenance of trademarks (e.g. renewal of trademark registrations) in respect of the Lee Cooper brand in the US. Further LCP has access to general brand marketing materials prepared and owned by the Company to refit for use by LCP in marketing the Lee Cooper brand in the US.

At inception, the Company determined, in accordance with ASC 810, based on the corporate structure, voting rights and contributions of the Company and Rise Partners, that LCP is not a variable interest entity and not subject to consolidation. The Company has recorded its investment under the equity method of accounting.

### ***Iconix Southeast Asia Joint Venture***

In October 2013, the Company formed Iconix SE Asia Limited (Iconix SE Asia), a wholly owned subsidiary of the Company, and 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 (the South East Asia Territory). Shortly thereafter, GBG (f/k/a Li + Fung Asia Limited) purchased a 50% interest in Iconix SE Asia for approximately \$12.0 million. GBG paid \$7.5 million in cash upon the closing of the transaction and committed to pay an additional \$4.5 million over the 24-month period following closing. As a result of this transaction, the Company recorded a gain of \$2.7 million for FY 2013 for the difference between the consideration (cash and notes receivable) received by the Company, \$2.0 million of consulting costs incurred by the Company as part of this transaction which were deducted from the gain due to lack of evidence of fair value of such consulting costs, and the book value of the brands contributed to the joint venture.

In June 2014, the Company contributed substantially all rights to its wholly-owned and controlled brands in the Republic of Korea, and its Ecko, 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, of which \$4.0 million was paid in cash at closing. The Company guaranteed minimum distributions of \$2.5 million in the aggregate through FY 2015 to GBG from the exploitation in the European Union and Turkey of the brands contributed to Iconix SE Asia as part of this transaction. As a result of this transaction, the Company recorded a \$8.3 million gain in FY 2014 for the difference between the consideration (cash and notes receivable) received by the Company, \$5.4 million of marketing costs incurred by the Company as part of this transaction which were deducted from the gain due to lack of evidence of fair value of such marketing costs, and the book value of the brands contributed to the joint venture.

---

**Table of Contents**

In September 2014, the Company's subsidiaries contributed substantially all rights to their Lee Cooper and Umbro brands in the People's Republic of China, Hong Kong, Macau and Taiwan (together, the Greater China Territory), to Iconix SE Asia. In return, GBG agreed to pay the Company \$21.5 million, of which \$4.3 million was paid at closing. The Company guaranteed minimum distributions of \$5.1 million in the aggregate through FY 2017 to GBG from the exploitation in the Greater China Territory of the brands contributed to Iconix SE Asia as part of this transaction. As a result of this transaction the Company recorded an \$18.7 million gain in FY 2014 for the difference between the consideration (cash and notes receivable) received by the Company and the book value of the brands contributed to the joint venture.

As of December 31, 2014, of the aggregate \$28.9 million, net of discount for present value, remaining due to the Company from GBG for the above transactions, \$11.5 million is included in other assets current and \$17.4 million is included in other assets on the consolidated balance sheet.

Pursuant to the operating agreement entered into in connection with the formation of Iconix SE Asia, as amended, each of GBG and the Company holds specified put and call rights, respectively, relating to GBG's ownership interest in the joint venture.

**Company Two-Year Call Option:** At any time during the six month period commencing October 1, 2015, the Company has the right to call up to 5% of the total equity in Iconix SE Asia from GBG for an amount in cash equal to (x) .10, multiplied by (y) 1.15, multiplied by (z) \$38.4 million.

**Five-Year and Eight-Year Put/Call Options on South East Asia Territory Rights, Europe/Turkey Rights and Korea Rights:** At any time during the six month period commencing October 1, 2018, and again at any time during the six month period commencing October 1, 2021, GBG may deliver a put notice to the Company, and the Company may deliver a call notice to GBG, in each case, for the Company's purchase of the Europe/Turkey Rights, South East Asia Territory Rights and/or Korea Rights. In the event of the exercise of such put or call rights, the purchase price for such rights is an amount equal to (x) the Agreed Value (in event of a GBG put) or (y) 120% of Agreed Value (in event of a Company call). The purchase price is payable in cash.

**Agreed Value Five-Year Put/Call:** (i) Percentage of Iconix SE Asia owned by GBG, multiplied by (ii) 5.5, multiplied by (iii) the greater of the aggregate royalty generated by Iconix SE Asia in respect of the Europe/Turkey Rights, South East Asia Territory Rights and/or Korea Rights (as applicable) for the year ending December 31, 2015 and the year ending December 31, 2018; provided, that the Agreed Value attributable to the Europe/Turkey Rights shall not be less than \$7.6 million, plus (iv) in the case of a Full Exercise (i.e., and exercise of all of the Europe/Turkey Rights, South East Asia Territory Rights and Korea Rights), the amount of cash in Iconix SE Asia at such time.

**Agreed Value Eight-Year Put/Call:** (i) Percentage of Iconix SE Asia owned by GBG, multiplied by (ii) 5.5, multiplied by (iii) the greater of the aggregate royalty generated by Iconix SE Asia in respect of the Europe/Turkey Rights, South East Asia Territory Rights and/or Korea Rights (as applicable) for the year ending December 31, 2018 and the year ending December 31, 2021; provided, that the Agreed Value attributable to the Europe/Turkey Rights shall not be less than \$7.6 million, plus (iv) in the case of a Full Exercise (i.e., and exercise of all of the Europe/Turkey Rights, South East Asia Territory Rights and Korea Rights), the amount of cash in Iconix SE Asia at such time.

**Five-Year and Eight-Year Put/Call Options on Greater China Territory Rights:** At any time during the six month period commencing September 17, 2019, and again at any time during the six month period commencing September 17, 2022, GBG may deliver a put notice to the Company, and the Company may deliver a call notice to GBG, in each case, for the Company's purchase of the Greater China Territory Rights. In the event of the exercise of such Greater China Territory put or call rights, the purchase price for such rights is an amount equal to (x) the Agreed

Value (in event of a GBG put) or (y) 120% of the Agreed Value (in event of a Company call). The purchase price is payable in cash.

**Agreed Value Five-Year Put/Call:** (i) Percentage of Iconix SE Asia owned by GBG, multiplied by (ii) 5.5, multiplied by (iii) the greater of the aggregate royalty generated by Iconix SE Asia in respect of the Greater China Territory Rights for the year ending December 31, 2015 and the year ending December 31, 2019; provided, that the Agreed Value attributable to the Greater China Territory Rights shall not be less than \$15,500,000, plus (iv) in the case of a Full Exercise, the lesser of the (x) the amount of cash in Iconix SE Asia after payment of the Greater China Territory Rights Put/Call Distribution (as described below) and (y) the maximum amount of distributions allowed by applicable law.

**Agreed Value Eight-Year Put/Call:** (i) Percentage of Iconix SE Asia owned by GBG, multiplied by (ii) 5.5, multiplied by (iii) greater of aggregate royalty generated by Iconix SE Asia in respect of the Greater China Territory Rights for the year ending December 31, 2019 and the year ending December 31, 2022; provided, that the Agreed Value attributable to the Greater China Territory Rights in respect of the eight year put/call shall not be less than the Agreed Value would have been if the five year put/call had been exercised, plus (iv) in the case of a Full Exercise, the lesser of the (x) the amount of cash in Iconix SE Asia after payment of the Greater China Territory Put/Call Distribution (as described below) and (y) the maximum amount of distributions allowed by applicable law.

**Greater China Territory Put/Call Distribution:** Prior to closing of a GBG put or a Company call in respect of the Greater China Territory Rights, Iconix SE Asia is required to make pro rata distributions to GBG and the Company in an amount equal to the lesser of: (i) the amount of cash in Iconix SE Asia; (ii) the maximum amount of distributions permitted by applicable law; and (iii) the amount the Company pays to GBG in respect of minimum guaranteed distributions provided for pursuant to the September 2014 Iconix SE Asia transaction described above. GBG is required to pay all amounts it receives from the Greater China Territory Put/Call Distribution to the Company.

The Company serves as Iconix SE Asia's administrative manager, responsible for arranging for or providing back-office services including legal maintenance of trademarks (e.g. renewal of trademark registrations) for the brands in respect of the territories included in Iconix SE Asia. Further, Iconix SE Asia has access to general brand marketing materials, prepared and owned by the Company, to refit for use by the joint venture in territories included in Iconix SE Asia. GBG serves as Iconix SE Asia's local manager, responsible for providing market experience in respect of the applicable territory, managing the joint venture on a day-to-day basis (other than back-office services), identifying potential licensees and assisting the Company in enforcement of license agreements in respect of the applicable territory. The Company receives a monthly fee in connection with the performance of its services as administrative manager in an amount equal to 5% of Iconix SE Asia's gross revenue collected in prior month. GBG receives a monthly fee in connection with the performance of its services as local manager in an amount equal to 15% of Iconix SE Asia's gross revenue collected in prior month. In October 2013, and in respect of services that commenced in August 2013 and expired on December 31, 2013, the Company executed a Consultancy Agreement with LF Centennial Limited, an affiliate of Li and Fung Asia Limited, for the provision of brand strategy services in Asia to assist the Company in developing its brands. Pursuant to the Consultancy Agreement, the Company paid LF Centennial Limited four installments of \$0.5 million for the provision of such services. The aggregate \$2.0 million of consulting costs were deducted from the gain included in other revenue for the year ended December 31, 2013.

At inception and closing of each of the June 2014 and September 2014 transactions, the Company determined, in accordance with ASC 810, based on the corporate structure, voting rights and contributions of the Company and GBG, that Iconix SE Asia is not a variable interest entity and not subject to consolidation. The Company has recorded its investment under the equity method of accounting.

---

**Table of Contents*****Iconix Israel Joint Venture***

In November 2013, the Company formed Iconix Israel, LLC ( *Iconix Israel* ), a wholly-owned subsidiary of the Company, and 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* ) through an agreement with Iconix Israel. Shortly thereafter, M.G.S. Sports Trading Limited ( *MGS* ) purchased a 50% interest in Iconix Israel for approximately \$3.3 million. MGS paid \$1.0 million in cash upon the closing of the transaction and committed to pay an additional \$2.3 million over the 36-month period following closing. As a result of this transaction, the Company recorded a gain of \$2.3 million in FY 2013 for the difference between the consideration (cash and notes receivable) received by the Company and the book value of the brands contributed to the joint venture, which was included in other revenue in FY 2013. As of December 31, 2014, of the \$1.6 million remaining due to the Company from MGS, approximately \$0.8 million is included in other assets current and \$0.8 million is included in other assets on the consolidated balance sheet.

Pursuant to the operating agreement entered into in connection with the formation of Iconix Israel, the Company holds a call right, exercisable at any time during the six month period following November 14, 2015, on 5% of the total outstanding shares in Iconix Israel held by MGS. The purchase price payable in connection with the Company's exercise of its call option is an amount equal to (i) .05, multiplied by (ii) 6.5, multiplied by (iii) gross cash or property received by Iconix Israel from all sources.

The Company serves as Iconix Israel's administrative manager, responsible for arranging for or providing back-office services, including legal maintenance of trademarks (e.g. renewal of trademark registrations) for the brands in respect of the Israel Territory. Further, Iconix Israel has access to general brand marketing materials, prepared and owned by the Company to refit for use by the joint venture in the Israel Territory. MGS serves as Iconix Israel's local manager, responsible for providing market experience in respect of the applicable territory, managing the joint venture on a day-to-day basis (other than back-office services), identifying potential licensees and assisting the Company in enforcement of license agreements in respect of the applicable territory. Each of the Company and MGS is reimbursed for all out-of-pocket costs incurred in performing its respective services.

At inception, the Company determined, in accordance with ASC 810, based on the corporate structure, voting rights and contributions of the Company and MGS, that Iconix Israel is not a variable interest entity and not subject to consolidation. The Company has recorded its investment under the equity method of accounting.

***Iconix Australia Joint Venture***

In September 2013, the Company formed Iconix Australia, LLC ( *Iconix Australia* ), a Delaware limited liability company and a wholly-owned subsidiary of the Company, and contributed substantially all rights to its wholly-owned and controlled brands in Australia and New Zealand (the *Australia territory* ) through an agreement with Iconix Australia. Shortly thereafter Pac Brands USA, Inc. ( *Pac Brands* ) purchased a 50% interest in Iconix Australia for \$7.2 million in cash, all of which was received upon closing of this transaction in September 2013. As a result of this transaction, the Company recorded a gain of \$5.1 million in FY 2013 for the difference between the consideration (cash and notes receivable) received by the Company and the book value of the brands contributed to the joint venture.

Pursuant to the operating agreement entered into in connection with the formation of Iconix Australia, as amended, each of Pac Brands and the Company holds specified put and call rights, respectively, relating to Pac Brands ownership interest in the joint venture.

Company Two-Year Call Option: At any time during the six month period commencing September 17, 2015, the Company has the right to call up to 5% of Pac Brands' total equity in Iconix Australia for an amount in cash equal to (i) the number of units called by the Company divided by the total number of units outstanding, multiplied by (ii) 6.5, multiplied by (iii) RR, where RR is equal to:

$$\frac{A + (A \times (100\% + GR))}{2}$$

2

A = trailing 12 months royalty revenue

GR = Year on year growth rate

Four-Year Put/Call Option: At any time following September 17, 2017, Pac Brands may deliver a put notice to the Company, and the Company may deliver a call notice to Pac Brands, in each case, for the Company's purchase of all units in the joint venture held by Pac Brands. Upon the exercise of such put/call, the purchase price for Pac Brands units in the joint venture will be an amount equal to (i) the percentage interest represented by Pac Brands' units, multiplied by (ii) 5, multiplied by (iii) RR, where RR is equal to:

$$\frac{A + (A \times (100\% + CAGR))}{2}$$

2

A = trailing 12 months royalty revenue

CAGR = 36 month compound annual growth rate

The Company serves as Iconix Australia's administrative manager, responsible for arranging for or providing back-office services including legal maintenance of trademarks (e.g. renewal of trademark registrations) for the brands in respect of the Australia Territory. Further, Iconix Australia has access to general brand marketing materials, prepared and owned by the Company, to refit for use by the joint venture in marketing the brands in the Australia Territory. Anchorage George Street Party Limited, an affiliate of Pac Brands (Anchorage) serves as Iconix Australia's local manager, responsible for providing market experience in respect of the applicable territory, managing the joint venture on a day-to-day basis (other than back-office services), identifying potential licensees and assisting the Company in enforcement of license agreements in respect of the applicable territory. Each of the Company and Anchorage is reimbursed for all out-of-pocket costs incurred in performing its respective services.

At inception, the Company determined, in accordance with ASC 810, based on the corporate structure, voting rights and contributions of the Company and Pac Brands, that Iconix Australia is not a variable interest entity and not subject to consolidation. The Company has recorded its investment under the equity method of accounting.

### ***Iconix Canada Joint Venture***

In June 2013, the Company formed Iconix Canada L.P. (Ico Canada) and Ico Brands L.P. (Ico Brands) and, together with Ico Canada, collectively, Iconix Canada), as wholly-owned indirect subsidiaries of the Company, and contributed substantially all rights to its wholly-owned and controlled brands in Canada (the Canada Territory) through agreements with the Iconix Canada partnerships. Shortly thereafter through their acquisitions of limited partnership and general partnership interests, Buffalo International ULC and BIU Sub Inc. purchased 50% interests in the Iconix Canada partnerships for \$17.8 million in the aggregate, of which approximately \$8.9 million in the aggregate, was



paid in cash upon closing of these transactions in June 2013, and the remaining \$8.9 million of which are notes payable to the Company to be paid, as amended, over the five year period following the date of closing, with final payment in June 2018. As a result of these transactions, the Company recognized a gain of approximately \$9.8 million in FY 2013 for the difference between the consideration (cash and notes receivable) received by the Company and the book value of the brands contributed to the joint ventures. As of December 31, 2014, of the \$8.9 million note receivable, approximately \$3.0 million is included in other assets current and \$5.9 million is included in other assets on the consolidated balance sheet.

## **Table of Contents**

Pursuant to agreements entered into in connection with the formation of Ico Canada and Ico Brands, the Company holds specified call options relating to Buffalo International's and BIU Sub's ownership interests in the joint ventures.

**Ico Canada Call Option:** At any time between the second and third anniversary of June 28, 2013 the Company has the right to call a number of units held by Buffalo International equal to 5% of all units issued and outstanding for an amount in cash equal to the greater of (i) \$1.5 million and (ii) 5% of the amount obtained by applying a multiple of 5.5 to the highest of (a) the minimum royalties in respect of the Ico Canada marks for the previous 12 months, (b) the actual royalties in respect of the Ico Canada marks for the previous 12 months, (c) the projected minimum royalties in respect of the Ico Canada marks for the subsequent fiscal period and (d) the average projected minimum royalties in respect of the Ico Canada marks for the subsequent three fiscal periods.

**Ico Brands Call Option:** At any time between the second and third anniversary of June 28, 2013, the Company has the right to call a number of units held by BIU Sub equal to 5% of all units issued and outstanding for an amount in cash equal to the greater of (i) \$0.6 million and (ii) 5% of the amount obtained by applying a multiple of 5.5 to the highest of (a) the minimum royalties in respect of the Ico Brands marks for the previous 12 months, (b) the actual royalties in respect of the Ico Brands marks for the previous 12 months, (c) the projected minimum royalties in respect of the Ico Brands marks for the subsequent fiscal period and (d) the average projected minimum royalties in respect of the Ico Brands marks the subsequent three fiscal periods.

If the total payments to Ico Canada in respect of the Umbro marks for the four-year period following June 28, 2013 are less than \$2.7 million, the Company has an obligation to pay Buffalo International an amount equal to the shortfall.

As a result of the Company's prior contribution of the intellectual property and related assets relating to certain of its brands in respect of the Canadian territory (the Encumbered Canadian Assets) to the Company's securitization, Ico Canada was granted the right to receive an amount equal to the royalty streams from the Encumbered Canadian Assets. Ico Brands has an option to purchase the Encumbered Canadian Assets for one dollar within one year following the earlier of (i) January 15, 2020 and (ii) the later of (a) the release of such assets from the Company's securitization and (b) Ico Brands receipt of notice of such release. If the Company does not deliver such assets to Ico Brands following the exercise of such option, the Company has an obligation to pay liquidated damages to Ico Brands in an amount equal to approximately \$4.9 million.

In the case of Ico Brands, BIU Sub serves as the creative shareholder, and is responsible for: (i) approving or disapproving of the creative aspects relating to trademarks and related goods and services offered by licensees; and (ii) approving or disapproving of all other creative aspects of the design, development, manufacture and sale of products bearing the Ico Brands' marks.

At inception, the Company determined, in accordance with ASC 810, based on the corporate structure, voting rights and contributions of the Company and Buffalo International and BIU Sub, that neither of Ico Canada or Ico Brands is a variable interest entity or subject to consolidation. The Company has recorded its investment under the equity method of accounting.

### ***Iconix India Joint Venture***

In June 2013, the Company formed Imaginative Brand Developers Private Limited (Iconix India), a wholly-owned subsidiary of the Company, and contributed substantially all rights to its wholly-owned and controlled brands in India through an agreement with Iconix India. Shortly thereafter Reliance Brands Limited (Reliance), an affiliate of the Reliance Group, purchased a 50% interest in Iconix India for \$6.0 million of which approximately \$2.0 million was

paid in cash upon the closing of this transaction and the remaining \$4.0 million of which is a note, to be paid over a 48- month period following closing. As a result of this transaction, the Company recognized a gain of approximately \$5.6 million in FY 2013 for the difference between the consideration (cash and notes receivable) received by the Company and the book value of the brands contributed to the joint venture. Additionally, pursuant to the terms of the transaction, the Company and Reliance each agreed to contribute 100 million Indian rupees (approximately \$2.0 million) to Iconix India only upon the future mutual agreement of the parties, of which 25 million Indian rupees (approximately \$0.5 million) was contributed at closing.

As of December 31, 2014, of the \$3.0 million note receivable, approximately \$1.0 million is included in other assets current and \$2.0 million is included in other assets on the consolidated balance sheet.

At inception, the Company determined, in accordance with ASC 810, based on the corporate structure, voting rights and contributions of the Company and Reliance, that Iconix India is not a variable interest entity and not subject to consolidation. The Company has recorded its investment under the equity method of accounting.

### ***MG Icon***

In March 2010, the Company acquired a 50% interest in MG Icon, the owner of the Material Girl and Truth or Dare brands and trademarks and other rights associated with the artist, performer and celebrity known as Madonna, from Purim LLC (Purim) for \$20.0 million, \$4.0 million of which was paid at closing. In connection with the launch of Truth or Dare brand and based on certain qualitative criteria, Purim is entitled to an additional \$3.0 million. Through December 31, 2014, \$19.0 million was paid to Purim with the remaining \$4.0 million owed to Purim included in other liabilities-current on the Company's consolidated balance sheet.

At inception, the Company determined, in accordance with ASC 810, based on the corporate structure, voting rights and contributions of the Company and Purim, MG Icon is a variable interest entity and not subject to consolidation, as the Company is not the primary beneficiary of MG Icon. The Company has recorded its investment under the equity method of accounting.

Pursuant to the terms of the MG Icon operating agreement and subject to certain conditions, the Company is entitled to recognize a preferred profit distribution from MG Icon of at least \$23.0 million, after which all profits and losses are recognized 50/50 in accordance with each principal's membership interest percentage.

### ***Hardy Way***

In May 2009, the Company acquired a 50% interest in Hardy Way, the owner of the Ed Hardy brands and trademarks, for \$17.0 million, comprised of \$9.0 million in cash and 588,688 shares of the Company's common stock valued at \$8.0 million as of the closing. In addition, the sellers of the 50% interest received an additional \$1.0 million in shares of the Company's common stock pursuant to an earn-out based on royalties received by Hardy Way for 2009.

On April 26, 2011, Hardy Way acquired substantially all of the licensing rights to the Ed Hardy brands and trademarks from its licensee, Nervous Tattoo, Inc. (NT) pursuant to an asset purchase agreement by and among Hardy Way, NT and Audigier Brand Management Group, LLC (ABMG, and together with NT, the Sellers). Immediately prior to the closing of the transactions contemplated by the asset purchase agreement, the Company contributed \$62.0 million to Hardy Way, thereby increasing the Company's ownership interests in Hardy Way from 50% to 85% of the outstanding membership interests.

Prior to the April 26, 2011 transaction described above, based on the corporate structure, voting rights and contributions of the Company and Hardy Way, Hardy Way was not subject to consolidation. This conclusion was based on the Company's determination that the entity met the criteria to be considered a business, and therefore was not subject to consolidation due to the business scope exception of ASC Topic 810. As such, the Company had

recorded its investment under the equity method of accounting.

---

**Table of Contents*****Iconix China***

In September 2008, the Company and Novel Fashions Holdings Limited ( Novel ) formed a joint venture ( Iconix China ) to develop and market the Company's brands in the People's Republic of China, Hong Kong, Macau and Taiwan (the China Territory ). Pursuant to the terms of this transaction, the Company contributed to Iconix China substantially all rights to its brands in the China Territory and committed to contribute \$5.0 million, and Novel committed to contribute \$20 million to Iconix China. Upon closing of the transaction, the Company contributed \$2.0 million and Novel contributed \$8.0 million. In September 2009, the parties amended the terms of the transaction to eliminate the obligation of the Company to make any additional contributions and to reduce Novel's remaining contribution commitment to \$9.0 million, \$4.0 million of which was contributed in July 2010, \$3.0 million of which was contributed in May 2011, and \$2.0 million of which was contributed in June 2012.

In December 2012, China Outfitters Holdings Limited ( China Outfitters ), a Hong Kong company and joint venture partner with Iconix China for the London Fog brand, purchased the Artful Dodger and Zoo York brands for the China Territory from Iconix China. As a result of this transaction, Iconix China recorded a net gain of approximately \$7.4 million, representing the difference of the \$8.0 million received from China Outfitters and the cost basis of \$0.6 million for the Artful Dodger and Zoo York trademarks in the China Territory. The Company's 50% share of the net gain of \$7.4 million recognized by Iconix China in this transaction, amounting to approximately \$3.7 million, is included in equity earnings on joint ventures in the Company's consolidated income statement for FY 2012.

At inception, the Company determined that, in accordance with ASC Topic 810, based on the corporate structure, voting rights and contributions of the Company and Novel, Iconix China is a variable interest entity and not subject to consolidation, as, under ASC Topic 810, the Company is not the primary beneficiary of Iconix China. The Company has recorded its investment under the equity method of accounting.

**Cost Method Investments**

The following investments are carried at cost:

***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 for \$32 million. At inception, the Company determined, in accordance with ASC 810, based on the corporate structure, voting rights and contributions of the Company that MM Holdings is not a variable interest entity and not subject to consolidation. As the Company does not have significant influence over MM Holdings, its investment has been recorded under the cost method of accounting.

***Complex Media Inc.***

In September 2013, the Company purchased convertible preferred shares, on an as-converted basis as of December 31, 2014, equaling 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, for \$25 million. At inception, the Company determined, in accordance with ASC 810, based on the corporate structure, voting rights and contributions of the Company that Complex Media is not a variable interest entity and not subject to consolidation. As the Company does not have significant influence over Complex Media, its investment has been recorded under the cost method of accounting.

*Unaudited Pro Forma Information*

Unaudited pro forma information for the business combinations completed in FY 2014 is not presented because the effects of such transactions, each by themselves or in the aggregate, are considered immaterial to the Company.

*Acquisition Expenses*

During FY 2014, FY 2013 and FY 2012, pretax charges aggregating approximately \$0.7 million, \$4.0 million and \$0.5 million, respectively, were recorded for legal expenses and other transaction costs related to the acquisitions described above, as well as unconsummated transactions under consideration during each year.

These charges, which were expensed in accordance with the accounting guidance for business combinations, are included in selling, general and administrative expenses in the Company's consolidated income statements.

**4. Other Revenue**

The following table details transactions comprising other revenue in the consolidated income statements:

	<b>December 31, 2014 (Restated)</b>	<b>December 31, 2013 (Restated)</b>	<b>December 31, 2012</b>
LC Partners US	\$ 3,971	\$	\$
Sharper Image Ecommerce/Domain Name <sup>(1)</sup>	7,787		
Iconix SE Asia June 2014	8,251		
Iconix SE Asia September 2014	18,652		
Iconix Middle East	7,179		
Iconix Canada		9,769	
Iconix Australia		5,140	
Other		2,671	
Iconix Israel		2,350	
Iconix SE Asia October 2013		2,649	
Umbro Korea <sup>(2)</sup>		10,000	
Iconix India			5,631
OP Japan <sup>(3)</sup>			6,502
Total other revenue	\$ 45,840	\$ 32,579	\$ 12,133

## **Table of Contents**

- (1) FY 2014 includes a net gain of \$7.8 million on the sale of the sharperimage.com domain name and certain categories under the Sharper Image trademark
- (2) FY 2013 includes a gain of \$10.0 million on the sale of the Umbro trademark for the Korea territory
- (3) FY 2012 includes a net gain of approximately \$6.5 million related to the OP Japan transaction in the fourth quarter.

## **5. Fair Value Measurements**

ASC Topic 820 Fair Value Measurements, which the Company adopted on January 1, 2008, establishes a framework for measuring fair value and requires expanded disclosures about fair value measurement. While ASC 820 does not require any new fair value measurements in its application to other accounting pronouncements, it does emphasize that a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, ASC 820 established the following fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs):

Level 1: Observable inputs such as quoted prices for identical assets or liabilities in active markets

Level 2: Other inputs that are observable directly or indirectly, such as quoted prices for similar assets or liabilities or market-corroborated inputs

Level 3: Unobservable inputs for which there is little or no market data and which requires the owner of the assets or liabilities to develop its own assumptions about how market participants would price these assets or liabilities

The valuation techniques that may be used to measure fair value are as follows:

(A) Market approach Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities

(B) Income approach Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about those future amounts, including present value techniques, option-pricing models and excess earnings method

(C) Cost approach Based on the amount that would currently be required to replace the service capacity of an asset (replacement cost)

To determine the fair value of certain financial instruments, the Company relies on Level 2 inputs generated by market transactions of similar instruments where available, and Level 3 inputs using an income approach when Level 1 and Level 2 inputs are not available. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of financial assets and financial liabilities and their placement within the fair value hierarchy.

## ***Hedge Instruments***

On March 26, 2011, the Company purchased hedge instruments from JP Morgan Chase Bank N.A. ( JPMC ) to mitigate the income statement risk and cash flow risk of revenue and receivables from licenses denominated in Japanese Yen. These hedge instruments are foreign exchange forward contracts that set the foreign exchange rate from

Japanese Yen to U.S. Dollars for the Company's forecasted Japanese Yen denominated revenue ( Income Statement Hedge ) and receivable ( Balance Sheet Hedge ). Based on management's assessment, the Income Statement Hedge qualifies for hedge accounting under ASC Topic 815. On a quarterly basis, the value of the Income Statement Hedge was adjusted to reflect its current fair value, with any adjustment flowing through other comprehensive income. The fair value of this instrument was obtained by comparing the characteristics of the Income Statement Hedge with similarly traded instruments, and was therefore classified as Level 2 in the fair value hierarchy. As of March 31, 2012, the Income Statement Hedge and the Balance Sheet Hedge expired by their respective terms, and, as of December 31, 2014 the Company had no other hedge instruments other than the 2.50% Convertible Note Hedges and 1.50% Convertible Note Hedges (see Note 6).

### ***Financial Instruments***

As of December 31, 2014 and December 31, 2013, the fair values of cash, receivables and accounts payable approximated their carrying values due to the short-term nature of these instruments. The fair value of notes receivables and note payable from and to our joint venture partners approximate their carrying values. The fair value of our cost method investments is not readily determinable and it is not practical to obtain the information needed to determine the value. However, there has been no indication of an impairment of these cost method investments as of December 31, 2014 and December 31, 2013. The estimated fair values of other financial instruments subject to fair value disclosures, determined based on Level One inputs including broker quotes or quoted market prices or rates for the same or similar instruments and the related carrying amounts are as follows:

	<b>December 31, 2014</b>		<b>December 31, 2013</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
Long-term debt, including current portion	\$ 1,394,077	\$ 1,601,418	\$ 1,427,319	\$ 1,786,232

Financial instruments expose the Company to counterparty credit risk for nonperformance and to market risk for changes in interest. The Company manages exposure to counterparty credit risk through specific minimum credit standards, diversification of counterparties and procedures to monitor the amount of credit exposure. The Company's financial instrument counterparties are investment or commercial banks with significant experience with such instruments as well as certain of our joint venture partners see Note 3.

### ***Non-Financial Assets and Liabilities***

The Company accounts for non-recurring adjustments to the fair values of its non-financial assets and liabilities under ASC Topic 820 using a market participant approach. The Company uses a discounted cash flow model with Level 3 inputs to measure the fair value of its non-financial assets and liabilities. The Company also adopted the provisions of ASC 820 as it relates to purchase accounting for its acquisitions. The Company has goodwill, which is tested for impairment at least annually, as required by ASC Topic 350. Further, in accordance with ASC Topic 350, the Company's indefinite-lived trademarks are tested for impairment at least annually, on an individual basis as separate single units of accounting. Similarly, consistent with ASC Topic 360 as it relates to accounting for the impairment or disposal of long-lived assets, the Company assesses whether or not there is impairment of the Company's definite-lived trademarks. There was no impairment, and therefore no write-down, of any of the Company's long-lived assets during FY 2014 or FY 2013.

## **6. Debt Arrangements**

The Company's net carrying amount of debt is comprised of the following:



	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
Senior Secured Notes	\$ 774,030	\$ 836,888
1.50% Convertible Notes	339,943	323,418
2.50% Convertible Notes	280,104	267,013
 Total	 \$ 1,394,077	 \$ 1,427,319

---

**Table of Contents*****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.

As of December 31, 2014, no amounts under the Variable Funding Notes have been drawn. 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 and a 50% interest in the Ice Cream trademark and the Billionaire Boys Club 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](http://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.

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: Candies, 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, Charisma, and Sharper Image (other than for a Sharper Image branded website or catalog in the United States and other specified jurisdictions); (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 has been compliant with all covenants under the Notes during FY 2014 and FY 2013.

---

**Table of Contents**

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 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, 2014, the total principal balance of the Notes is \$774.0 million, of which \$61.1 million is included in the current portion of long-term debt on consolidated balance sheet. As of December 31, 2014 and December 31, 2013, \$58.7 million and \$52.4 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.

For FY 2014, FY 2013 and FY 2012, cash interest expense relating to the Senior Secured Notes was approximately \$34.2 million, \$31.2 million and \$-0- million, respectively.

***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.

The 1.50% Convertible Notes bear interest at an annual rate of 1.50%, payable semi-annually in arrears on March 15 and September 15 of each year, beginning on September 15, 2013. However, the Company recognizes an effective interest rate of 6.50% on the carrying amount of the 1.50% Convertible Notes. The effective rate is based on the rate for a similar instrument that does not have a conversion feature. The 1.50% Convertible Notes will be convertible into cash and, if applicable, shares of the Company's common stock based on a conversion rate of 32.4052 shares of the Company's common stock, subject to customary adjustments, per \$1,000 principal amount of the 1.50% Convertible Notes (which is equal to an initial conversion price of approximately \$30.86 per share) only under the following circumstances: (1) during any fiscal quarter beginning after December 15, 2017 (and only during such fiscal quarter), if the closing price of the Company's common stock for at least 20 trading days in the 30 consecutive trading days ending on and including the last trading day of the immediately preceding fiscal quarter is more than 130% of the conversion price per share, which is \$1,000 divided by the then applicable conversion rate; (2) during the five consecutive business day period immediately following any five consecutive trading day period in which the trading price per \$1,000 principal amount of the 1.50% Convertible Notes for each day of that period was less than 98% of the product of (a) the closing price of the Company's common stock for each day in that period and (b) the conversion rate

per \$1,000 principal amount of the 1.50% Convertible Notes; (3) if specified distributions to holders of the Company's common stock are made, as set forth in the indenture governing the 1.50% Convertible Notes ( "1.50% Indenture" ); (4) if a change of control or other fundamental change, each as defined in the 1.50% Indenture, occurs; and (5) during the 90 day period prior to maturity of the 1.50% Convertible Notes. If the holders of the 1.50% Convertible Notes exercise the conversion provisions under the circumstances set forth, the Company will need to remit the lower of the principal balance of the 1.50% Convertible Notes or their conversion value to the holders in cash. As such, the Company would be required to classify the entire amount outstanding of the 1.50% Convertible Notes as a current liability in the following quarter. The evaluation of the classification of amounts outstanding associated with the 1.50% Convertible Notes will occur every quarter.

Upon conversion, a holder will receive an amount in cash equal to the lesser of (a) the principal amount of the 1.50% Convertible Note or (b) the conversion value, determined in the manner set forth in the 1.50% Indenture. If the conversion value exceeds the principal amount of the 1.50% Convertible Notes on the conversion date, the Company will also deliver, at its election, cash or the Company's common stock or a combination of cash and the Company's common stock for the conversion value in excess of the principal amount. In the event of a change of control or other fundamental change, the holders of the 1.50% Convertible Notes may require the Company to purchase all or a portion of their 1.50% Convertible Notes at a purchase price equal to 100% of the principal amount of the 1.50% Convertible Notes, plus accrued and unpaid interest, if any. Holders of the 1.50% Convertible Notes who convert their 1.50% Convertible Notes in connection with a fundamental change may be entitled to a make-whole premium in the form of an increase in the conversion rate.

Pursuant to guidance issued under ASC Topic 815, the 1.50% Convertible Notes are accounted for as convertible debt in the accompanying consolidated balance sheet and the embedded conversion option in the 1.50% Convertible Notes has not been accounted for as a separate derivative. For a discussion of the effects of the 1.50% Convertible Notes and the 1.50% Convertible Notes Hedges and Sold Warrants defined and discussed below on earnings per share, see Note 8.

As of December 31, 2014 and December 31, 2013 the amount of the 1.50% Convertible Notes accounted for as a liability was approximately \$339.9 million and \$323.4 million, respectively, and is reflected on the consolidated balance sheet as follows:

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
Equity component carrying amount	\$ 49,931	\$ 49,931
Unamortized discount	60,057	76,582
Net debt carrying amount	\$ 339,943	\$ 323,418

For FY 2014 and FY 2013 the Company recorded non-cash interest expense of approximately \$15.3 million and \$11.5 million, respectively, representing the difference between the stated interest rate on the 1.50% Convertible Notes and the rate for a similar instrument that does not have a conversion feature. There was no such expense in FY 2012.

For FY 2014 and FY 2013 the Company recorded cash interest expense relating to the 1.50% Convertible Notes of approximately \$6.0 million and \$4.7 million, respectively. There was no such expense in FY 2012.

The 1.50% Convertible Notes do not provide for any financial covenants.

On March 18, 2013, the Company used a portion of the proceeds from the 1.50% Convertible Notes to repurchase 2,964,000 shares of its common stock in a private transaction with a third party for \$69.0 million. See note 7 for further information on our stock repurchase program.

---

**Table of Contents**

In connection with the sale of the 1.50% Convertible Notes, the Company entered into hedges for the 1.50% Convertible Notes ( 1.50% Convertible Note Hedges ) with respect to its common stock with one entity (the 1.50% Counterparty ). Pursuant to the agreements governing these 1.50% Convertible Note Hedges, the Company purchased call options (the 1.50% Purchased Call Options ) from the 1.50% Counterparty covering up to approximately 13.0 million shares of the Company s common stock. These 1.50% Convertible Note Hedges are designed to offset the Company s exposure to potential dilution upon conversion of the 1.50% Convertible Notes in the event that the market value per share of the Company s common stock at the time of exercise is greater than the strike price of the 1.50% Purchased Call Options (which strike price corresponds to the initial conversion price of the 1.50% Convertible Notes and is simultaneously subject to certain customary adjustments). On March 13, 2013, the Company paid an aggregate amount of approximately \$84.1 million of the proceeds from the sale of the 1.50% Convertible Notes for the 1.50% Purchased Call Options, of which \$29.4 million was included in the balance of deferred income tax assets at March 13, 2013 and is being recognized over the term of the 1.50% Convertible Notes. As of December 31, 2014, the balance of deferred income tax assets related to this transaction was approximately \$18.9 million.

The Company also entered into separate warrant transactions with the 1.50% Counterparty whereby the Company, pursuant to the agreements governing these warrant transactions, sold to the 1.50% Counterparty warrants (the 1.50% Sold Warrants ) to acquire up to 12.96 million shares of the Company s common stock at a strike price of \$35.5173 per share of the Company s common stock. The 1.50% Sold Warrants will become exercisable on June 18, 2018 and will expire by September 1, 2018. The Company received aggregate proceeds of approximately \$57.7 million from the sale of the 1.50% Sold Warrants on March 13, 2013.

Pursuant to guidance issued under ASC Topic 815 Derivatives and Hedging as it relates to accounting for derivative financial instruments indexed to, and potentially settled in, a company s own stock, the 1.50% Convertible Note Hedge and the proceeds received from the issuance of the 1.50% Sold Warrants were recorded as a charge and an increase, respectively, in additional paid-in capital in stockholders equity as separate equity transactions. As a result of these transactions, the Company recorded a net increase to additional paid-in-capital of \$3.0 million in March 2013.

The Company has evaluated the impact of adopting guidance issued under ASC Topic 815 regarding embedded features as it relates to the 1.50% Sold Warrants, and has determined it had no impact on the Company s results of operations and financial position through December 31, 2014, and will have no impact on the Company s results of operations and financial position in future fiscal periods.

As the 1.50% Convertible Note Hedge transactions and the warrant transactions were separate transactions entered into by the Company with the 1.50% Counterparty, they are not part of the terms of the 1.50% Convertible Notes and will not affect the holders rights under the 1.50% Convertible Notes. In addition, holders of the 1.50% Convertible Notes will not have any rights with respect to the 1.50% Purchased Call Options or the 1.50% Sold Warrants.

If the market value per share of the Company s common stock at the time of conversion of the 1.50% Convertible Notes is above the strike price of the 1.50% Purchased Call Options, the 1.50% Purchased Call Options entitle the Company to receive from the 1.50% Counterparties net shares of the Company s common stock, cash or a combination of shares of the Company s common stock and cash, depending on the consideration paid on the underlying 1.50% Convertible Notes, based on the excess of the then current market price of the Company s common stock over the strike price of the 1.50% Purchased Call Options. Additionally, if the market price of the Company s common stock at the time of exercise of the 1.50% Sold Warrants exceeds the strike price of the 1.50% Sold Warrants, the Company will owe the 1.50% Counterparty net shares of the Company s common stock or cash, not offset by the 1.50% Purchased Call Options, in an amount based on the excess of the then current market price of the Company s common stock over the strike price of the 1.50% Sold Warrants.

These transactions will generally have the effect of increasing the conversion price of the 1.50% Convertible Notes to \$35.5173 per share of the Company's common stock, representing a 52.5% percent premium based on the last reported sale price of the Company's common stock of \$23.29 per share on March 12, 2013.

Moreover, in connection with the warrant transactions with the 1.50% Counterparty, to the extent that the price of the Company's common stock exceeds the strike price of the 1.50% Sold Warrants, the warrant transactions have had a dilutive effect on the Company's earnings per share.

### ***2.50% Convertible Notes***

On May 23, 2011, the Company completed the issuance of \$300.0 million principal amount of the Company's 2.50% convertible senior subordinated notes due June 2016 ( 2.50% 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 \$291.6 million.

The 2.50% Convertible Notes bear interest at an annual rate of 2.50%, payable semi-annually in arrears on June 1 and December 1 of each year, beginning December 1, 2011. However, the Company recognizes an effective interest rate of 7.25% on the carrying amount of the 2.50% Convertible Notes. The effective rate is based on the rate for a similar instrument that does not have a conversion feature. The 2.50% Convertible Notes will be convertible into cash and, if applicable, shares of the Company's common stock based on a conversion rate of 32.5169 shares of the Company's common stock, subject to customary adjustments, per \$1,000 principal amount of the 2.50% Convertible Notes (which is equal to an initial conversion price of approximately \$30.75 per share) only under the following circumstances: (1) during any fiscal quarter beginning after June 30, 2011 (and only during such fiscal quarter), if the closing price of the Company's common stock for at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is more than 130% of the conversion price per share, which is \$1,000 divided by the then applicable conversion rate; (2) during the five business day period immediately following any five consecutive trading day period in which the trading price per \$1,000 principal amount of the 2.50% Convertible Notes for each day of that period was less than 98% of the product of (a) the closing price of the Company's common stock for each day in that period and (b) the conversion rate per \$1,000 principal amount of the 2.50% Convertible Notes; (3) if specified distributions to holders of the Company's common stock are made, as set forth in the indenture governing the 2.50% Convertible Notes ( 2.50% Indenture ); (4) if a change of control or other fundamental change, each as defined in the 2.50% Indenture, occurs; and (5) during the 90 day period prior to maturity of the 2.50% Convertible Notes. If the holders of the 2.50% Convertible Notes exercise the conversion provisions under the circumstances set forth, the Company will need to remit the lower of the principal balance of the 2.50% Convertible Notes or their conversion value to the holders in cash. As such, the Company would be required to classify the entire amount outstanding of the 2.50% Convertible Notes as a current liability in the following quarter. The evaluation of the classification of amounts outstanding associated with the 2.50% Convertible Notes will occur every quarter.

Upon conversion, a holder will receive an amount in cash equal to the lesser of (a) the principal amount of the 2.50% Convertible Note or (b) the conversion value, determined in the manner set forth in the 2.50% Indenture. If the conversion value exceeds the principal amount of the 2.50% Convertible Notes on the conversion date, the Company will also deliver, at its election, cash or the Company's common stock or a combination of cash and the Company's common stock for the conversion value in excess of the principal amount. In the event of a change of control or other fundamental change, the holders of the 2.50% Convertible Notes may require the Company to purchase all or a portion of their 2.50% Convertible Notes at a purchase price equal to 100% of the principal amount of the 2.50% Convertible Notes, plus accrued and unpaid interest, if any. Holders of the 2.50% Convertible Notes who convert their 2.50% Convertible Notes in connection with a fundamental change may be entitled to a make-whole premium in the form of an increase in the conversion rate.

Pursuant to guidance issued under ASC Topic 815, the 2.50% Convertible Notes are accounted for as convertible debt in the accompanying consolidated balance sheet and the embedded conversion option in the 2.50% Convertible Notes

has not been accounted for as a separate derivative. For a discussion of the effects of the 2.50% Convertible Notes and the 2.50% Convertible Notes Hedges and Sold Warrants defined and discussed below on earnings per share, see Note 8.



**Table of Contents**

As of December 31, 2014 and December 31, 2013, the amount of the 2.50% Convertible Notes accounted for as a liability was approximately \$280.1 million and \$267.0 million, respectively, and is reflected on the consolidated balance sheet as follows:

	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
Equity component carrying amount	\$ 35,996	\$ 35,996
Unamortized discount	19,896	32,987
Net debt carrying amount	\$ 280,104	\$ 267,013

For FY 2014, FY 2013 and FY 2012, the Company recorded non-cash interest expense of approximately \$11.9 million \$11.1 million and \$10.3 million, respectively, representing the difference between the stated interest rate on the 2.50% Convertible Notes and the rate for a similar instrument that does not have a conversion feature.

For FY 2014, FY 2013 and FY 2012, cash interest expense relating to the 2.50% Convertible Notes was approximately \$7.5 million, \$7.5 million and \$7.5 million, respectively.

The 2.50% Convertible Notes do not provide for any financial covenants.

In connection with the sale of the 2.50% Convertible Notes, the Company entered into hedges for the 2.50% Convertible Notes ( 2.50% Convertible Note Hedges ) with respect to its common stock with two entities (the 2.50% Counterparties ). Pursuant to the agreements governing these 2.50% Convertible Note Hedges, the Company purchased call options (the 2.50% Purchased Call Options ) from the 2.50% Counterparties covering up to approximately 9.8 million shares of the Company s common stock. These 2.50% Convertible Note Hedges are designed to offset the Company s exposure to potential dilution upon conversion of the 2.50% Convertible Notes in the event that the market value per share of the Company s common stock at the time of exercise is greater than the strike price of the 2.50% Purchased Call Options (which strike price corresponds to the initial conversion price of the 2.50% Convertible Notes and is simultaneously subject to certain customary adjustments). On May 23, 2011, the Company paid an aggregate amount of approximately \$58.7 million of the proceeds from the sale of the 2.50% Convertible Notes for the 2.50% Purchased Call Options, of which \$20.6 million was included in the balance of deferred income tax assets at May 23, 2011 and is being recognized over the term of the 2.50% Convertible Notes. As of December 31, 2014, the balance of deferred income tax assets related to this transaction was approximately \$5.9 million.

The Company also entered into separate warrant transactions with the 2.50% Counterparties whereby the Company, pursuant to the agreements governing these warrant transactions, sold to the 2.50% Counterparties warrants (the 2.50% Sold Warrants ) to acquire up to 9.76 million shares of the Company s common stock at a strike price of \$40.6175 per share of the Company s common stock. The 2.50% Sold Warrants will become exercisable on September 1, 2016 and will expire by the end of 2016. The Company received aggregate proceeds of approximately \$28.8 million from the sale of the 2.50% Sold Warrants on May 23, 2011.

Pursuant to guidance issued under ASC Topic 815 Derivatives and Hedging as it relates to accounting for derivative financial instruments indexed to, and potentially settled in, a company s own stock, the 2.50% Convertible Note Hedge and the proceeds received from the issuance of the 2.50% Sold Warrants were recorded as a charge and an increase, respectively, in additional paid-in capital in stockholders equity as separate equity transactions. As a result of these transactions, the Company recorded a net reduction to additional paid-in-capital of \$9.4 million in May 2011.

The Company has evaluated the impact of adopting guidance issued under ASC Topic 815 regarding embedded features as it relates to the 2.50% Sold Warrants, and has determined it had no impact on the Company's results of operations and financial position through December 31, 2014, and will have no impact on the Company's results of operations and financial position in future fiscal periods.

As the 2.50% Convertible Note Hedge transactions and the warrant transactions were separate transactions entered into by the Company with the 2.50% Counterparties, they are not part of the terms of the 2.50% Convertible Notes and will not affect the holders' rights under the 2.50% Convertible Notes. In addition, holders of the 2.50% Convertible Notes will not have any rights with respect to the 2.50% Purchased Call Options or the 2.50% Sold Warrants.

If the market value per share of the Company's common stock at the time of conversion of the 2.50% Convertible Notes is above the strike price of the 2.50% Purchased Call Options, the 2.50% Purchased Call Options entitle the Company to receive from the 2.50% Counterparties net shares of the Company's common stock, cash or a combination of shares of the Company's common stock and cash, depending on the consideration paid on the underlying 2.50% Convertible Notes, based on the excess of the then current market price of the Company's common stock over the strike price of the 2.50% Purchased Call Options. Additionally, if the market price of the Company's common stock at the time of exercise of the 2.50% Sold Warrants exceeds the strike price of the 2.50% Sold Warrants, the Company will owe the 2.50% Counterparties net shares of the Company's common stock or cash, not offset by the 2.50% Purchased Call Options, in an amount based on the excess of the then current market price of the Company's common stock over the strike price of the 2.50% Sold Warrants.

These transactions will generally have the effect of increasing the conversion price of the 2.50% Convertible Notes to \$40.6175 per share of the Company's common stock, representing a 75% percent premium based on the last reported sale price of the Company's common stock of \$23.21 per share on May 17, 2011.

Moreover, in connection with the warrant transactions with the 2.50% Counterparties, to the extent that the price of the Company's common stock exceeds the strike price of the 2.50% Sold Warrants, the warrant transactions could have a dilutive effect on the Company's earnings per share.

### ***Debt Maturities***

As of December 31, 2014, the Company's debt maturities on a calendar year basis are as follows:

	<b>Total</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Thereafter</b>
Senior Secured Notes	\$ 774,030	\$ 61,123	\$ 61,123	\$ 61,123	\$ 61,123	\$ 61,123	\$ 468,415
1.50% Convertible Notes <sup>(1)</sup>	339,943				339,943		
2.50% Convertible Notes <sup>(2)</sup>	280,104		280,104				
<b>Total</b>	<b>\$ 1,394,077</b>	<b>\$ 61,123</b>	<b>\$ 341,227</b>	<b>\$ 61,123</b>	<b>\$ 401,066</b>	<b>\$ 61,123</b>	<b>\$ 468,415</b>

- (1) Reflects the net debt carrying amount of the 1.50% Convertible Notes in the consolidated balance sheet as of December 31, 2014, in accordance with accounting for convertible notes. The principal amount owed to the holders of the 1.50% Convertible Notes is \$400.0 million.
- (2) Reflects the net debt carrying amount of the 2.50% Convertible Notes in the consolidated balance sheet as of December 31, 2014, in accordance with accounting for convertible notes. The principal amount owed to the holders of the 2.50% Convertible Notes is \$300.0 million.

**Table of Contents****7. Stockholders Equity*****Stock Repurchase Program***

In October 2011, the Company's Board of Directors authorized a program to repurchase up to \$200 million of the Company's common stock over a period of approximately three years (the 2011 Program). In February 2013, the Company's Board of Directors authorized another program to repurchase up to \$300 million of the Company's common stock over a three year period (the February 2013 Program). This program was in addition to the 2011 Program, which was fully expended as of February 27, 2013. In July 2013, the Company's Board of Directors authorized a program to repurchase up to \$300 million of the Company's common stock over a period of approximately three years (July 2013 Program and together with the 2011 Program and the February 2013 Program, the Repurchase Programs). The July 2013 Program was in addition to the February 2013 Program, which was fully expended on August 15, 2013. In February 2014, the Company's Board of Directors authorized another program to repurchase up to \$500 million of the Company's common stock over a three year period (the February 2014 Program). The February 2014 Program was in addition to the July 2013 Program.

The following table illustrates the activity under the Repurchase Programs, in the aggregate, for FY2014, FY 2013, FY 2012 and FY 2011:

	<b># of shares repurchased as part of stock repurchase programs</b>	<b>cost of shares repurchased</b>
FY 2014	4,994,578	\$ 193,434
FY 2013	15,812,566	436,419
FY 2012	7,185,257	125,341
Total, FY 2012 through FY 2014	27,992,401	\$ 755,194

As of December 31, 2014, \$25.7 million and \$500.0 million remained available for repurchase under the July 2013 Program and February 2014 Program, respectively.

***2009 Equity Incentive Plan***

On August 13, 2009, the Company's stockholders approved the Company's 2009 Equity Incentive Plan (2009 Plan). The 2009 Plan authorizes the granting of common stock options or other stock-based awards covering up to 3.0 million shares of the Company's common stock. All employees, directors, consultants and advisors of the Company, including those of the Company's subsidiaries, are eligible to be granted non-qualified stock options and other stock-based awards (as defined) under the 2009 Plan, and employees are also eligible to be granted incentive stock options (as defined) under the 2009 Plan. No new awards may be granted under the Plan after August 13, 2019.

On August 15, 2012, the Company's stockholders approved the Company's Amended and Restated 2009 Plan (Amended and Restated 2009 Plan), which, among other items and matters, increased the shares available under the 2009 Plan by an additional 4.0 million shares to a total of 7.0 million shares issuable under the Amended and Restated 2009 Plan and extended the 2009 Plan termination date through August 15, 2022.

**Shares Reserved for Issuance**

At December 31, 2014, 2,327,704 common shares were reserved for issuance under the Amended and Restated 2009 Plan. At December 31, 2014 there were no common shares available for issuance under any other Company plan.

**Stock Options and Warrants**

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

There was no compensation expense related to stock option grants or warrant grants during FY 2014 or FY 2013 and FY 2012, respectively.

Summaries of the Company's stock options, warrants (other than warrants issued related to our 1.50% Convertible Notes and 2.50% Convertible Notes) and performance related options activity, and related information for FY 2014, FY 2013 and FY 2012 are as follows:

	<b>Options</b>	<b>Weighted Average Exercise Price</b>
Outstanding at January 1, 2012	1,711,008	\$ 5.42
Granted		
Canceled		
Exercised	(266,858)	2.84
Expired/Forfeited		
Outstanding at December 31, 2012	1,444,150	\$ 5.90
Granted		
Canceled		
Exercised	(131,073)	2.70
Expired/Forfeited		
Outstanding at December 31, 2013	1,313,077	\$ 6.22
Granted		
Canceled		
Exercised	(1,162,000)	5.49
Expired/Forfeited		
Outstanding at December 31, 2014	151,077	\$ 11.87
Exercisable at December 31, 2014	151,077	\$ 11.87

**Table of Contents**

The weighted average contractual term (in years) of options outstanding and exercisable as of December 31, 2014, 2013 and 2012 were 1.43, 1.41, and 2.56 respectively.

No options vested during FY 2014, FY 2013 and FY 2012. There were no options granted during FY 2014, FY 2013 and FY 2012.

Cash received from option exercise under all share-based payment arrangements for FY2014, FY 2013 and FY 2012 was \$10.1 million, \$0.4 million and \$0.8 million respectively. A tax benefit of approximately \$10.7 million, \$1.2 million and \$1.5 million for FY 2014, FY 2013 and FY 2012, respectively, was for share-based payment arrangements.

The aggregate intrinsic value is calculated as the difference between the market price of the Company's common stock as of December 31, 2014 and the exercise price of the underlying options. At December 31, 2014, 2013 and 2012, the aggregate intrinsic value of options exercised was \$40.1 million, \$4.8 million and \$5.2 million, respectively. At December 31, 2014, 2013 and 2012 the aggregate intrinsic value of options outstanding and exercisable was \$3.0 million, \$44.0 million and \$23.7 million, respectively. There were no unamortized options as of December 31, 2014.

**Warrants**

	<b>Warrants</b>	<b>Weighted Average Exercise Price</b>
Outstanding at January 1, 2012	197,250	\$ 19.39
Granted		
Canceled		
Exercised		
Expired/Forfeited	(7,250)	8.72
Outstanding at December 31, 2012	190,000	\$ 19.80
Granted		
Canceled		
Exercised		
Expired/Forfeited		
Outstanding at December 31, 2013	190,000	\$ 19.80
Granted		
Canceled		
Exercised	(170,000)	21.35
Expired/Forfeited		
Outstanding at December 31, 2014	20,000	\$ 6.64
Exercisable at December 31, 2014	20,000	\$ 6.64

All warrants issued in connection with acquisitions were recorded at fair market value using the Black Scholes model and are recorded as part of purchase accounting. Certain warrants are exercised using the cashless method.

The Company values other warrants issued to non-employees at the commitment date at the fair market value of the instruments issued, a measure which is more readily available than the fair market value of services rendered, using the Black Scholes model. The fair market value of the instruments issued is expensed over the vesting period.

The weighted average contractual term (in years) of warrants outstanding and exercisable as of December 31, 2014, 2013 and 2012 were 3.76, 3.66 and 4.66, respectively.

In FY 2014 170,000 warrants were exercised. No warrants were exercised during FY 2013 and FY 2012.

***Restricted stock***

Compensation cost for restricted stock is measured as the excess, if any, of the quoted market price of the Company's stock at the date the common stock is issued over the amount the employee must pay to acquire the stock (which is generally zero). The compensation cost, net of projected forfeitures, is recognized over the period between the issue date and the date any restrictions lapse, with compensation cost for grants with a graded vesting schedule recognized on a straight-line basis over the requisite service period for each.

The following tables summarize information about unvested restricted stock transactions:

	FY 2014		FY 2013		FY 2012	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Non-vested, January 1	2,770,147	\$ 20.53	2,612,000	\$ 18.56	2,937,255	\$ 18.61
Granted	256,480	40.63	1,247,879	25.29	232,203	17.82
Vested	(278,305)	20.04	(892,591)	21.61	(546,947)	18.49
Forfeited/Canceled	(48,590)	25.81	(197,141)	19.60	(10,511)	19.62
Non-vested, December 31	2,699,732	\$ 22.40	2,770,147	\$ 20.53	2,612,000	\$ 18.56

---

**Table of Contents**

The Company has awarded time-based restricted shares of common stock to certain employees. The awards have restriction periods tied to employment and vest over a maximum period of 5 years. The cost of the time-based restricted stock awards, which is the fair market value on the date of grant net of estimated forfeitures, is expensed ratably over the vesting period. During FY 2014, FY 2013 and FY 2012, the Company awarded approximately 0.3 million, 1.2 million and 0.2 million restricted shares, respectively, with a fair market value of approximately \$10.4 million, \$31.6 million and \$4.1 million, respectively.

The Company has awarded performance-based restricted shares of common stock to certain employees. The awards have restriction periods tied to certain performance measures. The cost of the performance-based restricted stock awards, which is the fair market value on the date of grant net of estimated forfeitures, is expensed when the likelihood of those shares being earned is deemed probable.

Compensation expense related to restricted stock grants for FY 2014, FY 2013 and FY 2012 was approximately \$18.5 million, \$20.0 million and \$11.5 million, respectively. An additional amount of \$6.2 million is expected to be expensed evenly over a period of approximately three years. During FY 2014, FY 2013 and FY 2012, the Company withheld shares valued at \$19.2 million, \$3.7 million, and \$1.2 million, respectively, of its restricted common stock in connection with net share settlement of restricted stock grants and option exercises.

***8. Earnings Per Share***

Basic earnings per share includes no dilution and is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect, in periods in which they have a dilutive effect, the effect of restricted stock-based awards and common shares issuable upon exercise of stock options and warrants. The difference between basic and diluted weighted-average common shares results from the assumption that all earned stock grants have been issued, dilutive stock options outstanding were exercised and all convertible notes have been converted into common stock.

As of December 31, 2014, of the total potentially dilutive shares related to restricted stock-based awards, stock options and warrants, approximately 0.1 million were anti-dilutive, compared to 0.1 million as of December 31, 2013.

As of December 31, 2014 and 2013, none of the performance related restricted stock-based awards issued in connection with the Company's named executive officers were anti-dilutive.

As of December 31, 2014, certain performance related restricted stock-based awards were deemed to have met their respective performance targets. As such these performance related restricted stock-based awards are considered earned but not issued, and therefore have been included in this calculation.

For FY 2014, warrants issued in connection with the Company's 1.50% Convertible Notes financing were dilutive and therefore were included in this calculation. For FY 2014, warrants issued in connection with the Company's 2.50% Convertible Notes financing were anti-dilutive and therefore were not included in this calculation. For FY 2013, the 1.50% Convertible Notes and the 2.50% Convertible Notes that would be subject to conversion to common stock were dilutive and therefore were included in the calculation.

A reconciliation of weighted average shares used in calculating basic and diluted earnings per share follows:

**FY 2014    FY 2013    FY 2012**

Basic	48,431	56,281	69,689
Effect of exercise of stock options	804	1,137	987
Effect of contingent common stock issuance			36
Effect of assumed vesting of performance related restricted stock-based awards	212	199	
Effect of assumed vesting of restricted stock	1,354	1,432	1,245
Effect of convertible notes and warrants subject to conversion	6,565	1,685	
Diluted	57,366	60,734	71,957

## 9. Contingencies

From time to time, the Company is also made a party to litigation incurred in the normal course of business. 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.

## 10. Related Party Transactions

### *The Candie's Foundation*

The Candie's Foundation, a charitable foundation founded by Neil Cole for the purpose of raising national awareness about the consequences of teenage pregnancy, owed the Company less than \$0.1 million and \$0.1 million at December 31, 2014 and December 31, 2013, respectively. The Candie's Foundation intends to pay-off the entire borrowing from the Company during 2015, although additional advances will be made as and when necessary.

### *Travel*

The Company recorded expenses of approximately \$95, \$90, and \$155 for FY 2014, FY 2013 and FY 2012, respectively, for the hire and use of aircraft solely for business purposes owned by a company in which the Company's chairman, chief executive officer and president is the sole owner. Management believes that all transactions were made on terms and conditions no less favorable than those available in the marketplace from unrelated parties.



**Table of Contents****11. Operating Leases**

Future net minimum lease payments under non-cancelable operating lease agreements as of December 31, 2014 are approximately as follows:

Year ending December 31,	
2015	\$ 2,933
2016	2,750
2017	2,806
2018	2,628
2019	2,639
Thereafter	11,257
Totals	\$ 25,013

The leases require the Company to pay additional taxes on the properties, certain operating costs and contingent rents based on sales in excess of stated amounts.

Rent expense was approximately \$3.8 million, \$3.8 million, and \$2.6 million for FY 2014, FY 2013 and FY 2012, respectively. Contingent rent amounts have been immaterial for all periods.

**12. Benefit and Incentive Compensation Plans and Other**

The Company sponsors a 401(k) Savings Plan (the Savings Plan) which covers all eligible full-time employees. Participants may elect to make pretax contributions subject to applicable limits. At its discretion, the Company may contribute additional amounts to the Savings Plan. During FY 2014, FY 2013 and FY 2012, the Company made contributions to the Savings Plan of \$142, \$156 and \$108. Stock-based awards are provided to certain employees under the terms of the Company's Amended and Restated 2009 Plan. These plans are administered by the Compensation Committee of the Board of Directors.

With respect to performance-based restricted common stock units, the number of shares that ultimately vest and are received by the recipient is based upon various performance criteria. Though there is no guarantee that performance targets will be achieved, the Company estimates the fair value of performance-based restricted stock based on the closing stock price on the grant date. Over the performance period, the number of shares of common stock that will ultimately vest and be issued is adjusted upward or downward based upon the Company's estimation of achieving such performance targets. The ultimate number of shares delivered to recipients and the related compensation cost recognized as an expense will be based on the actual performance metrics as defined under the 2009 Amended and Restated Plan. Restricted common stock units are unit awards entitle the recipient to shares of common stock upon vesting annually over as much as 5 years for time-based awards or over five years for performance-based awards. The fair value of restricted common stock units is determined on the date of grant, based on the Company's closing stock price.

**13. Income Taxes**

The Company accounts for income taxes in accordance with ASC Topic 740. Under ASC Topic 740, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and

liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized. In determining the need for a valuation allowance, management reviews both positive and negative evidence pursuant to the requirements of ASC Topic 740, including current and historical results of operations, future income projections and the overall prospects of the Company's business. Based upon management's assessment of all available evidence, including the Company's completed transition into a licensing business, estimates of future profitability based on projected royalty revenues from its licensees, and the overall prospects of the Company's business, management is of the opinion that the Company will be able to utilize the deferred tax assets in the foreseeable future, and as such do not anticipate requiring a further valuation allowance. At December 31, 2014, the Company has a tax effected valuation allowance of approximately \$11.2 million to offset state and local tax net operating loss carry forwards ( NOL ) which the Company believes are unlikely to be utilized in the foreseeable future. The valuation allowance increased by approximately \$0.4 million during FY 2013 for the State NOL s and remained unchanged through FY 2014.

At December 31, 2014 the Company had utilized all available federal NOL s. As of December 31, 2014, the Company has approximately \$187 million in state NOL s (\$5.8 million tax effected), and approximately \$136 million in local NOL s (\$ 5.4 million tax effected).

Pre-tax book income for FY 2014, FY 2013 and FY 2012 were as follows:

	<b>FY 2014 (Restated)</b>	<b>FY 2013</b>	<b>FY 2012</b>
Domestic	\$ 148,296	\$ 149,988	\$ 178,451
Foreign	74,881	50,674	4,021
<b>Total pre-tax income</b>	<b>\$ 223,177</b>	<b>\$ 200,662</b>	<b>\$ 182,472</b>

The income tax provision (benefit) for federal, and state and local income taxes in the consolidated income statements consists of the following:

	<b>Year Ended December 31, 2014 (Restated)</b>	<b>Year Ended December 31, 2013</b>	<b>Year Ended December 31, 2012</b>
<b>Current:</b>			
Federal	\$ 1,511	\$ 8,817	\$ 31,109
State and local	1,500	1,524	575
Foreign	13,153	16,318	2,894
<b>Total current</b>	<b>16,164</b>	<b>26,659</b>	<b>34,578</b>
<b>Deferred:</b>			
Federal	39,061	30,350	25,040
State and local	3,996	630	(655)
Foreign	423	436	
<b>Total deferred</b>	<b>43,474</b>	<b>31,416</b>	<b>24,385</b>
<b>Total provision</b>	<b>\$ 59,641</b>	<b>\$ 58,075</b>	<b>\$ 58,963</b>

**Table of Contents**

The Company has not provided U.S. taxes on the undistributed earnings from its foreign subsidiaries as these earnings are considered indefinitely reinvested. As of December 31, 2014, the amount of indefinitely reinvested foreign earnings was \$131 million. If these earnings were repatriated to the U.S. in the future, an additional tax provision would be required. Due to complexities in the U.S. law and certain assumptions that would be required, determination of the U.S. tax liability on the undistributed earnings is not practicable.

The significant components of net deferred tax assets of the Company consist of the following:

	<b>December 31,</b>	
	<b>2014</b>	
	<b>(Restated)</b>	<b>2013</b>
State net operating loss carryforwards	\$ 11,205	\$ 11,205
Receivable reserves	5,046	4,282
Hedging transaction	25,183	34,957
Intangibles	2,535	3,350
Equity compensation	14,858	14,757
Foreign Tax Credit	5,262	
Other	2,096	
<b>Total deferred tax assets</b>	<b>66,185</b>	<b>68,551</b>
<b>Valuation allowance</b>	<b>(11,205)</b>	<b>(11,205)</b>
<b>Net deferred tax assets</b>	<b>54,980</b>	<b>57,346</b>
<b>Trademarks, goodwill and other intangibles</b>	<b>(257,677)</b>	<b>(213,720)</b>
<b>Depreciation</b>	<b>(1,055)</b>	<b>(1,404)</b>
<b>Difference in cost basis of acquired intangibles</b>	<b>(49,441)</b>	<b>(49,000)</b>
<b>Convertible notes</b>	<b>(28,003)</b>	<b>(37,251)</b>
<b>Investment in joint ventures</b>	<b>(28,841)</b>	<b>(10,740)</b>
<b>Other accruals</b>	<b>(427)</b>	<b>(1,676)</b>
<b>Total deferred tax liabilities</b>	<b>(365,444)</b>	<b>(313,791)</b>
<b>Total net deferred tax liabilities</b>	<b>\$ (310,464)</b>	<b>\$ (256,445)</b>
<b>Balance Sheet detail on total net deferred tax assets (liabilities):</b>		
<b>Current portion of net deferred tax assets</b>	<b>\$ 10,328</b>	<b>\$ 4,160</b>
<b>Non-current portion of net deferred tax liabilities</b>	<b>\$ (320,792)</b>	<b>\$ (260,605)</b>

The following is a rate reconciliation between the amount of income tax provision at the Federal rate of 35% and provision for (benefit from) taxes on operating profit (loss):

	<b>Year ended December, 31</b>		
	<b>2014</b>		
	<b>(Restated)</b>	<b>2013</b>	<b>2012</b>
Income tax provision computed at the federal rate of 35%	\$ 78,112	\$ 70,232	\$ 63,865
Increase (reduction) in income taxes resulting from:			
State and local income taxes (benefit), net of federal income tax	3,090	991	(53)
Non-controlling interest	(6,040)	(5,940)	(4,535)
Non-deductible executive compensation	1,018	727	266
Foreign Earnings (rate differential)	(17,255)	(8,209)	(1,013)
Other, net	716	274	433
<b>Total</b>	<b>\$ 59,641</b>	<b>\$ 58,075</b>	<b>\$ 58,963</b>

With the exception of our Buffalo brand joint venture, the Company is not responsible for the income taxes related to the non-controlling interest's share of the joint venture's earnings. Therefore, the tax liability associated with the non-controlling interest share of the joint venture's earnings is not reported in our income tax expense, even though the joint venture's entire income is consolidated in our reported income before income tax expense. As such, the joint venture earnings have the effect of lowering our effective tax rate. This effect is more pronounced in periods in which joint venture earnings are higher relative to our other earnings. Since the Buffalo brand joint venture is a taxable entity in Canada, the Company is required to report its tax liability, including taxes attributable to the non-controlling interest, in its income statement.

Effective January 1, 2007, the Company adopted guidance under ASC Topic 740-10 which clarifies the accounting and disclosure for uncertainty in income taxes. The adoption of this interpretation did not have a material impact on our financial statements. The Company files income tax returns in the U.S. federal and various state and local jurisdictions. For federal income tax purposes, the 2012 through 2014 tax years remain open for examination by the tax authorities under the normal three year statute of limitations. For state tax purposes, our 2011 through 2014 tax years remain open for examination by the tax authorities under a four year statute of limitations.

At December 31, 2014, the total unrecognized tax benefit was approximately \$1.2 million. However, the liability is not recognized for accounting purposes because the related deferred tax asset has been fully reserved in prior years. A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows:

	<b>FY 2014</b>	<b>FY 2013</b>	<b>FY 2012</b>
Uncertain tax positions at January 1	\$ 1,180	\$ 1,180	\$ 1,180
Increases during the year			
Decreases during the year			
<b>Uncertain tax positions at December 31</b>	<b>\$ 1,180</b>	<b>\$ 1,180</b>	<b>\$ 1,180</b>

**Table of Contents**

The Company is continuing its practice of recognizing interest and penalties to income tax matters in income tax expense. There was no accrual for interest and penalties related to uncertain tax positions for FY 2014, FY 2013 and FY 2012. The Company does not believe there will be a material change in its unrecognized tax positions over the next twelve months. All of the unrecognized tax benefits, if recognized, would be offset by the valuation allowance.

**14. Segment and Geographic Data**

The Company identifies its operating segments according to how business activities are managed and evaluated: men's, women's, home, entertainment and corporate. Since the Company does not track, manage and analyze its assets by segments, no disclosure of segmented assets is reported. The information below has been revised from previously published financial statements in which the Company had formerly identified only one reporting segment.

The geographic regions consist of the United States, Japan and Other (which principally represent Latin America and Europe). Revenues attributable to each region are based on the location in which licensees are located and where they principally do business.

Reportable data for the Company's operating segments were as follows:

	<b>FY 2014</b>	<b>FY 2013</b>	<b>FY 2012</b>
	<b>(Restated)</b>	<b>(Restated)</b>	
<b><u>Licensing and other revenue by segment:</u></b>			
Men's	\$ 98,910	\$ 143,916	\$ 99,093
Women's	148,482	138,262	120,743
Home	43,694	40,920	40,527
Entertainment	103,071	74,949	81,322
Corporate	45,840	32,579	12,133
	<b>\$ 439,997</b>	<b>\$ 430,626</b>	<b>\$ 353,818</b>
<b><u>Operating income (loss):</u></b>			
Men's	\$ 51,728	\$ 97,448	\$ 74,040
Women's	124,681	118,454	105,036
Home	34,926	35,435	34,122
Entertainment	31,018	21,319	23,613
Corporate	7,491	(15,245)	(21,361)
	<b>\$ 249,844</b>	<b>\$ 257,411</b>	<b>\$ 215,450</b>
<b><u>Licensing and other revenue by category:</u></b>			
Direct-to-retail license	\$ 156,848	\$ 147,846	\$ 150,245
Wholesale licenses	183,291	225,186	165,082
Other licenses	54,018	25,015	26,358
Other revenue	45,840	32,579	12,133
	<b>\$ 439,997</b>	<b>\$ 430,626</b>	<b>\$ 353,818</b>

<b><u>Licensing and other revenue by geographic region:</u></b>			
United States	\$ 282,936	\$ 292,619	\$ 273,903
Japan	31,048	29,734	36,432
Other <sup>(1)</sup>	126,013	108,273	43,483
	\$ 439,997	\$ 430,626	\$ 353,818

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

### 15. Consolidated Interim Financial Information (Unaudited)

Consolidated financial information FY 2014 (Restated) and FY 2013 (Restated) is summarized as follows:

	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter</b>
<b><u>FY 2014<sup>(1)</sup></u></b>				
Licensing revenue	\$ 111,652	\$ 96,071	\$ 91,612	\$ 94,822
Other revenue	3,971	16,038	18,680	7,151
Operating income	67,859	68,254	63,414	50,317
Net income attributable to Iconix Brand Group, Inc.	59,718	31,162	33,684	24,279
Basic earnings per share	\$ 1.21	0.64	0.70	0.51
Diluted earnings per share	1.03	0.53	0.58	0.45
<b><u>FY 2013<sup>(2)</sup></u></b>				
Licensing revenue	\$ 105,062	\$ 105,356	\$ 99,135	\$ 88,265
Other revenue		9,769	8,040	14,999
Operating income	66,236	71,514	61,470	58,191
Net income attributable to Iconix Brand Group, Inc.	34,189	38,716	28,997	26,146
Basic earnings per share	\$ 0.53	\$ 0.69	\$ 0.54	\$ 0.51
Diluted earnings per share	\$ 0.51	\$ 0.66	\$ 0.50	\$ 0.44

---

**Table of Contents**

- (1) *FY 2014 (Restated)*: Other revenue includes a net gain of approximately \$4.0 million related to the Iconix LC Partners U.S. transaction in the first quarter, a net gain of approximately \$8.3 million and \$18.7 million related to additional Iconix SE Asia transactions in the second and third quarter, respectively, a net gain of \$7.8 million on the sale of the sharperimage.com domain name and certain categories under the Sharper Image trademark in the second quarter, and net gain of \$7.2 million related to the Iconix Middle East transaction in the fourth quarter. See Note 3 for a description of these transactions. Included in net income attributable to Iconix Brand Group, Inc is a non-cash pre-tax re-measurement gain of approximately \$37.9 million related to the purchase of the remaining interest in Iconix Latin America in the first quarter.
- (2) *FY 2013 (Restated)*: Other revenue includes a net gain of approximately \$9.8 million related to the Iconix Canada transaction in the second quarter, a net gain of approximately \$5.1 million related to the Iconix Australia transaction in the third quarter, and net gains of \$2.7 million, \$2.3 million, and \$10.0 million related to the Iconix SE Asia, Iconix Israel and Umbro Korea transactions, respectively, in the fourth quarter. See Note 3 for a description of these transactions.

**16. Subsequent Events**

***Strawberry Shortcake.*** On February 2, 2015, the Company and certain of its wholly owned subsidiaries entered into an agreement with American Greetings Corporation and its wholly-owned subsidiary, Those Characters From Cleveland, Inc. (collectively, AG ), providing for the purchase of AG s Strawberry Shortcake brand and related intangible assets and license agreements. Iconix will pay \$105.0 million in cash at closing and will assume all ordinary course contracts and related ordinary course obligations arising after the closing attendant to the Strawberry Shortcake property. The acquisition is expected to close no later than March 31, 2015, subject to the satisfaction of customary closing conditions and consents.

***Pony International, LLC.*** On February 2, 2015, the Company through its newly-formed subsidiary, US Pony Holdings, LLC, acquired the North American rights to the Pony brand. These rights include the rights in the United States obtained from Pony, Inc. and Pony International, LLC (collectively, US Pony Seller ), and the rights in Mexico and Canada obtained from Super Jumbo Holdings Limited ( Non-US Pony Seller and, together with US Pony Seller, the Pony Sellers ). The purchase price was \$37.0 million. US Pony Holdings, LLC is owned 75% by Iconix and 25% by its partner, Anthony L&S Athletics, LLC. Additionally, the Company received an option to purchase, until February 28, 2015, from the Pony Sellers and their affiliates certain IP related assets and trademarks related to the Pony brand in Europe, the Middle East and Africa. The Company also received a 90 day option, expiring May 29, 2015, to purchase from the Pony Sellers and their affiliates certain IP related assets and trademarks related to the Pony brand in Latin America.

***Variable Funding Notes.*** 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 will be used primarily for acquisitions, as well as for general corporate purposes. See Note 6 to Notes to Consolidated Financial Statements for additional disclosure regarding the Variable Funding Notes.



**Table of Contents****17. Restatement**

As previously discussed, a Special Committee of the Company's Board of Directors, along with the Special Committee's independent legal and accounting advisors, has been conducting a review of the accounting treatment related to certain of the Company's transactions. The advisors have presented their analysis and conclusions to the Special Committee and to the Company's current management team. The Special Committee has now completed the review.

Based on the Special Committee's review and additional review by the Company's Audit Committee and current management team, the Board of Directors, Audit Committee and the Company's current management team concluded that the Company would restate its historical financial statements in respect of (i) the fourth quarter and 2013 fiscal year, (ii) the 2014 fiscal year and each quarterly period thereof and (iii) the first and second quarters of 2015 (collectively, the Restatement Periods), to correct certain errors in accounting. Restatements related to FY 2014 and FY 2013 are incorporated and reflected in this Amendment No. 2 on Form 10-K/A.

These restatements include the correction of errors regarding (i) the classification of contractually obligated expenses, retail support and other costs as selling, general and administrative expenses, as opposed to netting such expenses against licensing or other revenue, as applicable, (ii) inadequate support for revenue recognition relating to certain license agreements, and (iii) inadequate estimation of accruals related to retail support for certain license agreements.

Adjustments to the Company's previously reported consolidated statements of income and comprehensive income are identified in the tables below:

	<b>Year Ended December 31, 2014</b>		
	<b>As Previously Reported</b>	<b>Adjustments</b>	<b>As Restated</b>
Licensing revenue	\$ 406,940	\$ (12,783)	\$ 394,157
Other revenue	54,303	(8,463)	45,840
<b>Total revenue</b>	<b>461,243</b>	<b>(21,246)</b>	<b>439,997</b>
Selling, general and administrative expenses	205,410	(15,257)	190,153
<b>Operating income</b>	<b>255,833</b>	<b>(5,989)</b>	<b>249,844</b>
Income before taxes	229,166	(5,989)	223,177
Provision for income taxes	61,737	(2,096)	59,641
<b>Net income</b>	<b>\$ 167,429</b>	<b>\$ (3,893)</b>	<b>\$ 163,536</b>
<b>Net income attributable to Iconix Brand Group, Inc.</b>	<b>\$ 152,736</b>	<b>\$ (3,893)</b>	<b>\$ 148,843</b>
<b>Earnings per share:</b>			
Basic	\$ 3.15	(\$ 0.08)	\$ 3.07
Diluted	\$ 2.66	(\$ 0.07)	\$ 2.59

Comprehensive income	\$ 126,757	\$ (3,893)	\$ 122,864
Comprehensive income attributable to Iconix Brand Group, Inc.	\$ 112,064	\$ (3,893)	\$ 108,171

<i>(in 000 s)</i>	<b>Year Ended December 31, 2013</b>		
	<b>As Previously Reported</b>	<b>Adjustments</b>	<b>As Restated</b>
Other revenue	\$ 34,579	\$ (2,000)	\$ 32,579
Total revenue	432,626	(2,000)	430,626
Selling, general and administrative expenses	175,215	(2,000)	173,215

**Table of Contents**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Directors and Stockholders

Iconix Brand Group, Inc.

New York, New York

The audits referred to in our report dated March 2, 2015, except for Note 14 and Note 17, which is November 25, 2015, relating to the consolidated financial statements of Iconix Brand Group, Inc. and Subsidiaries, which is contained in Item 8 and Item 15(a) of this Form 10-K also included the audit of the financial statement schedule (restated) listed in the accompanying index. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement schedule based upon our audits.

In our opinion the financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ BDO USA LLP

March 2, 2015, except for Note 17 of the audited consolidated financial statements, which is November 25, 2015  
New York, New York

**Table of Contents****Schedule II - Valuation and Qualifying Accounts****Iconix Brand Group, Inc. and Subsidiaries****(In thousands)**

<b>Column A</b>	<b>Column B</b>	<b>Column C</b>	<b>Column D</b>	<b>Column E</b>
<b>Description</b>	<b>Balance at Beginning of Period</b>	<b>Additions Charged to Costs and Expenses</b>	<b>Deductions</b>	<b>Balance at End of Period</b>
Reserves and allowances deducted from asset accounts:				
Accounts Receivables <sup>(a)</sup> :				
Year ended December 31, 2014 (Restated)	\$ 12,140	\$ 9,627	\$ (13,029)	\$ 8,738
Year ended December 31, 2013	\$ 11,994	\$ 9,718	\$ (9,572)	\$ 12,140
Year ended December 31, 2012	\$ 6,632	\$ 5,362	\$	\$ 11,994

(a) These amounts include reserves for bad debts.

**Table of Contents****Restated Quarterly Financial Statements (Unaudited)***Restated Unaudited Financial Statements for the Quarterly Period Ended March 31, 2014***Iconix Brand Group, Inc. and Subsidiaries**

Unaudited Condensed Consolidated Balance Sheet

(in thousands, except par value)

	<b>March 31, 2014</b> (Restated)
<b>Assets</b>	
Current Assets:	
Cash and cash equivalents	\$ 152,099
Restricted cash - current	57,258
Accounts receivable, net	117,800
Deferred income tax assets	4,511
Other assets - current	27,030
Total Current Assets	358,698
Property and equipment:	
Furniture, fixtures and equipment	21,518
Less: Accumulated depreciation	(13,060)
	8,458
Other Assets:	
Other assets	36,810
Trademarks and other intangibles, net	2,064,174
Deferred financing costs, net	23,700
Investments and joint ventures	122,038
Goodwill	232,091
	2,478,813
Total Assets	\$ 2,845,969
<b>Liabilities, Redeemable Non-Controlling Interest and Stockholders' Equity</b>	
Current liabilities:	
Accounts payable and accrued expenses	\$ 28,430
Deferred revenue	39,374
Current portion of long-term debt	61,250
Other liabilities - current	7,000

Total current liabilities	136,054
Deferred income tax liability	283,330
Long-term debt, less current maturities	1,357,834
Deferred revenue, net of current portion	
Other liabilities	12,538
Total Liabilities	1,789,756
Redeemable Non-Controlling Interest	13,687
Commitments and contingencies	
Stockholders' Equity	
Common stock, \$.001 par value shares authorized 150,000; shares issued 77,877	78
Additional paid-in capital	915,240
Retained earnings	717,595
Accumulated other comprehensive loss	16,198
Less: Treasury stock 29,093 shares at cost	(722,809)
Total Iconix Brand Group, Inc. Stockholders' Equity	926,302
Non-controlling interest	116,224
Total Stockholders' Equity	1,042,526
Total Liabilities, Redeemable Non-Controlling Interest and Stockholders' Equity	\$ 2,845,969

See Notes to Unaudited Condensed Consolidated Financial Statements.

**Table of Contents**

## Unaudited Condensed Consolidated Income Statements

(in thousands, except earnings per share data)

	Three Months Ended March 31,	
	2014	2013
	(Restated)	
Licensing revenue	\$ 111,652	\$ 105,062
Other revenue	3,971	
<b>Total revenue</b>	<b>115,623</b>	<b>105,062</b>
Selling, general and administrative expenses	47,764	38,826
<b>Operating income</b>	<b>67,859</b>	<b>66,236</b>
Other (income) expenses:		
Interest expense	21,156	14,195
Interest and other income	(38,494)	(328)
Equity earnings on joint ventures	(3,122)	(1,936)
Other (income) expenses net	(20,460)	11,931
Income before income taxes	88,319	54,305
Provision for income taxes	25,527	15,031
<b>Net income</b>	<b>\$ 62,792</b>	<b>\$ 39,274</b>
Less: Net income attributable to non-controlling interest	\$ 3,074	\$ 5,085
<b>Net income attributable to Iconix Brand Group, Inc.</b>	<b>\$ 59,718</b>	<b>\$ 34,189</b>
Earnings per share:		
Basic	\$ 1.21	\$ 0.53
Diluted	\$ 1.03	\$ 0.51
Weighted average number of common shares outstanding:		
Basic	49,522	64,208
Diluted	58,051	66,692

See Notes to Unaudited Condensed Consolidated Financial Statements.

**Table of Contents****Iconix Brand Group, Inc. and Subsidiaries****Unaudited Condensed Consolidated Statements of Comprehensive Income****(in thousands)**

	Three Months Ended March 31,	
	2014	2013
	(Restated)	
Net income	\$ 62,792	\$ 39,274
Other comprehensive loss:		
Foreign currency translation	(288)	(11,434)
Total other comprehensive loss	(288)	(11,434)
Comprehensive income	\$ 62,504	\$ 27,840
Less: comprehensive income attributable to non-controlling interest	3,074	5,085
Comprehensive income attributable to Iconix Brand Group, Inc.	\$ 59,430	\$ 22,755

See Notes to Unaudited Condensed Consolidated Financial Statements.



**Table of Contents****Iconix Brand Group, Inc. and Subsidiaries**

Unaudited Condensed Consolidated Statement of Stockholders' Equity

Three Months Ended March 31, 2014

(in thousands)

	Accumulated							
	Additional		Other					Total
	Common Shares	Stock Amount	Paid-In Capital	Retained Earnings	Comprehensive Loss	Treasury Stock	Non-Controlling Interest	
Balance at January 1, 2014	77,048	\$ 77	\$ 910,145	\$ 657,877	\$ 16,486	\$ (599,816)	\$ 117,173	\$ 1,101,942
Shares issued on exercise of stock options and warrants	125		1,861					1,861
Shares issued on vesting of restricted stock	704	1						1
Tax benefit of stock option exercises			898					898
Compensation expense in connection with restricted stock and stock options			2,515					2,515
Shares repurchased on the open market						(109,422)		(109,422)
Cost of shares repurchased on vesting of restricted stock and exercise of stock options						(13,571)		(13,571)
Change in redemption value of redeemable non-controlling interest			(179)					(179)
Net income				59,718			3,074	62,792
Foreign currency translation					(288)			(288)
Distributions to non-controlling							(4,023)	(4,023)

interest holders

Balance at March 31,  
 2014 (Restated)      77,877    \$ 78    \$ 915,240    \$ 717,595    \$ 16,198    \$ (722,809)    \$ 116,224    \$ 1,042,526

See Notes to Unaudited Condensed Consolidated Financial Statements.

**Table of Contents****Iconix Brand Group, Inc. and Subsidiaries**

## Unaudited Condensed Consolidated Statements of Cash Flows

(in thousands)

	<b>Three Months Ended March 31, 2014</b>	<b>Three Months Ended March 31, 2013</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 62,792	\$ 39,274
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property and equipment	695	615
Amortization of trademarks and other intangibles	1,495	1,874
Amortization of deferred financing costs	1,403	832
Amortization of convertible note discount	7,078	3,614
Stock-based compensation expense	2,515	1,895
Non-cash gain on re-measurement of equity investment	(37,893)	
Provision for doubtful accounts	1,000	1,100
Earnings on equity investments in joint ventures	(3,122)	(1,936)
Distributions from equity investments	997	2,102
Gain on sale of trademarks	(3,971)	
Deferred income tax provision	19,705	7,001
Changes in operating assets and liabilities, net of business acquisitions:		
Accounts receivable	(8,918)	(27,233)
Other assets - current	4,001	(1,484)
Other assets	(7,766)	1,866
Deferred revenue	5,694	13,981
Accounts payable, accrued expenses and other liabilities	7,040	12,111
<b>Net cash provided by operating activities</b>	<b>52,745</b>	<b>55,612</b>
<b>Cash flows used in investing activities:</b>		
Purchases of property and equipment	(315)	(117)
Acquisition of interest in Buffalo		(76,500)
Acquisition of Lee Cooper		(66,667)
Acquisition of interest in Iconix Latin America	(42,000)	
Proceeds from sale of trademarks	995	7,300
Additional investments in joint ventures	(22)	(37)
Additions to trademarks	(213)	(81)
<b>Net cash used in investing activities</b>	<b>(41,555)</b>	<b>(136,102)</b>
<b>Cash flows (used in) provided by financing activities:</b>		

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

Shares repurchased on the open market	(109,422)	(158,922)
Proceeds from long-term debt		392,000
Proceeds from sale of warrants		57,707
Payment for purchase of convertible note hedge		(84,106)
Payment of long-term debt	(15,313)	(2,500)
Deferred financing costs		(113)
Distributions to non-controlling interest holders	(4,023)	(212)
Excess tax benefit from share-based payment arrangements	898	
Shares repurchased on vesting of restricted stock and exercise of stock options	(13,571)	(2,086)
Proceeds from exercise of stock options and warrants	1,861	122
Restricted cash - current	1,600	(45,172)
Net cash provided by (used in) financing activities	(137,970)	156,718
Effect of exchange rate changes on cash	90	(161)
Net (decrease) increase in cash and cash equivalents	(126,690)	76,067
Cash and cash equivalents, beginning of period	278,789	238,672
Cash and cash equivalents, end of period	\$ 152,099	\$ 314,739

---

**Table of Contents****Supplemental disclosure of cash flow information:**

(in thousands)	Three Months Ended March 31,	
	2014	2013
Cash paid during the period:		
Income taxes	\$ 7	\$ 3,740
Interest	\$ 11,931	\$ 1,093

See Notes to Unaudited Condensed Consolidated Financial Statements.

**Table of Contents****Iconix Brand Group, Inc. and Subsidiaries**

Notes to Unaudited Condensed Consolidated Financial Statements

March 31, 2014

(dollars are in thousands (unless otherwise noted) except per share data)

**1. Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management of Iconix Brand Group, Inc. (the Company, we, us, or our), all adjustments (consisting primarily of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2014 ( Current Quarter ) are not necessarily indicative of the results that may be expected for a full fiscal year.

Certain prior period amounts have been reclassified to conform to the current period's presentation.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Amendment No. 2 on Form 10-K/A included herein.

**2. Trademarks and Other Intangibles, net**

Trademarks and other intangibles, net consist of the following:

	<b>March 31, 2014</b>		
	<b>Estimated Lives in Years</b>	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>
<i>(000's omitted)</i>			
Indefinite life trademarks and copyrights	Indefinite	\$ 2,048,859	\$
Definite life trademarks	10-15	19,625	9,895
Non-compete agreements	2-15	940	274
Licensing contracts	1-9	24,676	19,757
		<b>\$ 2,094,100</b>	<b>\$ 29,926</b>
Trademarks and other intangibles, net			<b>\$ 2,064,174</b>

In February 2014, the Company acquired the 50% interest in Iconix Latin America held by its joint venture partner, thereby increasing its ownership in Iconix Latin America to 100%. As a result of this transaction, Iconix Latin America is consolidated with the Company, which increased the Company's indefinite life trademarks by \$82.4 million. In January 2014, the Company acquired a 1% interest in Iconix Europe, thereby increasing its ownership in Iconix Europe to 51%. As a result of this transaction, Iconix Europe is consolidated with the Company, which

increased the Company's indefinite life trademarks by \$27.0 million. See Note 3 for further explanation of these transactions.

Amortization expense for intangible assets for the Current Quarter and for the three months ended March 31, 2013 (the Prior Year Quarter) was \$1.5 million and \$1.9 million, respectively.

The trademarks of Candie's, Bongo, Joe Boxer, Rampage, Mudd, London Fog, Mossimo, Ocean Pacific, Danskin, Rocawear, Cannon, Royal Velvet, Fieldcrest, Charisma, Starter, Waverly, Ecko, Zoo York, Peanuts, Ed Hardy, Sharper Image, Umbro, Modern Amusement, Buffalo and Lee Cooper have been determined to have an indefinite useful life and accordingly, consistent with ASC Topic 350, no amortization has been recorded in the Company's unaudited condensed consolidated income statements. Instead, each of these intangible assets are tested for impairment annually and as needed on an individual basis as separate single units of accounting, with any related impairment charge recorded to the statement of operations at the time of determining such impairment. The annual evaluation of the Company's indefinite-lived trademarks is performed as of October 1, the beginning of the Company's fourth fiscal quarter. Consistent with ASC Topic 350, there was no impairment of the indefinite-lived trademarks during the Current Quarter or the Prior Year Quarter. Further, as it relates to the Company's definite-lived trademarks, and consistent with ASC Topic 360, there was no impairment of the definite-lived trademarks during the Current Quarter or the Prior Year Quarter.

### **3. Acquisitions, Investments and Joint Ventures**

#### **Acquisitions**

##### ***Iconix Latin America***

In December 2008, the Company contributed substantially all rights to its brands in Mexico, Central America, South America, and the Caribbean (the Latin America Territory) to Iconix Latin America LLC (Iconix Latin America), a then newly formed subsidiary of the Company. On December 29, 2008, New Brands America LLC (New Brands), an affiliate of the Falic Group, purchased a 50% interest in Iconix Latin America. In consideration for its 50% interest in Iconix Latin America, New Brands agreed to pay \$6.0 million to the Company. New Brands paid \$1.0 million upon closing of this transaction and committed to pay an additional \$5.0 million over the 30-month period following closing. As of December 31, 2011 this obligation was paid in full.

During FY 2011, the Company contributed to Iconix Latin America its share of the rights to revenues from IPH Unltd (see below) for the exploitation of the Ecko brands in the Latin America Territory. Also in FY 2011, the Company contributed to Iconix Latin America its rights to the Ed Hardy brands for the Latin America Territory. During FY 2012, the Company contributed to Iconix Latin America the rights to the Zoo York and Sharper Image brands for the Latin America Territory. In aggregate consideration for these contributions, New Brands agreed to pay an aggregate of approximately \$5.7 million to the Company. As of December 31, 2013, the balance owed to the Company under this obligation was approximately \$1.7 million, \$1.2 million of which was included in other assets - current and \$0.5 million of which is included in other assets on the Company's consolidated balance sheet. The Company has recorded the consideration associated with these transactions as other liabilities, which was to be recognized over a period of three years.

**Table of Contents**

Prior to the 2014 Buy-out (defined below), based on the corporate structure, voting rights and contributions of the Company and New Brands, Iconix Latin America was not subject to consolidation. This conclusion was based on the Company's determination that the entity met the criteria to be considered a business, and therefore was not subject to consolidation due to the business scope exception of ASC Topic 810. As such, prior to the 2014 Buy-out, the Company had recorded its investment under the equity method of accounting.

In February 2014, the Company purchased from New Brands its 50% interest in Iconix Latin America for \$42.0 million, which was funded entirely from cash on hand (the 2014 Buy-out), thereby taking full ownership of 100% of the equity interests in Iconix Latin America. The following is a reconciliation of cash paid to New Brands:

*(000's omitted)*

Fair value of 50% interest in Iconix Latin America	\$ 42,698
Less: note receivable owed to the Company	(1,695)
Add: accrued distributions due to New Brands	997
Cash paid to New Brands	\$ 42,000

As a result of the 2014 Buy-out and in accordance with ASC Topic 805, the Company recorded a non-cash pre-tax re-measurement gain of approximately \$37.9 million, representing the increase in fair value of its original 50% investment in Iconix Latin America. This re-measurement gain is included in interest and other income on the Company's unaudited condensed consolidated income statement. As a result of the 2014 Buy-out, Iconix Latin America is subject to consolidation and is included in the Company's unaudited condensed consolidated financial statements at March 31, 2014.

The estimated fair value of the assets acquired, less liabilities assumed, is allocated as follows:

Fair value of 50% interest in Iconix Latin America	\$ 42,698
Value of initial equity investment prior to 2014 Buy-out	4,805
Gain on re-measurement of initial equity investment	37,893
	\$ 85,396
Trademarks	82,400
License agreements	700
Cash	1,842
Net working deficit, excluding cash	(676)
Goodwill	1,130
	\$ 85,396

The Iconix Latin America trademarks have been determined by management to have an indefinite useful life and accordingly, consistent with ASC Topic 350, no amortization is being recorded in the Company's consolidated income statements. The goodwill and trademarks are subject to a test for impairment on an annual basis. The \$1.1 million of goodwill resulting from the 2014 Buy-out is deductible for income tax purposes.



As of March 31, 2014, the impact of consolidating Iconix Latin America on the Company's unaudited consolidated balance sheet has increased current assets by \$5.2 million, non-current assets by \$84.2 million, current liabilities by \$0.8 million and total liabilities by \$0.8 million. For the Current Quarter, the impact of consolidating Iconix Latin America on the Company's consolidated income statement has increased licensing and other revenue by \$1.1 million and operating income by \$1.0 million.

### **Lee Cooper**

In February 2013, the Company, through its wholly-owned subsidiary Iconix Luxembourg Holdings SÀRL, acquired the Lee Cooper brand for approximately \$72.7 million, of which the Company paid \$66.7 million in cash (funded entirely from cash on hand) and assumed liabilities of approximately \$6.0 million. Founded in 1908, Lee Cooper is an iconic British denim brand that has expanded into multiple lifestyle categories including men's and women's casual wear, footwear and accessories.

### **Joint Ventures**

#### ***Iconix Europe***

In December 2009, the Company contributed substantially all rights to its brands in the European Territory (defined as all member states and candidate states of the European Union and certain other European countries) to Iconix Europe LLC, a then newly formed wholly-owned subsidiary of the Company (Iconix Europe). Also in December 2009 and shortly after the formation of Iconix Europe, an investment group led by The Licensing Company and Albion Equity Partners LLC purchased a 50% interest in Iconix Europe through Brand Investments Vehicles Group 3 Limited (BIV), to assist the Company in developing, exploiting, marketing and licensing the Company's brands in the European Territory. In consideration for its 50% interest in Iconix Europe, BIV agreed to pay \$4.0 million, of which \$3.0 million was paid upon closing of this transaction in December 2009 and the remaining \$1.0 million of which was paid in January 2011. As a result of this transaction, the Company recognized a gain of approximately \$7.0 million for 2009 which is included in licensing and other revenue on the consolidated income statement in 2009. Pursuant to the terms of the Iconix Europe operating agreement and subject to certain conditions, the Company is entitled to recognize a preferred profit distribution from Iconix Europe of at least \$6.0 million, after which all profits and losses are recognized 50/50 in accordance with each principal's membership interest percentage.

**Table of Contents**

At inception and prior to the January 2014 transaction described below, the Company determined, in accordance with ASC 810, based on the corporate structure, voting rights and contributions of the Company and BIV, that Iconix Europe is not a variable interest entity and was not subject to consolidation. The Company had recorded its investment under the equity method of accounting.

In January 2014, the Company consented to the purchase of BIV's 50% ownership interest in Iconix Europe by LF Asia Limited (LF Asia), an affiliate of Li & Fung Limited. In exchange for this consent, the Company will receive \$1.5 million from LF Asia. As a result of this transaction, the Company recorded a gain of \$1.5 million, which is included in licensing and other revenue in the Company's unaudited condensed consolidated income statement for the Current Quarter. Further, as a result of this transaction, the Company acquired an additional 1% equity interest in Iconix Europe from LF Asia, and amended the operating agreement (herein referred to as the IE Operating Agreement) thereby increasing its ownership in Iconix Europe to a controlling 51% interest.

The estimated fair value of the assets acquired, less liabilities assumed, is allocated as follows:

Fair value of 50% interest in Iconix Europe	\$ 13,800
Value of initial equity investment prior to this transaction	13,800
Gain on re-measurement of initial equity investment	
	\$ 27,600
Trademarks	27,000
Cash	677
Net working deficit, excluding cash	(77)
	\$ 27,600

ASC Topic 810 affirms that consolidation is appropriate when one entity has a controlling financial interest in another entity. As a result of this transaction, the Company owns a 51% membership interest in Iconix Europe compared to the minority owner's 49% membership interest. Further, the Company believes that the voting and veto rights of the minority shareholder are merely protective in nature and do not provide the minority shareholder with substantive participating rights in Iconix Europe. As such, Iconix Europe is subject to consolidation with the Company, which is reflected in the unaudited condensed consolidated financial statements as of March 31, 2014.

In accordance with ASC Topic 810, the Company recognizes the non-controlling interest of Iconix Europe as equity in consolidated financial statements and separate from the parent's equity. As such, the amount of net income attributable to the non-controlling interest of Iconix Europe for the Current Quarter has been included in net income attributable to non-controlling interest in the unaudited condensed consolidated income statement in the Current Quarter.

Pursuant to the IE Operating Agreement, for a period following the fifth anniversary of the closing of this transaction (i.e. January 2014) and again following the eighth anniversary of the closing of this transaction, the Company has a call option to purchase, and LF Asia has a put option to initiate the Company's purchase, LF Asia's the 49% equity interests in Iconix Europe for a calculated amount as defined in the IE Operating Agreement. As a result of the January 2014 transaction, the Company will carry this redeemable non-controlling interest as mezzanine equity on the Company's unaudited condensed consolidated balance sheet. The Company will accrete the difference between the fair

value of the put option and the non-controlling interest at inception over the five year term of the first put option to additional paid-in-capital on the Company's balance sheet.

As of March 31, 2014, the impact of consolidating Iconix Europe on the Company's unaudited consolidated balance sheet has increased current assets by \$1.9 million, non-current assets by \$27.0 million, current liabilities by \$0.7 million and total liabilities by \$0.7 million. For the Current Quarter, the impact of consolidating Iconix Europe on the Company's consolidated income statement has increased licensing and other revenue by \$1.0 million and operating income by \$0.2 million.

#### ***LC Partners U.S.***

In March 2014, the Company, through its wholly-owned subsidiary domiciled in Luxembourg, contributed its rights to the Lee Cooper trademarks in the U.S. through a royalty-free perpetual master license agreement to LC Partners U.S. LLC ( LCP ), a then newly formed wholly-owned Delaware limited liability company. Subsequent to this contribution, the Company sold 50% of the equity interests in LCP to Rise Partners LLC ( Rise Partners ) for \$4.0 million, of which \$0.4 million was received during the Current Quarter and \$0.4 million was paid shortly after closing subsequent to the Current Quarter, the remaining \$3.2 million to be paid in four equal annual installments on the first through the fourth anniversaries of the closing date. As of March 31, 2014, \$1.2 million of the \$3.6 million is included in other assets current, with the remaining \$2.4 million included in other assets in the unaudited condensed consolidated balance sheet. As a result of this transaction the Company recorded a \$4.0 million gain, which is included in licensing and other revenue in the unaudited condensed consolidated income statement in the Current Quarter.

At inception, the Company determined, in accordance with ASC 810, based on the corporate structure, voting rights and contributions of the Company and Rise Partners, that LCP is not a variable interest entity and not subject to consolidation. The Company has recorded its investment under the equity method of accounting.

#### ***Buffalo Brand Joint Venture***

In February 2013, Iconix CA Holdings, LLC ( ICA Holdings ), a Delaware limited liability company and a wholly-owned subsidiary of the Company, formed a joint venture with Buffalo International ULC ( BII ). The name of the joint venture is 1724982 Alberta ULC ( Alberta ULC ), an Alberta, Canada unlimited liability company. The Company, through ICA Holdings, paid \$76.5 million, which was funded entirely from cash on hand, in exchange for a 51% controlling ownership of Alberta ULC which consists of a combination of equity and a promissory note. BII owns the remaining 49% interest in Alberta ULC. Alberta ULC owns the intellectual property rights, licenses and other assets relating principally to the Buffalo David Bitton brand (the Buffalo brand ). Concurrently, Alberta ULC and BII entered into a license agreement pursuant to which Alberta ULC licensed the Buffalo brand to BII as licensee in certain categories and geographies. Additionally, ICA Holdings and BII entered into a shareholder agreement with respect to their ownership of Alberta ULC.

**Table of Contents**

The following table is a reconciliation of cash paid to sellers and the fair value of the sellers' non-controlling interest:

Cash paid to sellers	\$ 76,500
Fair value of 49% non-controlling interest to sellers	59,489
	<b>\$ 135,989</b>

The estimated fair value of the assets acquired is allocated as follows:

Trademarks	\$ 142,600
License agreements	2,400
Non-compete agreement	940
Goodwill	4,060
Deferred tax liability	(14,011)
	<b>\$ 135,989</b>

ASC Topic 810 affirms that consolidation is appropriate when one entity has a controlling financial interest in another entity. The Company owns a 51% membership interest in Alberta ULC compared to the minority owner's 49% membership interest. Further, the Company believes that the voting and veto rights of the minority shareholder are merely protective in nature and do not provide the minority shareholder with substantive participating rights in Alberta ULC. As such, Alberta ULC is subject to consolidation with the Company, which is reflected in the unaudited condensed consolidated financial statements.

In accordance with ASC Topic 810, the Company recognizes the non-controlling interest of Alberta ULC as equity in the unaudited condensed consolidated financial statements and separate from the parent's equity. As such, the amount of net income attributable to the non-controlling interest has been included in net income attributable to non-controlling interest in the unaudited condensed consolidated income statement for the Current Quarter.

***Iconix Israel Joint Venture***

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 \$3.3 million. MGS paid \$1.0 million upon the closing of the transaction and committed to pay an additional \$2.3 million over the 36-month period following closing. As a result of this transaction, the Company recorded a gain of \$2.3 million, which was included in other revenue in FY 2013. As of March 31, 2014, of the \$2.2 million remaining due to the Company from MGS, approximately \$0.8 million is included in other assets—current and \$1.4 million is included in other assets on the unaudited condensed consolidated balance sheet.

Pursuant to the Iconix Israel amended and restated operating agreement, for a period following the second anniversary of the closing of this transaction (i.e. November 2013), the Company has a call option to purchase from MGS 5% of

the equity interests held by MGS in Iconix Israel for a calculated amount as defined in the amended and restated operating agreement.

At inception, the Company determined, in accordance with ASC 810, based on the corporate structure, voting rights and contributions of the Company and MGS, that Iconix Israel is not a variable interest entity and not subject to consolidation. The Company has recorded its investment under the equity method of accounting.

### ***Iconix Southeast Asia Joint Venture***

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, LF Asia purchased a 50% interest in Iconix SE Asia for \$12.0 million. LF Asia paid \$7.5 million upon the closing of the transaction and committed to pay an additional \$4.5 million over the 24-month period following closing. The Company may earn an additional \$2.0 million based on certain criteria relating to the achievement of Iconix SE Asia revenue targets through the year ending December 31, 2014.

As a result of this transaction, the Company recorded a gain of \$2.7 million for the difference between the consideration (cash and notes receivable) received by the Company, \$2.0 million of consulting costs incurred by the Company as part of this transaction which were deducted from the gain due to lack of evidence of fair value of such consulting costs, and the book value of the brands contributed to the joint venture, which was included in other revenue in FY 2013. As of March 31, 2014, of the \$4.5 million remaining due to the Company from LF Asia, \$3.5 million is included in other assets current and \$1.0 million is included in other assets on the unaudited condensed consolidated balance sheet.

Pursuant to the Iconix SE Asia shareholders agreement, for a period following the second anniversary of the closing of this transaction (i.e. October 2013), the Company has a call option to purchase from LF Asia 5% of the equity interests held by LF Asia in Iconix SE Asia for a calculated amount as defined in the Iconix SE Asia shareholders agreement. Further, following the fifth anniversary and again following the eighth anniversary of the closing of this transaction, the Company has a call option to purchase from LF Asia all of the remaining equity interests held by LF Asia in Iconix SE Asia, and LF Asia has a put option to initiate the Company's purchase from LF Asia all of the remaining equity interests held by LF Asia in Iconix SE Asia, each for a calculated amount as defined in the Iconix SE Asia shareholders agreement.

At inception, the Company determined, in accordance with ASC 810, based on the corporate structure, voting rights and contributions of the Company and LF Asia, that Iconix SE Asia is not a variable interest entity and not subject to consolidation. The Company has recorded its investment under the equity method of accounting.

### ***Iconix Canada Joint Venture***

In June 2013, the Company contributed substantially all economic rights to its brands in Canada to Iconix Canada L.P. and ICO Brands L.P. (together with general partner 8560854 Canada, Inc., Iconix Canada ), each then a newly formed joint venture with BII and its subsidiaries. In consideration for its aggregate 50% interest in Iconix Canada, BII agreed to pay \$17.7 million in cash to the Company, of which approximately \$8.9 million was paid upon closing of this transaction in June 2013, the remaining \$8.8 million of which is a note payable to the Company to be paid over three years from the date of closing, with final payment in June 2016. Of the \$8.2 million note receivable at March 31, 2014, approximately \$2.9 million is included in other assets current, the remaining \$5.3 million of which is included in other assets on the unaudited condensed consolidated balance sheet. As a result of this transaction, the Company recognized a gain of approximately \$9.8 million which is included in licensing and other revenue on the consolidated income statement for FY 2013.

## **Table of Contents**

Pursuant to the limited partnership agreements between the Company and BII and its subsidiaries, between the second and third anniversaries of June 2013, the Company has a call option to purchase from BII and its subsidiaries 5% of the equity interests held by BII and its subsidiaries in Iconix Canada for a calculated amount as defined in the partnership agreements.

At inception, the Company determined, in accordance with ASC 810, based on the corporate structure, voting rights and contributions of the Company and BII, that Iconix Canada is not a variable interest entity and not subject to consolidation. The Company has recorded its investment under the equity method of accounting.

### ***Iconix Australia Joint Venture***

In September 2013, the Company formed Iconix Australia, LLC ( *Iconix Australia* ), a Delaware limited liability company and a wholly-owned subsidiary of the Company, and contributed substantially all rights to its wholly-owned and controlled brands in Australia and New Zealand through an exclusive, royalty-free perpetual master license agreement with Iconix Australia. Shortly thereafter Pac Brands USA, Inc. ( *Pac Brands* ) purchased a 50% interest in Iconix Australia for \$7.2 million in cash, all of which was received upon closing of this transaction in September 2013. As a result of this transaction, the Company recorded a gain of \$5.1 million, which is included in licensing and other revenue in the FY 2013.

Following the second anniversary of the closing of this transaction (i.e. September 2013) and for a period of six months thereafter, the Company may exercise a call option to purchase a 5% interest in Iconix Australia from Pac Brands for a calculated amount as defined in the Iconix Australia operating agreement. Subsequent to the earlier of any exercise of the call option by the Company and six months following the second anniversary of the closing of this transaction, Pac Brands may exercise a put option to initiate the purchase of all of Pac Brands' ownership interests in Iconix Australia by the Company for a calculated amount as defined in the Iconix Australia operating agreement.

At inception, the Company determined, in accordance with ASC 810, based on the corporate structure, voting rights and contributions of the Company and Pac Brands, that Iconix Australia is not a variable interest entity and not subject to consolidation. The Company has recorded its investment under the equity method of accounting.

### ***IPH Unltd***

In October 2009, the Company consummated, through IPH Unltd, a then newly formed subsidiary of the Company, a transaction with the sellers of the Ecko portfolio of brands, including Ecko and Zoo York (the *Ecko Assets* ), pursuant to which the sellers sold and/or contributed the Ecko Assets to IPH Unltd in exchange for a 49% membership interest in IPH Unltd and \$63.5 million in cash which had been contributed to IPH Unltd by the Company. As a result of this transaction, the Company owned a 51% controlling membership interest in IPH Unltd. In addition, as part of this transaction, IPH Unltd borrowed \$90.0 million from a third party to repay certain indebtedness of the sellers.

On July 27, 2011 the Company, through its newly formed wholly owned subsidiary ZY Holdings LLC ( *ZY Holdings* ), acquired the Zoo York trademark and related assets from IPH Unltd for a net purchase price of \$18.0 million, effectively increasing its ownership in the Zoo York assets from 51% to 100%. In accordance with ASC Topic 810, no gain was recognized on this transaction as the Company retained a controlling interest in the Zoo York assets before and after the increase in its ownership interest.

ASC Topic 810 affirms that consolidation is appropriate when one entity has a controlling financial interest in another entity. Prior to May 17, 2013, the Company owned a 51% membership interest in IPH Unltd compared to the minority owner's 49% membership interest. Further, the Company believed that the voting and veto rights of the minority

shareholder were merely protective in nature and did not provide them with substantive participating rights in IPH Unltd. As such, prior to May 17, 2013, IPH Unltd was subject to consolidation with the Company, which is reflected in the consolidated financial statements.

In accordance with ASC Topic 810, prior to May 17, 2013, the Company recognized the non-controlling interest of IPH Unltd as equity in the consolidated financial statements and separate from the parent's equity.

On May 17, 2013 the Company purchased the remaining 49% minority interest in IPH Unltd for \$45.0 million in cash, increasing its ownership in IPH Unltd from 51% to 100%. In accordance with ASC Topic 810, no gain was recognized on this transaction as the Company retained a controlling interest in IPH Unltd before and after the increase in its ownership interest.

On May 30, 2013, the Company paid to the holders of the Ecko Note (see Note 5) approximately \$52.7 million, representing total outstanding principal and accrued interest to date. This Ecko Note was issued by IPH Unltd in connection with the Company's original acquisition of a 51% interest in the Ecko and Zoo York brands and related assets in October 2009.

### ***MG Icon***

In March 2010, the Company acquired a 50% interest in MG Icon, the owner of the Material Girl and Truth or Dare brands and trademarks and other rights associated with the artist, performer and celebrity known as Madonna, from Purim LLC (Purim) for \$20.0 million, \$4.0 million of which was paid at closing and another \$11.0 million of which was paid through March 31, 2014. In connection with the launch of Truth or Dare brand and based on certain qualitative criteria, Purim was entitled to an additional \$2.0 million all of which was paid through December 31, 2013. In addition, Purim may be entitled to receive additional consideration based on certain qualitative criteria. As of March 31, 2014 the remaining \$7.0 million owed to Purim is included in other current liabilities on the Company's unaudited condensed consolidated balance sheet.

At inception, the Company determined, in accordance with ASC Topic 810, based on the corporate structure, voting rights and contributions of the Company and Purim, MG Icon is a variable interest entity and not subject to consolidation, as, under ASC Topic 810, the Company is not the primary beneficiary of MG Icon. The Company has recorded its investment under the equity method of accounting.

Pursuant to the terms of the MG Icon operating agreement and subject to certain conditions, the Company is entitled to recognize a preferred profit distribution from MG Icon of at least \$23.0 million, after which all profits and losses are recognized 50/50 in accordance with each principal's membership interest percentage.

### ***Peanuts Holdings***

On June 3, 2010 (the Peanuts Closing Date), the Company consummated an interest purchase agreement with United Feature Syndicate, Inc (UFS) and The E.W. Scripps Company (the Parent) (Parent and UFS, collectively, the Sellers), pursuant to which it purchased all of the issued and outstanding interests (Interests) of Peanuts Worldwide, a then newly formed Delaware limited liability company, to which, prior to the closing of this acquisition, copyrights and trademarks associated with the Peanuts characters and certain other assets were contributed by UFS. On the Peanuts Closing Date, the Company also assigned its right to buy all of the Interests to Peanuts Holdings, a newly formed Delaware limited liability company and joint venture owned 80% by Icon Entertainment LLC (IE), a wholly-owned subsidiary of the Company, and 20% by Beagle Scout LLC, a Delaware limited liability company (Beagle) owned by certain Schulz family trusts.

---

**Table of Contents**

Further, on the Closing Date, IE and Beagle entered into an operating agreement with respect to Peanuts Holdings (the Peanuts Operating Agreement ). Pursuant to the Peanuts Operating Agreement, the Company, through IE, and Beagle made capital contributions of \$141.0 million and \$34.0 million, respectively, in connection with the acquisition of Peanuts Worldwide. The Interests were then purchased for \$172.1 million in cash, as adjusted for acquired working capital.

In connection with the Peanuts Operating Agreement, the Company through IE, loaned \$17.5 million to Beagle (the Beagle Note ), the proceeds of which were used to fund Beagle's capital contribution to Peanuts Holdings in connection with the acquisition of Peanuts Worldwide. The Beagle Note bears interest at 6% per annum, with minimum principal payable in equal annual installments of approximately \$2.2 million on June 3, with any remaining unpaid principal balance and accrued interest to be due on June 3, 2015, the Beagle Note maturity date. Principal may be prepaid at any time. The Beagle Note is secured by the membership interest in Peanuts Holdings owned by Beagle. As of March 31, 2014, the current portion of approximately \$2.2 million is included in other assets current in the consolidated balance sheet and the long term portion of \$3.6 million is included in other assets.

ASC Topic 810 affirms that consolidation is appropriate when one entity has a controlling financial interest in another entity. The Company owns an 80% membership interest in Peanuts Holdings, compared to the non-controlling owner's 20% membership interest. As such, Peanuts Holdings is subject to consolidation with the Company, which is reflected in the Company's unaudited condensed consolidated financial statements as of March 31, 2014.

In accordance with ASC Topic 810, the Company recognizes the non-controlling interest of Peanuts Holdings as equity in the consolidated financial statements and separate from the parent's equity.

**Investments*****Marcy Media LLC***

In July 2013, the Company purchased a 10% minority interest in Marcy Media LLC ( Marcy Media ), a multi-media portfolio company which owns a 50% interest in Roc Nation LLC, an entertainment and talent management company, for \$32.0 million. At inception, the Company determined, in accordance with ASC 810, based on the corporate structure, voting rights and contributions of the Company that Marcy Media is not a variable interest entity and not subject to consolidation. As the Company does not have significant influence over Marcy Media, its investment has been recorded under the cost method of accounting.

Also in July 2013, the Company acquired the global rights to the Roc Nation name, a diffusion brand of Rocawear, to use and register as a trademark for apparel, footwear and related categories for \$8.0 million.

***Complex Media Inc.***

In September 2013, the Company purchased convertible preferred shares which, on an as converted basis as of the closing date, equaled 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, for \$25.0 million. At inception, the Company determined, in accordance with ASC 810, based on the corporate structure, voting rights and contributions of the Company that Complex Media is not a variable interest entity and not subject to consolidation. As the Company does not have significant influence over Complex Media, its investment has been recorded under the cost method of accounting.

***Unaudited Pro Forma Information***



Unaudited pro forma information for the transactions completed in the Current Quarter is not presented, as such pro forma disclosure is not required with respect to such transactions because the effects of such transactions, each by themselves or in the aggregate, are considered immaterial to the Company.

#### 4. Fair Value Measurements

ASC Topic 820 Fair Value Measurements, which the Company adopted on January 1, 2008, establishes a framework for measuring fair value and requires expanded disclosures about fair value measurement. While ASC 820 does not require any new fair value measurements in its application to other accounting pronouncements, it does emphasize that a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, ASC 820 established the following fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs):

Level 1: Observable inputs such as quoted prices for identical assets or liabilities in active markets

Level 2: Other inputs that are observable directly or indirectly, such as quoted prices for similar assets or liabilities or market-corroborated inputs

Level 3: Unobservable inputs for which there is little or no market data and which requires the owner of the assets or liabilities to develop its own assumptions about how market participants would price these assets or liabilities

The valuation techniques that may be used to measure fair value are as follows:

(A) Market approach Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities

(B) Income approach Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about those future amounts, including present value techniques, option-pricing models and excess earnings method

(C) Cost approach Based on the amount that would currently be required to replace the service capacity of an asset (replacement cost)

To determine the fair value of certain financial instruments, the Company relies on Level 2 inputs generated by market transactions of similar instruments where available, and Level 3 inputs using an income approach when Level 1 and Level 2 inputs are not available. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of financial assets and financial liabilities and their placement within the fair value hierarchy.

**Table of Contents*****Financial Instruments***

As of March 31, 2014 and December 31, 2013, the fair values of cash, receivables and accounts payable approximated their carrying values due to the short-term nature of these instruments. The fair value of notes receivables and note payable from and to our joint venture partners approximate their carrying values, and the fair value of our cost basis investments approximate their carrying values. The estimated fair values of other financial instruments subject to fair value disclosures, determined based on Level One and Level Three inputs including broker quotes or quoted market prices or rates for the same or similar instruments and the related carrying amounts are as follows:

<i>(000 \$ omitted)</i>	<b>March 31, 2014 Carrying Amount</b>
Long-term debt, including current portion	\$ 1,419,084

Financial instruments expose the Company to counterparty credit risk for nonperformance and to market risk for changes in interest. The Company manages exposure to counterparty credit risk through specific minimum credit standards, diversification of counterparties and procedures to monitor the amount of credit exposure. The Company's financial instrument counterparties are investment or commercial banks with significant experience with such instruments as well as certain of our joint venture partners see Note 3.

***Non-Financial Assets and Liabilities***

The Company accounts for non-recurring adjustments to the fair values of its non-financial assets and liabilities under ASC Topic 820 using a market participant approach. The Company uses a discounted cash flow model with Level 3 inputs to measure the fair value of its non-financial assets and liabilities. The Company also adopted the provisions of ASC 820 as it relates to purchase accounting for its acquisitions. The Company has goodwill, which is tested for impairment at least annually, as required by ASC Topic 350. Further, in accordance with ASC Topic 350, the Company's indefinite-lived trademarks are tested for impairment at least annually, on an individual basis as separate single units of accounting. Similarly, consistent with ASC Topic 360 as it relates to accounting for the impairment or disposal of long-lived assets, the Company assesses whether or not there is impairment of the Company's definite-lived trademarks. There was no impairment, and therefore no write-down, of any of the Company's long-lived assets during the Current Quarter or FY 2013.

**5. Debt Arrangements**

The Company's net carrying amount of debt is comprised of the following:

<i>(000 \$ omitted)</i>	March 31, 2014
Senior Secured Notes	\$ 821,575
1.50% Convertible Notes	327,354
2.50% Convertible Notes	270,155
Total	\$ 1,419,084

***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.

As of March 31, 2014, no amounts under the Variable Funding Notes have been drawn. 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 intellectual property and license agreements for the use of its intellectual property, 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 and a 50% interest in the Ice Cream trademark and the Billionaire Boys Club trademark.

---

**Table of Contents**

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.

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) intellectual property 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, Charisma, and Sharper Image; (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 has been compliant with all covenants under the Notes from inception through the Current Quarter.

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 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 March 31, 2014, the total principal balance of the Notes is \$821.6 million, of which \$61.3 million is included in the current portion of long-term debt on the Company's unaudited condensed consolidated balance sheet. As of March 31, 2014 and December 31, 2013, \$47.0 million and \$52.4 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.

The 1.50% Convertible Notes bear interest at an annual rate of 1.50%, payable semi-annually in arrears on March 15 and September 15 of each year, beginning on September 15, 2013. However, the Company recognizes an effective interest rate of 6.50% on the carrying amount of the 1.50% Convertible Notes. The effective rate is based on the rate for a similar instrument that does not have a conversion feature. The 1.50% Convertible Notes will be convertible into cash and, if applicable, shares of the Company's common stock based on a conversion rate of 32.4052 shares of the Company's common stock, subject to customary adjustments, per \$1,000 principal amount of the 1.50% Convertible Notes (which is equal to an initial conversion price of approximately \$30.86 per share) only under the following circumstances: (1) during any fiscal quarter beginning after December 15, 2017 (and only during such fiscal quarter), if the closing price of the Company's common stock for at least 20 trading days in the 30 consecutive trading days ending on and including the last trading day of the immediately preceding fiscal quarter is more than 130% of the conversion price per share, which is \$1,000 divided by the then applicable conversion rate; (2) during the five consecutive business day period immediately following any five consecutive trading day period in which the trading price per \$1,000 principal amount of the 1.50% Convertible Notes for each day of that period was less than 98% of the product of (a) the closing price of the Company's common stock for each day in that period and (b) the conversion rate per \$1,000 principal amount of the 1.50% Convertible Notes; (3) if specified distributions to holders of the Company's

common stock are made, as set forth in the indenture governing the 1.50% Convertible Notes ( 1.50% Indenture ); (4) if a change of control or other fundamental change, each as defined in the 1.50% Indenture, occurs; and (5) during the 90 day period prior to maturity of the 1.50% Convertible Notes. If the holders of the 1.50% Convertible Notes exercise the conversion provisions under the circumstances set forth, the Company will need to remit the lower of the principal balance of the 1.50% Convertible Notes or their conversion value to the holders in cash. As such, the Company would be required to classify the entire amount outstanding of the 1.50% Convertible Notes as a current liability in the following quarter. The evaluation of the classification of amounts outstanding associated with the 1.50% Convertible Notes will occur every quarter.

**Table of Contents**

Upon conversion, a holder will receive an amount in cash equal to the lesser of (a) the principal amount of the 1.50% Convertible Note or (b) the conversion value, determined in the manner set forth in the 1.50% Indenture. If the conversion value exceeds the principal amount of the 1.50% Convertible Notes on the conversion date, the Company will also deliver, at its election, cash or the Company's common stock or a combination of cash and the Company's common stock for the conversion value in excess of the principal amount. In the event of a change of control or other fundamental change, the holders of the 1.50% Convertible Notes may require the Company to purchase all or a portion of their 1.50% Convertible Notes at a purchase price equal to 100% of the principal amount of the 1.50% Convertible Notes, plus accrued and unpaid interest, if any. Holders of the 1.50% Convertible Notes who convert their 1.50% Convertible Notes in connection with a fundamental change may be entitled to a make-whole premium in the form of an increase in the conversion rate.

Pursuant to guidance issued under ASC Topic 815, the 1.50% Convertible Notes are accounted for as convertible debt in the accompanying consolidated balance sheet and the embedded conversion option in the 1.50% Convertible Notes has not been accounted for as a separate derivative. For a discussion of the effects of the 1.50% Convertible Notes and the 1.50% Convertible Notes Hedges and Sold Warrants defined and discussed below on earnings per share, see Note 7.

As of March 31, 2014 and December 31, 2013, the amount of the 1.50% Convertible Notes accounted for as a liability was approximately \$327.4 million and \$323.4 million, respectively, and is reflected on the consolidated balance sheet as follows:

<i>(000 \$ omitted)</i>	March 31, 2014
Equity component carrying amount	\$ 49,931
Unamortized discount	72,646
Net debt carrying amount	327,354

For the Current Quarter and the Prior Year Quarter, the Company recorded additional non-cash interest expense of approximately \$3.6 million and \$0.6 million, respectively, representing the difference between the stated interest rate on the 1.50% Convertible Notes and the rate for a similar instrument that does not have a conversion feature.

For the Current Quarter and the Prior Year Quarter, cash interest expense relating to the 1.50% Convertible Notes was approximately \$1.5 million and \$0.2 million, respectively.

The 1.50% Convertible Notes do not provide for any financial covenants.

On March 18, 2013, the Company used a portion of the proceeds from the 1.50% Convertible Notes to repurchase 2,964,000 shares of its common stock in a private transaction with a third party for \$69.0 million. See note 6 for further information on our stock repurchase program.

In connection with the sale of the 1.50% Convertible Notes, the Company entered into hedges for the 1.50% Convertible Notes ( 1.50% Convertible Note Hedges ) with respect to its common stock with one entity (the 1.50% Counterparty ). Pursuant to the agreements governing these 1.50% Convertible Note Hedges, the Company purchased call options (the 1.50% Purchased Call Options ) from the 1.50% Counterparty covering up to approximately 13.0 million shares of the Company's common stock. These 1.50% Convertible Note Hedges are designed to offset the Company's exposure to potential dilution upon conversion of the 1.50% Convertible Notes in the event that the market value per share of the Company's common stock at the time of exercise is greater than the strike price of the 1.50%

Purchased Call Options (which strike price corresponds to the initial conversion price of the 1.50% Convertible Notes and is simultaneously subject to certain customary adjustments). On March 13, 2013, the Company paid an aggregate amount of approximately \$84.1 million of the proceeds from the sale of the 1.50% Convertible Notes for the 1.50% Purchased Call Options, of which \$29.4 million was included in the balance of deferred income tax assets at March 13, 2013 and is being recognized over the term of the 1.50% Convertible Notes. As of March 31, 2014, the balance of deferred income tax assets related to this transaction was approximately \$23.3 million.

The Company also entered into separate warrant transactions with the 1.50% Counterparty whereby the Company, pursuant to the agreements governing these warrant transactions, sold to the 1.50% Counterparty warrants (the 1.50% Sold Warrants ) to acquire up to approximately 13.0 million shares of the Company's common stock at a strike price of \$35.5173 per share of the Company's common stock. The 1.50% Sold Warrants will become exercisable on June 18, 2018 and will expire by September 1, 2018. The Company received aggregate proceeds of approximately \$57.7 million from the sale of the 1.50% Sold Warrants on March 13, 2013.

Pursuant to guidance issued under ASC Topic 815 Derivatives and Hedging as it relates to accounting for derivative financial instruments indexed to, and potentially settled in, a company's own stock, the 1.50% Convertible Note Hedge and the proceeds received from the issuance of the 1.50% Sold Warrants were recorded as a charge and an increase, respectively, in additional paid-in capital in stockholders' equity as separate equity transactions. As a result of these transactions, the Company recorded a net increase to additional paid-in-capital of \$3.0 million in March 2013.

The Company has evaluated the impact of adopting guidance issued under ASC Topic 815 regarding embedded features as it relates to the 1.50% Sold Warrants, and has determined it had no impact on the Company's results of operations and financial position through March 31, 2014, and will have no impact on the Company's results of operations and financial position in future fiscal periods.

As the 1.50% Convertible Note Hedge transactions and the warrant transactions were separate transactions entered into by the Company with the 1.50% Counterparty, they are not part of the terms of the 1.50% Convertible Notes and will not affect the holders' rights under the 1.50% Convertible Notes. In addition, holders of the 1.50% Convertible Notes will not have any rights with respect to the 1.50% Purchased Call Options or the 1.50% Sold Warrants.

If the market value per share of the Company's common stock at the time of conversion of the 1.50% Convertible Notes is above the strike price of the 1.50% Purchased Call Options, the 1.50% Purchased Call Options entitle the Company to receive from the 1.50% Counterparties net shares of the Company's common stock, cash or a combination of shares of the Company's common stock and cash, depending on the consideration paid on the underlying 1.50% Convertible Notes, based on the excess of the then current market price of the Company's common stock over the strike price of the 1.50% Purchased Call Options. Additionally, if the market price of the Company's common stock at the time of exercise of the 1.50% Sold Warrants exceeds the strike price of the 1.50% Sold Warrants, the Company will owe the 1.50% Counterparty net shares of the Company's common stock or cash, not offset by the 1.50% Purchased Call Options, in an amount based on the excess of the then current market price of the Company's common stock over the strike price of the 1.50% Sold Warrants.



---

**Table of Contents**

These transactions will generally have the effect of increasing the conversion price of the 1.50% Convertible Notes to \$35.5173 per share of the Company's common stock, representing a 52.5% percent premium based on the last reported sale price of the Company's common stock of \$23.29 per share on March 12, 2013.

Moreover, in connection with the warrant transactions with the 1.50% Counterparty, to the extent that the price of the Company's common stock exceeds the strike price of the 1.50% Sold Warrants, the warrant transactions could have a dilutive effect on the Company's earnings per share.

***2.50% Convertible Notes***

On May 23, 2011, the Company completed the issuance of \$300.0 million principal amount of the Company's 2.50% convertible senior subordinated notes due June 2016 ( "2.50% 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 \$291.6 million.

The 2.50% Convertible Notes bear interest at an annual rate of 2.50%, payable semi-annually in arrears on June 1 and December 1 of each year, beginning December 1, 2011. However, the Company recognizes an effective interest rate of 7.25% on the carrying amount of the 2.50% Convertible Notes. The effective rate is based on the rate for a similar instrument that does not have a conversion feature. The 2.50% Convertible Notes will be convertible into cash and, if applicable, shares of the Company's common stock based on a conversion rate of 32.5169 shares of the Company's common stock, subject to customary adjustments, per \$1,000 principal amount of the 2.50% Convertible Notes (which is equal to an initial conversion price of approximately \$30.75 per share) only under the following circumstances: (1) during any fiscal quarter beginning after June 30, 2011 (and only during such fiscal quarter), if the closing price of the Company's common stock for at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is more than 130% of the conversion price per share, which is \$1,000 divided by the then applicable conversion rate; (2) during the five business day period immediately following any five consecutive trading day period in which the trading price per \$1,000 principal amount of the 2.50% Convertible Notes for each day of that period was less than 98% of the product of (a) the closing price of the Company's common stock for each day in that period and (b) the conversion rate per \$1,000 principal amount of the 2.50% Convertible Notes; (3) if specified distributions to holders of the Company's common stock are made, as set forth in the indenture governing the 2.50% Convertible Notes ( "2.50% Indenture" ); (4) if a change of control or other fundamental change, each as defined in the 2.50% Indenture, occurs; and (5) during the 90 day period prior to maturity of the 2.50% Convertible Notes. If the holders of the 2.50% Convertible Notes exercise the conversion provisions under the circumstances set forth, the Company will need to remit the lower of the principal balance of the 2.50% Convertible Notes or their conversion value to the holders in cash. As such, the Company would be required to classify the entire amount outstanding of the 2.50% Convertible Notes as a current liability in the following quarter. The evaluation of the classification of amounts outstanding associated with the 2.50% Convertible Notes will occur every quarter.

Upon conversion, a holder will receive an amount in cash equal to the lesser of (a) the principal amount of the 2.50% Convertible Note or (b) the conversion value, determined in the manner set forth in the 2.50% Indenture. If the conversion value exceeds the principal amount of the 2.50% Convertible Notes on the conversion date, the Company will also deliver, at its election, cash or the Company's common stock or a combination of cash and the Company's common stock for the conversion value in excess of the principal amount. In the event of a change of control or other fundamental change, the holders of the 2.50% Convertible Notes may require the Company to purchase all or a portion of their 2.50% Convertible Notes at a purchase price equal to 100% of the principal amount of the 2.50% Convertible Notes, plus accrued and unpaid interest, if any. Holders of the 2.50% Convertible Notes who convert their 2.50% Convertible Notes in connection with a fundamental change may be entitled to a make-whole premium in the form of an increase in the conversion rate.

Pursuant to guidance issued under ASC Topic 815, the 2.50% Convertible Notes are accounted for as convertible debt in the accompanying consolidated balance sheet and the embedded conversion option in the 2.50% Convertible Notes has not been accounted for as a separate derivative. For a discussion of the effects of the 2.50% Convertible Notes and the 2.50% Convertible Notes Hedges and Sold Warrants defined and discussed below on earnings per share, see Note 7.

As of March 31, 2014 and December 31, 2013, the amount of the 2.50% Convertible Notes accounted for as a liability was approximately \$270.2 million and \$267.0 million, respectively, and is reflected on the consolidated balance sheet as follows:

<i>(000 s omitted)</i>	March 31, 2014
Equity component carrying amount	\$ 35,996
Unamortized discount	29,845
Net debt carrying amount	270,155

For the Current Quarter and the Prior Year Quarter, the Company recorded additional non-cash interest expense of approximately \$2.8 million and \$2.6 million, respectively, representing the difference between the stated interest rate on the 2.50% Convertible Notes and the rate for a similar instrument that does not have a conversion feature.

For each of the Current Quarter and the Prior Year Quarter, cash interest expense relating to the 2.50% Convertible Notes was approximately \$1.9 million.

The 2.50% Convertible Notes do not provide for any financial covenants.

In connection with the sale of the 2.50% Convertible Notes, the Company entered into hedges for the 2.50% Convertible Notes ( 2.50% Convertible Note Hedges ) with respect to its common stock with two entities (the 2.50% Counterparties ). Pursuant to the agreements governing these 2.50% Convertible Note Hedges, the Company purchased call options (the 2.50% Purchased Call Options ) from the 2.50% Counterparties covering up to approximately 9.8 million shares of the Company s common stock. These 2.50% Convertible Note Hedges are designed to offset the Company s exposure to potential dilution upon conversion of the 2.50% Convertible Notes in the event that the market value per share of the Company s common stock at the time of exercise is greater than the strike price of the 2.50% Purchased Call Options (which strike price corresponds to the initial conversion price of the 2.50% Convertible Notes and is simultaneously subject to certain customary adjustments). On May 23, 2011, the Company paid an aggregate amount of approximately \$58.7 million of the proceeds from the sale of the 2.50% Convertible Notes for the 2.50% Purchased Call Options, of which \$20.6 million was included in the balance of deferred income tax assets at May 23, 2011 and is being recognized over the term of the 2.50% Convertible Notes. As of March 31, 2014, the balance of deferred income tax assets related to this transaction was approximately \$9.0 million.

The Company also entered into separate warrant transactions with the 2.50% Counterparties whereby the Company, pursuant to the agreements governing these warrant transactions, sold to the 2.50% Counterparties warrants (the 2.50% Sold Warrants ) to acquire up to 9.76 million shares of the Company s common stock at a strike price of \$40.6175 per share of the Company s common stock. The 2.50% Sold Warrants will become exercisable on September 1, 2016 and will expire by the end of 2016. The Company received aggregate proceeds of approximately \$28.8 million from the sale of the 2.50% Sold Warrants on May 23, 2011.

**Table of Contents**

Pursuant to guidance issued under ASC Topic 815 *Derivatives and Hedging* as it relates to accounting for derivative financial instruments indexed to, and potentially settled in, a company's own stock, the 2.50% Convertible Note Hedge and the proceeds received from the issuance of the 2.50% Sold Warrants were recorded as a charge and an increase, respectively, in additional paid-in capital in stockholders' equity as separate equity transactions. As a result of these transactions, the Company recorded a net reduction to additional paid-in-capital of \$9.4 million in May 2011.

The Company has evaluated the impact of adopting guidance issued under ASC Topic 815 regarding embedded features as it relates to the 2.50% Sold Warrants, and has determined it had no impact on the Company's results of operations and financial position through March 31, 2014, and will have no impact on the Company's results of operations and financial position in future fiscal periods.

As the 2.50% Convertible Note Hedge transactions and the warrant transactions were separate transactions entered into by the Company with the 2.50% Counterparties, they are not part of the terms of the 2.50% Convertible Notes and will not affect the holders' rights under the 2.50% Convertible Notes. In addition, holders of the 2.50% Convertible Notes will not have any rights with respect to the 2.50% Purchased Call Options or the 2.50% Sold Warrants.

If the market value per share of the Company's common stock at the time of conversion of the 2.50% Convertible Notes is above the strike price of the 2.50% Purchased Call Options, the 2.50% Purchased Call Options entitle the Company to receive from the 2.50% Counterparties net shares of the Company's common stock, cash or a combination of shares of the Company's common stock and cash, depending on the consideration paid on the underlying 2.50% Convertible Notes, based on the excess of the then current market price of the Company's common stock over the strike price of the 2.50% Purchased Call Options. Additionally, if the market price of the Company's common stock at the time of exercise of the 2.50% Sold Warrants exceeds the strike price of the 2.50% Sold Warrants, the Company will owe the 2.50% Counterparties net shares of the Company's common stock or cash, not offset by the 2.50% Purchased Call Options, in an amount based on the excess of the then current market price of the Company's common stock over the strike price of the 2.50% Sold Warrants.

These transactions will generally have the effect of increasing the conversion price of the 2.50% Convertible Notes to \$40.6175 per share of the Company's common stock, representing a 75% percent premium based on the last reported sale price of the Company's common stock of \$23.21 per share on May 17, 2011.

Moreover, in connection with the warrant transactions with the 2.50% Counterparties, to the extent that the price of the Company's common stock exceeds the strike price of the 2.50% Sold Warrants, the warrant transactions could have a dilutive effect on the Company's earnings per share.

**Debt Maturities**

As of March 31, 2014, the Company's debt maturities on a calendar year basis are as follows:

		April 1 through December 31,					
(000 \$ omitted)	Total	2014	2015	2016	2017	2018	Thereafter
Senior Secured	\$ 821,575	\$ 45,938	\$ 61,250	\$ 61,250	\$ 61,250	\$ 61,250	\$ 530,637
	327,354					327,354	

## 1.50% Convertible Notes

(1)

## 2.50% Convertible Notes

(2)

270,155

270,155

Total	\$ 1,419,084	\$ 45,938	\$ 61,250	\$ 331,405	\$ 61,250	\$ 388,604	\$ 530,637
-------	--------------	-----------	-----------	------------	-----------	------------	------------

(1) Reflects the net debt carrying amount of the 1.50% Convertible Notes in the consolidated balance sheet as of March 31, 2014, in accordance with accounting for convertible notes. The principal amount owed to the holders of the 1.50% Convertible Notes is \$400.0 million.

(2) Reflects the net debt carrying amount of the 2.50% Convertible Notes in the consolidated balance sheet as of March 31, 2014, in accordance with accounting for convertible notes. The principal amount owed to the holders of the 2.50% Convertible Notes is \$300.0 million.

**6. Stockholders Equity*****Stock Repurchase Program***

In October 2011, the Company's Board of Directors authorized a program to repurchase up to \$200 million of the Company's common stock over a period of approximately three years (the 2011 Program). In February 2013, the Company's Board of Directors authorized another program to repurchase up to \$300 million of the Company's common stock over a three year period (the February 2013 Program). This program was in addition to the 2011 Program, which was fully expended as of February 27, 2013. In July 2013, the Company's Board of Directors authorized a program to repurchase up to \$300 million of the Company's common stock over a period of approximately three years ( July 2013 Program). The July 2013 Program was in addition to the February 2013 Program, which was fully expended on August 15, 2013. In February 2014, the Company's Board of Directors authorized another program to repurchase up to \$500 million of the Company's common stock over a three year period (the February 2014 Program and together with the 2011 Program and the February 2013 Program, the Repurchase Programs). The February 2014 Program is in addition to the July 2013 Program.

**Table of Contents**

The following table illustrates the activity under the Repurchase Programs, in the aggregate, for the Current Quarter, FY 2013, FY 2012 and FY 2011:

	<b># of shares repurchased as part of stock repurchase programs</b>	<b>Cost of shares repurchased (in 000 s)</b>
Q1 2014	2,900,000	\$ 109,422
FY 2013	15,812,566	436,419
FY 2012	7,185,257	125,341
FY 2011	1,150,000	19,138
<b>Total, FY 2011 through March 31, 2014</b>	<b>27,047,823</b>	<b>\$ 690,320</b>

As of March 31, 2014, \$109.7 million and \$500.0 million remained available for repurchase under the July 2013 Program and February 2014 Program, respectively.

***2009 Equity Incentive Plan***

On August 13, 2009, the Company's stockholders approved the Company's 2009 Equity Incentive Plan (2009 Plan). The 2009 Plan authorizes the granting of common stock options or other stock-based awards covering up to 3.0 million shares of the Company's common stock. All employees, directors, consultants and advisors of the Company, including those of the Company's subsidiaries, are eligible to be granted non-qualified stock options and other stock-based awards (as defined) under the 2009 Plan, and employees are also eligible to be granted incentive stock options (as defined) under the 2009 Plan. No new awards may be granted under the Plan after August 13, 2019.

On August 15, 2012, the Company's stockholders approved the Company's Amended and Restated 2009 Plan (Amended and Restated 2009 Plan), which, among other items and matters, increased the shares available under the 2009 Plan by an additional 4.0 million shares to a total of 7.0 million shares issuable under the Amended and Restated 2009 Plan and extended the 2009 Plan termination date through August 15, 2022.

***Shares Reserved for Issuance***

At March 31, 2014, 2,542,393 common shares were reserved for issuance under the Amended and Restated 2009 Plan. At March 31, 2014 there were no common shares available for issuance under any previous Company plan.

***Stock Options and Warrants***

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

There was no compensation expense related to stock option grants or warrant grants during the Current Quarter or Prior Year Quarter.

Summaries of the Company's stock options, warrants (other than warrants issued related to our 1.50% Convertible Notes and 2.50% Convertible Notes) and performance related options activity, and related information for the Current Quarter are as follows:

	<b>Options</b>	<b>Weighted Average Exercise Price</b>
Outstanding at January 1, 2014	1,313,077	\$ 6.22
Granted		
Canceled		
Exercised	(40,000)	3.81
Expired/Forfeited		
Outstanding at March 31, 2014	1,273,077	\$ 6.30
Exercisable at March 31, 2014	1,273,077	\$ 6.30

#### *Warrants*

	<b>Warrants</b>	<b>Weighted Average Exercise Price</b>
Outstanding at January 1, 2014	190,000	\$ 19.80
Granted		
Canceled		
Exercised	(85,000)	(20.32)
Expired/Forfeited		
Outstanding at March 31, 2014	105,000	\$ 19.38
Exercisable at March 31, 2014	105,000	\$ 19.38

**Table of Contents**

All warrants issued in connection with acquisitions are recorded at fair market value using the Black Scholes model and are recorded as part of purchase accounting. Certain warrants are exercised using the cashless method.

The Company values other warrants issued to non-employees at the commitment date at the fair market value of the instruments issued, a measure which is more readily available than the fair market value of services rendered, using the Black Scholes model. The fair market value of the instruments issued is expensed over the vesting period.

**Restricted stock**

Compensation cost for restricted stock is measured as the excess, if any, of the quoted market price of the Company's stock at the date the common stock is issued over the amount the employee must pay to acquire the stock (which is generally zero). The compensation cost, net of projected forfeitures, is recognized over the period between the issue date and the date any restrictions lapse, with compensation cost for grants with a graded vesting schedule recognized on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards. The restrictions do not affect voting and dividend rights.

The following tables summarize information about unvested restricted stock transactions:

	Shares	Weighted Average Grant Date Fair Value
Non-vested, January 1, 2014	2,770,147	\$ 20.53
Granted	41,791	40.42
Vested	(91,348)	17.41
Forfeited/Canceled	(26,339)	23.79
Non-vested, March 31, 2014	2,694,251	\$ 20.91

The Company has awarded time-based restricted shares of common stock to certain employees. The awards have restriction periods tied to employment and vest over a maximum period of 5 years. The cost of the time-based restricted stock awards, which is the fair market value on the date of grant net of estimated forfeitures, is expensed ratably over the vesting period. The Company has awarded performance-based restricted shares of common stock to certain employees. The awards have restriction periods tied to certain performance measures. The cost of the performance-based restricted stock awards, which is the fair market value on the date of grant net of estimated forfeitures, is expensed when the likelihood of those shares being earned is deemed probable.

Compensation expense related to restricted stock grants for the Current Quarter and the Prior Year Quarter was approximately \$2.5 million and \$1.9 million, respectively. An additional amount of \$8.8 million of expense related to time-based restricted shares is expected to be expensed evenly over a period of approximately three years. During the Current Quarter and the Prior Year Quarter, the Company withheld shares valued at \$13.6 million and \$2.1 million, respectively, of its restricted common stock in connection with net share settlement of restricted stock grants and option exercises.

**7. Earnings Per Share**

Basic earnings per share includes no dilution and is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect, in periods in which they have a dilutive effect, the effect of restricted stock-based awards and common shares issuable upon exercise of stock options and warrants. The difference between basic and diluted weighted-average common shares results from the assumption that all dilutive stock options outstanding were exercised and all convertible notes have been converted into common stock.

As of March 31, 2014, of the total potentially dilutive shares related to restricted stock-based awards, stock options and warrants, less than 0.1 million were anti-dilutive, compared to 1.4 million as of March 31, 2013.

As of March 31, 2014 and 2013, none of the performance related restricted stock-based awards issued in connection with the Company's named executive officers were anti-dilutive.

Warrants issued in connection with the Company's 2.50% Convertible Notes financing were anti-dilutive and therefore not included in this calculation. The 1.50% Convertible Notes and Warrants and the 2.50% Convertible Notes that would be subject to conversion to common stock were dilutive as of March 31, 2014 and therefore have been included in this calculation.



**Table of Contents**

A reconciliation of weighted average shares used in calculating basic and diluted earnings per share follows:

(000 s omitted)	For the Three Months Ended March 31, (unaudited)	
	2014	2013
Basic	49,522	64,208
Effect of exercise of stock options	1,117	1,066
Effect of assumed vesting of restricted stock	1,382	1,418
Effect of convertible notes subject to conversion	4,893	
Effect of convertible notes warrants subject to conversion	1,137	
Diluted	58,051	66,692

**8. Commitments and Contingencies*****Normal Course litigation***

From time to time, the Company is also made a party to litigation incurred in the normal course of business. 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.

**9. Related Party Transactions*****The Candie's Foundation***

The Candie's Foundation, a charitable foundation founded by Neil Cole for the purpose of raising national awareness about the consequences of teenage pregnancy, owed the Company less than \$0.1 million at each March 31, 2014 and December 31, 2013. The Candie's Foundation intends to pay-off the entire borrowing from the Company during 2014, although additional advances will be made as and when necessary.

***Travel***

The Company recorded expenses of approximately \$95 and \$39 in the Current Quarter and Prior Year Quarter, respectively, for the hire and use of aircraft solely for business purposes owned by a company in which the Company's chairman, chief executive officer and president is the sole owner. Management believes that all transactions were made on terms and conditions no less favorable than those available in the marketplace from unrelated parties.

**10. Segment and Geographic Data**

The Company identifies its operating segments according to how business activities are managed and evaluated: men's, women's, home, entertainment and corporate. Since the Company does not track, manage and analyze its assets by segments, no disclosure of segmented assets is reported. The information below has been revised from previously published financial statements in which the Company had formerly identified only one reporting segment.

The geographic regions consist of the United States, Japan and Other (which principally represent Latin America and Europe). Revenues attributable to each region are based on the location in which licensees are located and where they principally do business.

Reportable data for the Company's operating segments were as follows:

	<b>Three Months Ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
<b><u>Licensing and other revenue by segment:</u></b>		
Men's	\$ 23,377	\$ 38,273
Women's	41,452	37,756
Home	10,979	10,894
Entertainment	35,844	18,139
Corporate	3,971	
	<b>\$ 115,623</b>	<b>\$ 105,062</b>
<b><u>Operating income (loss):</u></b>		
Men's	\$ 15,107	\$ 30,567
Women's	35,553	33,729
Home	9,568	9,260
Entertainment	12,112	5,500
Corporate	(4,481)	(12,820)
	<b>\$ 67,859</b>	<b>\$ 66,236</b>
<b><u>Licensing and other revenue by category:</u></b>		
Direct-to-retail license	\$ 43,054	\$ 40,845
Wholesale licenses	44,451	58,881
Other licenses	24,148	5,336
Other revenue	3,971	
	<b>\$ 115,623</b>	<b>\$ 105,062</b>
<b><u>Licensing and other revenue by geographic region:</u></b>		
United States	\$ 82,270	\$ 74,856
Japan	8,888	6,177
Other <sup>(1)</sup>	24,465	24,029
	<b>\$ 115,623</b>	<b>\$ 105,062</b>

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

**Table of Contents****11. Restatement**

As previously discussed, a Special Committee of the Company's Board of Directors, along with the Special Committee's independent legal and accounting advisors, has been conducting a review of the accounting treatment related to certain of the Company's transactions. The advisors have presented their analysis and conclusions to the Special Committee and to the Company's current management team. The Special Committee has now completed the review.

Based on the Special Committee's review and additional review by the Company's Audit Committee and current management team, the Board of Directors, Audit Committee and the Company's current management team concluded that the Company would restate its historical financial statements in respect of (i) the fourth quarter and 2013 fiscal year, (ii) the 2014 fiscal year and each quarterly period thereof and (iii) the first and second quarters of 2015 (collectively, the Restatement Periods), to correct certain errors in accounting. Restatements related to the Current Quarter and the Prior Year Quarter are incorporated and reflected in this Amendment No. 2 on Form 10-K/A.

These restatements include the correction of errors regarding (i) the classification of contractually obligated expenses, retail support and other costs as selling, general and administrative expenses, as opposed to netting such expenses against licensing or other revenue, as applicable, (ii) inadequate support for revenue recognition relating to certain license agreements, and (iii) inadequate estimation of accruals related to retail support for certain license agreements.

Adjustments to the Company's previously reported consolidated statements of income and comprehensive income for the Current Quarter are identified in the tables below:

	<b>Three Months Ended March 31, 2014</b>		
	<b>As Previously Reported</b>	<b>Adjustments</b>	<b>As Restated</b>
Licensing revenue	\$ 112,167	\$ (515)	\$ 111,652
Total revenue	116,138	(515)	115,623
Selling, general and administrative expenses	48,202	(438)	47,764
Operating income	67,936	(77)	67,859
Income before taxes	88,396	(77)	88,319
Provision for income taxes	25,554	(27)	25,527
Net income	62,842	(50)	62,792
Net income attributable to Iconix Brand Group, Inc.	59,768	(50)	59,718
Earnings per share:			
Basic	\$ 1.21	\$ 0.00	\$ 1.21
Diluted	\$ 1.03	\$ 0.00	\$ 1.03

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

Comprehensive income	62,554	(50)	62,504
Comprehensive income attributable to Iconix Brand Group, Inc.	59,480	(50)	59,430

**Table of Contents*****Restated Unaudited Financial Statements for the Quarterly Period Ended June 30, 2014***

## Part I. Financial Information

## Item 1. Financial Statements

**Iconix Brand Group, Inc. and Subsidiaries**

## Unaudited Condensed Consolidated Balance Sheet

(in thousands, except par value)

	<b>June 30, 2014 (Restated)</b>
<b>Assets</b>	
Current Assets:	
Cash and cash equivalents	\$ 131,864
Restricted cash - current	60,554
Accounts receivable, net	135,045
Deferred income tax assets	5,040
Other assets - current	17,925
Total Current Assets	350,428
Property and equipment:	
Furniture, fixtures and equipment	21,991
Less: Accumulated depreciation	(13,774)
	8,217
Other Assets:	
Other assets	44,022
Trademarks and other intangibles, net	2,055,235
Deferred financing costs, net	20,944
Investments and joint ventures	127,226
Goodwill	232,067
	2,479,494
Total Assets	\$ 2,838,139
<b>Liabilities, Redeemable Non-Controlling Interest and Debt, and Stockholders Equity</b>	
Current liabilities:	
Accounts payable and accrued expenses	\$ 27,548
Deferred revenue	31,404

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

Current portion of long-term debt	666,109
Other liabilities - current	7,000
<b>Total current liabilities</b>	<b>732,061</b>
Deferred income tax liability	292,261
Long-term debt, less current maturities	745,013
Deferred revenue, net of current portion	
Other liabilities	12,425
<b>Total Liabilities</b>	<b>1,781,760</b>
Redeemable Non-Controlling Interest	13,866
Equity component of currently redeemable convertible notes	95,141
Commitments and contingencies	
Stockholders' Equity	
Common stock, \$.001 par value shares authorized 150,000; shares issued 78,049	78
Additional paid-in capital	827,505
Retained earnings	748,757
Accumulated other comprehensive loss	13,866
Less: Treasury stock - 29,906 shares at cost	(758,099)
<b>Total Iconix Brand Group, Inc. Stockholders' Equity</b>	<b>832,107</b>
<b>Non-controlling interest</b>	<b>115,265</b>
<b>Total Stockholders' Equity</b>	<b>947,372</b>
<b>Total Liabilities, Redeemable Non-Controlling Interest and Debt, and Stockholders' Equity</b>	<b>\$ 2,838,139</b>

See Notes to Unaudited Condensed Consolidated Financial Statements.

**Table of Contents**

## Unaudited Condensed Consolidated Income Statements

(in thousands, except earnings per share data)

**Iconix Brand Group, Inc. and Subsidiaries****Unaudited Condensed Consolidated Statements of Income****(in thousands, except earnings per share data)**

	Three Months Ended June 30, 2014		Six Months Ended June 30, 2014	
	(Restated)	2013	(Restated)	2013
Licensing revenue	\$ 96,071	\$ 105,356	\$ 207,723	\$ 210,418
Other revenue	16,038	9,769	20,009	9,769
<b>Total revenue</b>	<b>112,109</b>	<b>115,125</b>	<b>227,732</b>	<b>220,187</b>
Selling, general and administrative expenses	43,855	43,611	91,619	82,437
<b>Operating income</b>	<b>68,254</b>	<b>71,514</b>	<b>136,113</b>	<b>137,750</b>
Other (income) expenses:				
Interest expense	21,247	19,097	42,403	33,292
Interest and other income	(482)	(5,995)	(38,976)	(6,323)
Equity earnings on joint ventures	(5,675)	(2,264)	(8,797)	(4,200)
<b>Other (income) expenses net</b>	<b>15,090</b>	<b>10,838</b>	<b>(5,370)</b>	<b>22,769</b>
<b>Income before income taxes</b>	<b>53,164</b>	<b>60,676</b>	<b>141,483</b>	<b>114,981</b>
Provision for income taxes	18,539	18,661	44,066	33,692
<b>Net income</b>	<b>\$ 34,625</b>	<b>\$ 42,015</b>	<b>\$ 97,417</b>	<b>\$ 81,289</b>
Less: Net income attributable to non-controlling interest	\$ 3,463	\$ 3,299	\$ 6,537	\$ 8,384
<b>Net income attributable to Iconix Brand Group, Inc.</b>	<b>\$ 31,162</b>	<b>\$ 38,716</b>	<b>\$ 90,880</b>	<b>\$ 72,905</b>
Earnings per share:				
Basic	\$ 0.64	\$ 0.69	\$ 1.85	\$ 1.21
Diluted	\$ 0.53	\$ 0.66	\$ 1.56	\$ 1.16
Weighted average number of common shares outstanding:				
Basic	48,551	56,405	49,034	60,316
Diluted	58,595	58,994	58,237	62,853

See Notes to Unaudited Condensed Consolidated Financial Statements.

Table of Contents**Iconix Brand Group, Inc. and Subsidiaries****Unaudited Condensed Consolidated Statements of Comprehensive Income****(in thousands)**

	Three Months Ended June 30, 2014		Six Months Ended June 30, 2014	
	(Restated)	2013	(Restated)	2013
Net income	\$ 34,625	\$ 42,015	\$ 97,417	\$ 81,289
Other comprehensive income:				
Foreign currency translation	(2,332)	4,239	(2,620)	(7,195)
Total other comprehensive income	(2,332)	4,239	(2,620)	(7,195)
Comprehensive income	\$ 32,293	\$ 46,254	\$ 94,797	\$ 74,094
Less: comprehensive income attributable to non-controlling interest	3,463	3,299	6,537	8,384
Comprehensive income attributable to Iconix Brand Group, Inc.	\$ 28,830	\$ 42,955	\$ 88,260	\$ 65,710

See Notes to Unaudited Condensed Consolidated Financial Statements.



**Table of Contents****Iconix Brand Group, Inc. and Subsidiaries**

Unaudited Condensed Consolidated Statement of Stockholders' Equity

Six Months Ended June 30, 2014

(in thousands)

	Additional		Accumulated					Total
	Common Stock Shares	Paid-In Capital	Retained Earnings	Comprehensive Loss	Treasury Stock	Non-Controlling Interest		
Balance at January 1, 2014	77,048	\$ 77	\$ 910,145	\$ 657,877	\$ 16,486	\$ (599,816)	\$ 117,173	\$ 1,101,942
Shares issued on exercise of stock options and warrants	277		3,440					3,440
Shares issued on vesting of restricted stock	724	1						1
Tax benefit of stock option exercises			1,172					1,172
Compensation expense in connection with restricted stock and stock options			8,247					8,247
Shares repurchased on the open market						(144,312)		(144,312)
Cost of shares repurchased on vesting of restricted stock and exercise of stock options						(13,971)		(13,971)
Change in redemption value of redeemable non-controlling interest			(358)					(358)
Equity component of currently redeemable convertible notes			(95,141)					(95,141)
Net income				90,880			6,537	97,417
Foreign currency translation					(2,620)			(2,620)
							(8,445)	(8,445)

Distributions to  
non-controlling  
interest holders

Balance at June 30, 2014 (Restated)	78,049	\$ 78	\$ 827,505	\$ 748,757	\$ 13,866	\$ (758,099)	\$ 115,265	\$ 947,372
--	--------	-------	------------	------------	-----------	--------------	------------	------------

See Notes to Unaudited Condensed Consolidated Financial Statements.

**Table of Contents****Iconix Brand Group, Inc. and Subsidiaries**

## Unaudited Condensed Consolidated Statements of Cash Flows

(in thousands)

	<b>Six Months Ended June 30, 2014</b>	<b>Six Months Ended June 30, 2013</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 97,417	\$ 81,289
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property and equipment	1,404	1,241
Amortization of trademarks and other intangibles	2,468	3,781
Amortization of deferred financing costs	2,711	1,727
Amortization of convertible note discount	14,428	10,537
Stock-based compensation expense	8,247	7,931
Non-cash gain on re-measurement of equity investment	(37,893)	
Provision for doubtful accounts	1,956	2,140
Earnings on equity investments in joint ventures	(8,797)	(4,200)
Distributions from equity investments	4,767	3,034
Gain on sale of securities		(5,395)
Gain on sale of trademarks	(20,009)	(9,769)
Deferred income tax provision	25,644	8,412
Changes in operating assets and liabilities, net of business acquisitions:		
Accounts receivable	(21,509)	(20,403)
Other assets - current	6,239	(3,145)
Other assets	(2,581)	7,584
Deferred revenue	433	18,968
Accounts payable, accrued expenses and other liabilities	9,306	(1,780)
Net cash provided by operating activities	84,231	101,952
<b>Cash flows used in investing activities:</b>		
Purchases of property and equipment	(851)	(668)
Acquisition of interest in IPH Unltd		(45,000)
Acquisition of interest in Buffalo		(76,500)
Acquisition of Lee Cooper		(66,667)
Gain on sale of securities		5,395
Acquisition of interest in Iconix Latin America	(42,000)	
Proceeds from sale of trademarks	9,168	16,141
Additional investments in joint ventures	(2,500)	(37)
Additions to trademarks	(295)	(126)

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

Net cash used in investing activities	(36,478)	(167,462)
Cash flows (used in) provided by financing activities:		
Shares repurchased on the open market	(144,312)	(302,764)
Proceeds from long-term debt		662,188
Proceeds from sale of warrants		57,707
Payment for purchase of convertible note hedge		(84,106)
Payment of long-term debt	(30,624)	(67,500)
Deferred financing costs		(3,839)
Acquisition of interest in MG Icon		(3,000)
Distributions to non-controlling interest holders	(8,445)	(4,294)
Excess tax benefit from share-based payment arrangements	1,172	
Shares repurchased on vesting of restricted stock and exercise of stock options	(13,971)	(2,488)
Proceeds from exercise of stock options and warrants	3,440	122
Restricted cash - current	(1,696)	(31,406)
Net cash provided by (used in) financing activities	(194,436)	220,620
Effect of exchange rate changes on cash	(242)	(468)
Net increase (decrease) in cash and cash equivalents	(146,925)	154,642
Cash and cash equivalents, beginning of period	278,789	238,672
Cash and cash equivalents, end of period	\$ 131,864	\$ 393,314

---

**Table of Contents****Supplemental disclosure of cash flow information:**

(in thousands)	Six Months Ended June 30,	
	2014	2013
Cash paid during the period:		
Income taxes	\$ 3,508	\$ 16,022
Interest	\$ 24,448	\$ 16,999
Non-cash investing activities:		
Sale of trademarks for note receivable	\$ 4,516	\$ 7,294

See Notes to Unaudited Condensed Consolidated Financial Statements.

**Table of Contents****Iconix Brand Group, Inc. and Subsidiaries**

Notes to Unaudited Condensed Consolidated Financial Statements

June 30, 2014

(dollars are in thousands (unless otherwise noted) except per share data)

**1. Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management of Iconix Brand Group, Inc. (the Company, we, us, or our), all adjustments (consisting primarily of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ( Current Quarter ) and the six months ( Current Six Months ) ended June 30, 2014 are not necessarily indicative of the results that may be expected for a full fiscal year.

Certain prior period amounts have been reclassified to conform to the current period's presentation.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Amendment No. 2 on Form 10-K/A included herein.

**2. Trademarks and Other Intangibles, net**

Trademarks and other intangibles, net consist of the following:

		<b>June 30, 2014</b>	
	<b>Estimated Lives in Years</b>	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>
<i>(000's omitted)</i>			
Indefinite life trademarks and copyrights	Indefinite	\$ 2,040,893	\$
Definite life trademarks	10-15	19,628	10,258
Non-compete agreements	2-15	940	332
Licensing contracts	1-9	24,652	20,288
		<b>\$ 2,086,113</b>	<b>\$ 30,878</b>
Trademarks and other intangibles, net			<b>\$ 2,055,235</b>

In June 2014, the Company contributed certain trademarks in Korea, Europe and Turkey to its Iconix Southeast Asia joint venture, thereby decreasing indefinite-lived trademarks by approximately \$3.6 million. Also in June 2014, the Company sold the exclusive right to use the sharperimage.com domain name and Sharper Image trademark in connection with the operation of a branded website and catalog distribution in specified jurisdictions, thereby decreasing indefinite-lived trademarks by approximately \$2.2 million.

In February 2014, the Company acquired the 50% interest in Iconix Latin America held by its joint venture partner, thereby increasing its ownership in Iconix Latin America to 100%. As a result of this transaction, Iconix Latin America is now consolidated with the Company, which increased the Company's indefinite life trademarks by \$82.4 million. In January 2014, the Company acquired a 1% interest in Iconix Europe, thereby increasing its ownership in Iconix Europe to 51%. As a result of this transaction, Iconix Europe is now consolidated with the Company, which increased the Company's indefinite life trademarks by \$27.0 million. See Note 3 for further explanation of these transactions.

Amortization expense for intangible assets for the Current Quarter and for the three months ended June 30, 2013 (the Prior Year Quarter) was \$1.0 million and \$1.9 million, respectively. Amortization expense for intangible assets for the Current Six Months and for the six months ended June 30, 2013 (the Prior Year Six Months) was \$2.5 million and \$3.8 million, respectively.

The trademarks of Candie's, Bongo, Joe Boxer, Rampage, Mudd, London Fog, Mossimo, Ocean Pacific, Danskin, Rocawear, Cannon, Royal Velvet, Fieldcrest, Charisma, Starter, Waverly, Ecko, Zoo York, Peanuts, Ed Hardy, Sharper Image, Umbro, Modern Amusement, Buffalo and Lee Cooper have been determined to have an indefinite useful life and accordingly, consistent with ASC Topic 350, no amortization has been recorded in the Company's unaudited condensed consolidated income statements. Instead, each of these intangible assets are tested for impairment annually and as needed on an individual basis as separate single units of accounting, with any related impairment charge recorded to the statement of operations at the time of determining such impairment. The annual evaluation of the Company's indefinite-lived trademarks is performed as of October 1, the beginning of the Company's fourth fiscal quarter. Consistent with ASC Topic 350, there was no impairment of the indefinite-lived trademarks during the Current Quarter or the Prior Year Quarter. Further, as it relates to the Company's definite-lived trademarks, and consistent with ASC Topic 360, there was no impairment of the definite-lived trademarks during the Current Quarter or the Prior Year Quarter.

### **3. Acquisitions, Investments and Joint Ventures**

#### **Acquisitions**

##### ***Iconix Latin America***

In December 2008, the Company contributed substantially all rights to its brands in Mexico, Central America, South America, and the Caribbean (the Latin America Territory) to Iconix Latin America LLC (Iconix Latin America), a then newly formed subsidiary of the Company. On December 29, 2008, New Brands America LLC (New Brands), an affiliate of the Falic Group, purchased a 50% interest in Iconix Latin America. In consideration for its 50% interest in Iconix Latin America, New Brands agreed to pay \$6.0 million to the Company. New Brands paid \$1.0 million upon closing of this transaction and committed to pay an additional \$5.0 million over the 30-month period following closing. As of December 31, 2011 this obligation was paid in full.

**Table of Contents**

During FY 2011, the Company contributed to Iconix Latin America its share of the rights to revenues from IPH Unltd (see below) for the exploitation of the Ecko brands in the Latin America Territory. Also in FY 2011, the Company contributed to Iconix Latin America its rights to the Ed Hardy brands for the Latin America Territory. During FY 2012, the Company contributed to Iconix Latin America the rights to the Zoo York and Sharper Image brands for the Latin America Territory. In aggregate consideration for these contributions, New Brands agreed to pay an aggregate of approximately \$5.7 million to the Company. As of December 31, 2013, the balance owed to the Company under this obligation was approximately \$1.7 million, \$1.2 million of which was included in other assets current and \$0.5 million of which is included in other assets on the Company's consolidated balance sheet. The Company has recorded the consideration associated with these transactions as other liabilities, which was to be recognized over a period of three years.

Prior to the 2014 Buy-out (defined below), based on the corporate structure, voting rights and contributions of the Company and New Brands, Iconix Latin America was not subject to consolidation. This conclusion was based on the Company's determination that the entity met the criteria to be considered a business, and therefore was not subject to consolidation due to the business scope exception of ASC Topic 810. As such, prior to the 2014 Buy-out, the Company had recorded its investment under the equity method of accounting.

In February 2014, the Company purchased from New Brands its 50% interest in Iconix Latin America for \$42.0 million, which was funded entirely from cash on hand (the 2014 Buy-out), thereby taking full ownership of 100% of the equity interests in Iconix Latin America. The following is a reconciliation of cash paid to New Brands:

*(000's omitted)*

Fair value of 50% interest in Iconix Latin America	\$ 42,698
Less: note receivable owed to the Company	(1,695)
Add: accrued distributions due to New Brands	997
Cash paid to New Brands	\$ 42,000

As a result of the 2014 Buy-out and in accordance with ASC Topic 805, the Company recorded a non-cash pre-tax re-measurement gain of approximately \$37.9 million, representing the increase in fair value of its original 50% investment in Iconix Latin America. This re-measurement gain is included in interest and other income on the Company's unaudited condensed consolidated income statement in the Current Six Months. Further, as a result of the 2014 Buy-out, the balance owed to the Company from New Brands was settled. As a result of the 2014 Buy-out, Iconix Latin America is subject to consolidation and is included in the Company's unaudited condensed consolidated financial statements at June 30, 2014.

The estimated fair value of the assets acquired, less liabilities assumed, is allocated as follows:

Fair value of 50% interest in Iconix Latin America	\$ 42,698
Value of initial equity investment prior to 2014 Buy-out	4,805
Gain on re-measurement of initial equity investment	37,893
	\$ 85,396



Trademarks	82,400
License agreements	700
Cash	1,842
Net working deficit, excluding cash	(676)
Goodwill	1,130
	\$ 85,396

The Iconix Latin America trademarks have been determined by management to have an indefinite useful life and accordingly, consistent with ASC Topic 350, no amortization is being recorded in the Company's consolidated income statements. The goodwill and trademarks are subject to a test for impairment on an annual basis. The \$1.1 million of goodwill resulting from the 2014 Buy-out is deductible for income tax purposes.

As of June 30, 2014, the impact of consolidating Iconix Latin America on the Company's unaudited consolidated balance sheet has increased current assets by \$6.8 million, non-current assets by \$84.3 million, current liabilities by \$0.9 million and total liabilities by \$0.9 million. For the Current Six Months, the impact of consolidating Iconix Latin America on the Company's consolidated income statement has increased licensing and other revenue by \$3.2 million and operating income by \$2.7 million.

### *Lee Cooper*

In February 2013, the Company, through its wholly-owned subsidiary Iconix Luxembourg Holdings SÀRL, acquired the Lee Cooper brand for approximately \$72.7 million, of which the Company paid \$66.7 million in cash (funded entirely from cash on hand) and assumed liabilities of approximately \$6.0 million. Founded in 1908, Lee Cooper is an iconic British denim brand that has expanded into multiple lifestyle categories including men's and women's casual wear, footwear and accessories.

### Joint Ventures

#### *Iconix Europe*

In December 2009, the Company contributed substantially all rights to its brands in the European Territory (defined as all member states and candidate states of the European Union and certain other European countries) to Iconix Europe LLC, a then newly formed wholly-owned subsidiary of the Company (Iconix Europe). Also in December 2009 and shortly after the formation of Iconix Europe, an investment group led by The Licensing Company and Albion Equity Partners LLC purchased a 50% interest in Iconix Europe through Brand Investments Vehicles Group 3 Limited (BIV), to assist the Company in developing, exploiting, marketing and licensing the Company's brands in the European Territory. In consideration for its 50% interest in Iconix Europe, BIV agreed to pay \$4.0 million, of which \$3.0 million was paid upon closing of this transaction in December 2009 and the remaining \$1.0 million of which was paid in January 2011. As a result of this transaction, the Company recognized a gain of approximately \$7.0 million for 2009 which is included in licensing and other revenue on the consolidated income statement in 2009. Pursuant to the terms of the Iconix Europe operating agreement and subject to certain conditions, the Company was entitled to recognize a preferred profit distribution from Iconix Europe of at least \$6.0 million, after which all profits and losses are recognized 50/50 in accordance with each principal's membership interest percentage.

**Table of Contents**

At inception and prior to the January 2014 transaction described below, the Company determined, in accordance with ASC 810, based on the corporate structure, voting rights and contributions of the Company and BIV, that Iconix Europe is not a variable interest entity and was not subject to consolidation. The Company had recorded its investment under the equity method of accounting.

In January 2014, the Company consented to the purchase of BIV's 50% ownership interest in Iconix Europe by LF Asia Limited (LF Asia), an affiliate of Li & Fung Limited. In exchange for this consent, the Company received \$1.5 million from LF Asia. As a result of this transaction, the Company recorded a gain of \$1.5 million, which is included in licensing and other revenue in the Company's unaudited condensed consolidated income statement for the Current Six Months. In addition, the Company acquired an additional 1% equity interest in Iconix Europe from LF Asia, and amended the operating agreement (herein referred to as the IE Operating Agreement) thereby increasing its ownership in Iconix Europe to a controlling 51% interest and reducing its preferred profit distribution from Iconix Europe to \$3.0 million after which all profits and losses are recognized 51/49 in accordance with each principal's membership interest percentage.

The estimated fair value of the assets acquired, less liabilities assumed, is allocated as follows:

Fair value of 50% interest in Iconix Europe	\$ 13,800
Value of initial equity investment prior to this transaction	13,800
Gain on re-measurement of initial equity investment	
	\$ 27,600
Trademarks	27,000
Cash	677
Net working deficit, excluding cash	(77)
	\$ 27,600

ASC Topic 810 affirms that consolidation is appropriate when one entity has a controlling financial interest in another entity. As a result of this transaction, the Company owns a 51% membership interest in Iconix Europe compared to the minority owner's 49% membership interest. Further, the Company believes that the voting and veto rights of the minority shareholder are merely protective in nature and do not provide the minority shareholder with substantive participating rights in Iconix Europe. As such, Iconix Europe is subject to consolidation with the Company, which is reflected in the unaudited condensed consolidated financial statements as of June 30, 2014.

In accordance with ASC Topic 810, the Company recognizes the non-controlling interest of Iconix Europe as equity in consolidated financial statements and separate from the parent's equity. As such, the amount of net income attributable to the non-controlling interest of Iconix Europe for the Current Quarter and Current Six Months has been included in net income attributable to non-controlling interest in the unaudited condensed consolidated income statement.

Pursuant to the IE Operating Agreement, for a period following the fifth anniversary of the closing of this transaction (i.e. January 2014) and again following the eighth anniversary of the closing of this transaction, the Company has a call option to purchase, and LF Asia has a put option to initiate the Company's purchase, LF Asia's the 49% equity interests in Iconix Europe for a calculated amount as defined in the IE Operating Agreement. As a result of the

January 2014 transaction, the Company will carry this redeemable non-controlling interest as mezzanine equity on the Company's unaudited condensed consolidated balance sheet. The Company will accrete the difference between the fair value of the put option and the non-controlling interest at inception over the five year term of the first put option to additional paid-in-capital on the Company's balance sheet.

As of June 30, 2014, the impact of consolidating Iconix Europe on the Company's unaudited consolidated balance sheet has increased current assets by \$2.4 million, non-current assets by \$27.0 million, current liabilities by \$1.1 million and total liabilities by \$1.1 million. For the Current Six Months, the impact of consolidating Iconix Europe on the Company's consolidated income statement has increased licensing and other revenue by \$1.5 million and operating income by \$0.3 million.

#### ***LC Partners U.S.***

In March 2014, the Company, through its wholly-owned subsidiary domiciled in Luxembourg, contributed its rights to the Lee Cooper trademarks in the U.S. through a royalty-free perpetual master license agreement to LC Partners U.S. LLC ( LCP ), a then newly formed wholly-owned Delaware limited liability company. Subsequent to this contribution, the Company sold 50% of the equity interests in LCP to Rise Partners LLC ( Rise Partners ) for \$4.0 million, of which \$0.8 million was received during the Current Six Months, with the remaining \$3.2 million to be paid in four equal annual installments on the first through the fourth anniversaries of the closing date. As of June 30, 2014, \$0.8 million of the \$3.2 million is included in other assets—current, with the remaining \$2.4 million included in other assets in the unaudited condensed consolidated balance sheet. As a result of this transaction the Company recorded a \$4.0 million gain, which is included in licensing and other revenue in the unaudited condensed consolidated income statement in the Current Six Months.

At inception, the Company determined, in accordance with ASC 810, based on the corporate structure, voting rights and contributions of the Company and Rise Partners, that LCP is not a variable interest entity and not subject to consolidation. The Company has recorded its investment under the equity method of accounting.

#### ***Buffalo Brand Joint Venture***

In February 2013, Iconix CA Holdings, LLC ( ICA Holdings ), a Delaware limited liability company and a wholly-owned subsidiary of the Company, formed a joint venture with Buffalo International ULC ( BII ). The name of the joint venture is 1724982 Alberta ULC ( Alberta ULC ), an Alberta, Canada unlimited liability company. The Company, through ICA Holdings, paid \$76.5 million, which was funded entirely from cash on hand, in exchange for a 51% controlling ownership of Alberta ULC which consists of a combination of equity and a promissory note. BII owns the remaining 49% interest in Alberta ULC. Alberta ULC owns the intellectual property rights, licenses and other assets relating principally to the Buffalo David Bitton brand (the Buffalo brand ). Concurrently, Alberta ULC and BII entered into a license agreement pursuant to which Alberta ULC licensed the Buffalo brand to BII as licensee in certain categories and geographies. Additionally, ICA Holdings and BII entered into a shareholder agreement with respect to their ownership of Alberta ULC.

**Table of Contents**

The following table is a reconciliation of cash paid to sellers and the fair value of the sellers' non-controlling interest:

Cash paid to sellers	\$ 76,500
Fair value of 49% non-controlling interest to sellers	59,489
	<b>\$ 135,989</b>

The fair value of the assets acquired is allocated as follows:

Trademarks	\$ 142,600
License agreements	2,400
Non-compete agreement	940
Goodwill	4,060
Deferred tax liability	(14,011)
	<b>\$ 135,989</b>

ASC Topic 810 affirms that consolidation is appropriate when one entity has a controlling financial interest in another entity. The Company owns a 51% membership interest in Alberta ULC compared to the minority owner's 49% membership interest. Further, the Company believes that the voting and veto rights of the minority shareholder are merely protective in nature and do not provide the minority shareholder with substantive participating rights in Alberta ULC. As such, Alberta ULC is subject to consolidation with the Company, which is reflected in the unaudited condensed consolidated financial statements.

In accordance with ASC Topic 810, the Company recognizes the non-controlling interest of Alberta ULC as equity in the unaudited condensed consolidated financial statements and separate from the parent's equity. As such, the amount of net income attributable to the non-controlling interest has been included in net income attributable to non-controlling interest in the unaudited condensed consolidated income statement for the Current Quarter.

***Iconix Israel Joint Venture***

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 \$3.3 million. MGS paid \$1.0 million upon the closing of the transaction and committed to pay an additional \$2.3 million over the 36-month period following closing. As a result of this transaction, the Company recorded a gain of \$2.3 million at the closing, which was included in other revenue in FY 2013. As of June 30, 2014, of the \$2.0 million remaining due to the Company from MGS, approximately \$0.8 million is included in other assets—current and \$1.2 million is included in other assets on the unaudited condensed consolidated balance sheet.

Pursuant to the Iconix Israel amended and restated operating agreement, for a period following the second anniversary of the closing of this transaction (i.e. November 2013), the Company has a call option to purchase from MGS 5% of

the equity interests held by MGS in Iconix Israel for a calculated amount as defined in the amended and restated operating agreement.

At inception, the Company determined, in accordance with ASC 810, based on the corporate structure, voting rights and contributions of the Company and MGS, that Iconix Israel is not a variable interest entity and is not subject to consolidation. The Company has recorded its investment under the equity method of accounting.

### ***Iconix Southeast Asia Joint Venture***

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, LF Asia purchased a 50% interest in Iconix SE Asia for \$12.0 million. LF Asia paid \$7.5 million upon the closing of the transaction and committed to pay an additional \$4.5 million over the 24-month period following closing. The Company may earn an additional \$2.0 million based on certain criteria relating to the achievement of Iconix SE Asia revenue targets through the year ending December 31, 2014. As a result of this transaction, the Company recorded a gain of \$2.7 million for the difference between the consideration (cash and notes receivable) received by the Company, \$2.0 million of consulting costs incurred by the Company as part of this transaction which were deducted from the gain due to lack of evidence of fair value of such consulting costs, and the book value of the brands contributed to the joint venture, which was included in other revenue in FY 2013.

In June 2014, the Company contributed substantially all rights to its wholly-owned and controlled brands in the Republic of Korea, and its Ecko, Zoo York, Ed Hardy and Sharper Image Brands in the European Union, and Turkey, in each case, to Iconix SE Asia. In return, LF Asia agreed to pay the Company \$15.9 million, of which \$4.0 million was paid at closing. As a result of this transaction, the Company recorded a gain of \$8.3 million in the Current Quarter for the difference between the consideration (cash and notes receivable) received by the Company, \$5.4 million of marketing costs incurred by the Company as part of this transaction which were deducted from the gain due to lack of evidence of fair value of such marketing costs, and the book value of the brands contributed to the joint venture., which is included in other revenue in the unaudited condensed consolidated income statement.

As of June 30, 2014, of the \$15.9 million remaining due to the Company from LF Asia, \$7.5 million is included in other assets current and \$8.4 million is included in other assets on the unaudited condensed consolidated balance sheet.

Pursuant to the Iconix SE Asia shareholders agreement, for a period following the second anniversary of the closing of this transaction (i.e. October 2013), the Company has a call option to purchase from LF Asia 5% of the equity interests held by LF Asia in Iconix SE Asia for a calculated amount as defined in the Iconix SE Asia shareholders agreement. Further, following the fifth anniversary and again following the eighth anniversary of the closing of this transaction, the Company has a call option to purchase from LF Asia all of the remaining equity interests held by LF Asia in Iconix SE Asia, or the right to the Europe territory, the Southeast Asia territory or the Korean territory on an individual basis, and LF Asia has a put option to initiate the Company's purchase from LF Asia all of the remaining equity interests held by LF Asia in Iconix SE Asia, in each case for a calculated amount as defined in the Iconix SE Asia shareholders agreement.

At inception, the Company determined, in accordance with ASC 810, based on the corporate structure, voting rights and contributions of the Company and LF Asia, that Iconix SE Asia is not a variable interest entity and not subject to consolidation. The Company has recorded its investment under the equity method of accounting.

## **Table of Contents**

### ***Iconix Canada Joint Venture***

In June 2013, the Company contributed substantially all economic rights to its brands in Canada to Iconix Canada L.P. and ICO Brands L.P. (together with general partner 8560854 Canada, Inc., Iconix Canada ), each then a newly formed joint venture with BII and its subsidiaries. In consideration for its aggregate 50% interest in Iconix Canada, BII agreed to pay \$17.7 million in cash to the Company, of which approximately \$8.9 million was paid upon closing of this transaction in June 2013, the remaining \$8.8 million of which is a note payable to the Company to be paid over five years from the date of closing, with final payment in June 2018. Of the \$8.2 million note receivable at June 30, 2014, approximately \$2.9 million is included in other assets – current, the remaining \$5.3 million of which is included in other assets on the unaudited condensed consolidated balance sheet. As a result of this transaction, the Company recognized a gain of approximately \$9.8 million which is included in licensing and other revenue on the consolidated income statement for FY 2013.

Pursuant to the limited partnership agreements between the Company and BII and its subsidiaries, between the second and third anniversaries of June 2013, the Company has a call option to purchase from BII and its subsidiaries 5% of the equity interests held by BII and its subsidiaries in Iconix Canada for a calculated amount as defined in the partnership agreements.

At inception, the Company determined, in accordance with ASC 810, based on the corporate structure, voting rights and contributions of the Company and BII, that Iconix Canada is not a variable interest entity and not subject to consolidation. The Company has recorded its investment under the equity method of accounting.

### ***Iconix Australia Joint Venture***

In September 2013, the Company formed Iconix Australia, LLC ( Iconix Australia ), a Delaware limited liability company and a wholly-owned subsidiary of the Company, and contributed substantially all rights to its wholly-owned and controlled brands in Australia and New Zealand through an exclusive, royalty-free perpetual master license agreement with Iconix Australia. Shortly thereafter Pac Brands USA, Inc. ( Pac Brands ) purchased a 50% interest in Iconix Australia for \$7.2 million in cash, all of which was received upon closing of this transaction in September 2013. As a result of this transaction, the Company recorded a gain of \$5.1 million, which is included in licensing and other revenue in the FY 2013.

Following the second anniversary of the closing of this transaction (i.e. September 2013) and for a period of six months thereafter, the Company may exercise a call option to purchase a 5% interest in Iconix Australia from Pac Brands for a calculated amount as defined in the Iconix Australia operating agreement. Subsequent to the earlier of any exercise of the call option by the Company and six months following the second anniversary of the closing of this transaction, Pac Brands may exercise a put option to initiate the purchase of all of Pac Brands' ownership interests in Iconix Australia by the Company for a calculated amount as defined in the Iconix Australia operating agreement.

At inception, the Company determined, in accordance with ASC 810, based on the corporate structure, voting rights and contributions of the Company and Pac Brands, that Iconix Australia is not a variable interest entity and not subject to consolidation. The Company has recorded its investment under the equity method of accounting.

### ***IPH Unltd***

In October 2009, the Company consummated, through IPH Unltd, a then newly formed subsidiary of the Company, a transaction with the sellers of the Ecko portfolio of brands, including Ecko and Zoo York (the Ecko Assets ), pursuant to which the sellers sold and/or contributed the Ecko Assets to IPH Unltd in exchange for a 49% membership interest

in IPH Unltd and \$63.5 million in cash which had been contributed to IPH Unltd by the Company. As a result of this transaction, the Company owned a 51% controlling membership interest in IPH Unltd. In addition, as part of this transaction, IPH Unltd borrowed \$90.0 million from a third party to repay certain indebtedness of the sellers.

On July 27, 2011 the Company, through its newly formed wholly owned subsidiary ZY Holdings LLC ( ZY Holdings ), acquired the Zoo York trademark and related assets from IPH Unltd for a net purchase price of \$18.0 million, effectively increasing its ownership in the Zoo York assets from 51% to 100%. In accordance with ASC Topic 810, no gain was recognized on this transaction as the Company retained a controlling interest in the Zoo York assets before and after the increase in its ownership interest.

ASC Topic 810 affirms that consolidation is appropriate when one entity has a controlling financial interest in another entity. Prior to May 17, 2013, the Company owned a 51% membership interest in IPH Unltd compared to the minority owner's 49% membership interest. Further, the Company believed that the voting and veto rights of the minority shareholder were merely protective in nature and did not provide them with substantive participating rights in IPH Unltd. As such, prior to May 17, 2013, IPH Unltd was subject to consolidation with the Company, which is reflected in the consolidated financial statements.

In accordance with ASC Topic 810, prior to May 17, 2013, the Company recognized the non-controlling interest of IPH Unltd as equity in the consolidated financial statements and separate from the parent's equity.

On May 17, 2013 the Company purchased the remaining 49% minority interest in IPH Unltd for \$45.0 million in cash, increasing its ownership in IPH Unltd from 51% to 100%. In accordance with ASC Topic 810, no gain was recognized on this transaction as the Company retained a controlling interest in IPH Unltd before and after the increase in its ownership interest.

On May 30, 2013, the Company paid to the holders of the Ecko Note (see Note 5) approximately \$52.7 million, representing total outstanding principal and accrued interest to date. This Ecko Note was issued by IPH Unltd in connection with the Company's original acquisition of a 51% interest in the Ecko and Zoo York brands and related assets in October 2009.

### ***Peanuts Holdings***

On June 3, 2010 (the Peanuts Closing Date ), the Company consummated an interest purchase agreement with United Feature Syndicate, Inc ( UFS ) and The E.W. Scripps Company (the Parent ) (Parent and UFS, collectively, the Sellers ), pursuant to which it purchased all of the issued and outstanding interests ( Interests ) of Peanuts Worldwide, a then newly formed Delaware limited liability company, to which, prior to the closing of this acquisition, copyrights and trademarks associated with the Peanuts characters and certain other assets were contributed by UFS. On the Peanuts Closing Date, the Company also assigned its right to buy all of the Interests to Peanuts Holdings, a newly formed Delaware limited liability company and joint venture owned 80% by Icon Entertainment LLC ( IE ), a wholly-owned subsidiary of the Company, and 20% by Beagle Scout LLC, a Delaware limited liability company ( Beagle ) owned by certain Schulz family trusts.

Further, on the Closing Date, IE and Beagle entered into an operating agreement with respect to Peanuts Holdings (the Peanuts Operating Agreement ). Pursuant to the Peanuts Operating Agreement, the Company, through IE, and Beagle made capital contributions of \$141.0 million and \$34.0 million, respectively, in connection with the acquisition of Peanuts Worldwide. The Interests were then purchased for \$172.1 million in cash, as adjusted for acquired working capital.

---

## **Table of Contents**

In connection with the Peanuts Operating Agreement, the Company through IE, loaned \$17.5 million to Beagle (the Beagle Note ), the proceeds of which were used to fund Beagle's capital contribution to Peanuts Holdings in connection with the acquisition of Peanuts Worldwide. The Beagle Note bears interest at 6% per annum, with minimum principal payable in equal annual installments of approximately \$2.2 million on June 3, with any remaining unpaid principal balance and accrued interest to be due on June 3, 2015, the Beagle Note maturity date. Principal may be prepaid at any time. The Beagle Note is secured by the membership interest in Peanuts Holdings owned by Beagle. As of June 30, 2014, the current portion of approximately \$2.6 million is included in other assets current in the unaudited condensed consolidated balance sheet.

ASC Topic 810 affirms that consolidation is appropriate when one entity has a controlling financial interest in another entity. The Company owns an 80% membership interest in Peanuts Holdings, compared to the non-controlling owner's 20% membership interest. As such, Peanuts Holdings is subject to consolidation with the Company, which is reflected in the Company's unaudited condensed consolidated financial statements as of June 30, 2014.

In accordance with ASC Topic 810, the Company recognizes the non-controlling interest of Peanuts Holdings as equity in the consolidated financial statements and separate from the parent's equity.

## **Investments**

### ***Marcy Media LLC***

In July 2013, the Company purchased a 10% minority interest in Marcy Media LLC ( Marcy Media ), a multi-media portfolio company which owns a 50% interest in Roc Nation LLC, an entertainment and talent management company, for \$32.0 million. At inception, the Company determined, in accordance with ASC 810, based on the corporate structure, voting rights and contributions of the Company that Marcy Media is not a variable interest entity and not subject to consolidation. As the Company does not have significant influence over Marcy Media, its investment has been recorded under the cost method of accounting.

Also in July 2013, the Company acquired the global rights to the Roc Nation name, a diffusion brand of Rocawear, to use and register as a trademark for apparel, footwear and related categories for \$8.0 million.

### ***Complex Media Inc.***

In September 2013, the Company purchased convertible preferred shares which, on an as converted basis as of the closing date, equaled 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, for \$25.0 million. At inception, the Company determined, in accordance with ASC 810, based on the corporate structure, voting rights and contributions of the Company that Complex Media is not a variable interest entity and not subject to consolidation. As the Company does not have significant influence over Complex Media, its investment has been recorded under the cost method of accounting.

## ***Unaudited Pro Forma Information***

Unaudited pro forma information for the transactions completed in the Current Six Months is not presented, as such pro forma disclosure is not required with respect to such transactions because the effects of such transactions, each by themselves or in the aggregate, are considered immaterial to the Company.

## **4. Fair Value Measurements**



ASC Topic 820 Fair Value Measurements, which the Company adopted on January 1, 2008, establishes a framework for measuring fair value and requires expanded disclosures about fair value measurement. While ASC 820 does not require any new fair value measurements in its application to other accounting pronouncements, it does emphasize that a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, ASC 820 established the following fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs):

Level 1: Observable inputs such as quoted prices for identical assets or liabilities in active markets

Level 2: Other inputs that are observable directly or indirectly, such as quoted prices for similar assets or liabilities or market-corroborated inputs

Level 3: Unobservable inputs for which there is little or no market data and which requires the owner of the assets or liabilities to develop its own assumptions about how market participants would price these assets or liabilities

The valuation techniques that may be used to measure fair value are as follows:

(A) Market approach Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities

(B) Income approach Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about those future amounts, including present value techniques, option-pricing models and excess earnings method

(C) Cost approach Based on the amount that would currently be required to replace the service capacity of an asset (replacement cost)

To determine the fair value of certain financial instruments, the Company relies on Level 1 inputs generated by market transactions of identical instruments where available, Level 2 inputs generated by market transactions of similar instruments where available and in the absence of Level 1 inputs, and Level 3 inputs using an income approach when Level 1 and Level 2 inputs are not available. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of financial assets and financial liabilities and their placement within the fair value hierarchy.

### ***Financial Instruments***

As of June 30, 2014 and December 31, 2013, the fair values of cash, receivables and accounts payable approximated their carrying values due to the short-term nature of these instruments. The fair value of notes receivables and note payable from and to our joint venture partners approximate their carrying values, and the fair value of our cost basis investments approximate their carrying values. The estimated fair values of other financial instruments subject to fair value disclosures, determined based on Level One inputs including broker quotes or quoted market prices and the related carrying amounts are as follows:

<i>(000 \$ omitted)</i>	<b>June 30, 2014</b>		<b>December 31, 2013</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
	\$ 1,411,122	\$ 1,834,869	\$ 1,427,319	\$ 1,786,232

Long-term debt, including  
current portion

**Table of Contents**

Financial instruments expose the Company to counterparty credit risk for nonperformance and to market risk for changes in interest. The Company manages exposure to counterparty credit risk through specific minimum credit standards, diversification of counterparties and procedures to monitor the amount of credit exposure. The Company's financial instrument counterparties are investment or commercial banks with significant experience with such instruments as well as certain of our joint venture partners – see Note 3.

***Non-Financial Assets and Liabilities***

The Company accounts for non-recurring adjustments to the fair values of its non-financial assets and liabilities under ASC Topic 820 using a market participant approach. The Company uses a discounted cash flow model with Level 3 inputs to measure the fair value of its non-financial assets and liabilities. The Company also adopted the provisions of ASC 820 as it relates to purchase accounting for its acquisitions. The Company has goodwill, which is tested for impairment at least annually, as required by ASC Topic 350. Further, in accordance with ASC Topic 350, the Company's indefinite-lived trademarks are tested for impairment at least annually, on an individual basis as separate single units of accounting. Similarly, consistent with ASC Topic 360 as it relates to accounting for the impairment or disposal of long-lived assets, the Company assesses whether or not there is impairment of the Company's definite-lived trademarks. There was no impairment, and therefore no write-down, of any of the Company's long-lived assets during the Current Quarter or FY 2013.

**5. Debt Arrangements**

The Company's net carrying amount of debt is comprised of the following:

<i>(000's omitted)</i>	June 30, 2014
Senior Secured Notes	\$ 806,263
1.50% Convertible Notes	331,563
2.50% Convertible Notes	273,296
Total	\$ 1,411,122

***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.

As of June 30, 2014, no amounts under the Variable Funding Notes have been drawn. 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 intellectual property and license agreements for the use of its intellectual property, 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 and a 50% interest in the Ice Cream trademark and the Billionaire Boys Club 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.

---

**Table of Contents**

In June 2014, the Company sold the [sharperimage.com](http://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 have a security interest pursuant to the Indenture. As a result of this permitted disposition, the Company will pay an additional \$1.6 million in principal on the next quarterly payment date. The Company made this payment in July 2014.

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) intellectual property 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, Charisma, and Sharper Image; (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 has been compliant with all covenants under the Notes from inception through the Current Quarter.

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 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 June 30, 2014, the total principal balance of the Notes is \$806.3 million, of which \$62.9 million is included in the current portion of long-term debt on the Company's unaudited condensed consolidated balance sheet. As of June 30, 2014 and December 31, 2013, \$51.1 million and \$52.4 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.

The *1.50% Convertible Notes* bear interest at an annual rate of 1.50%, payable semi-annually in arrears on March 15 and September 15 of each year, beginning on September 15, 2013. However, the Company recognizes an effective interest rate of 6.50% on the carrying amount of the *1.50% Convertible Notes*. The effective rate is based on the rate for a similar instrument that does not have a conversion feature. The *1.50% Convertible Notes* will be convertible into cash and, if applicable, shares of the Company's common stock based on a conversion rate of 32.4052 shares of the Company's common stock, subject to customary adjustments, per \$1,000 principal amount of the *1.50% Convertible Notes* (which is equal to an initial conversion price of approximately \$30.86 per share) only under the following circumstances: (1) during any fiscal quarter beginning after December 15, 2017 (and only during such fiscal quarter), if the closing price of the Company's common stock for at least 20 trading days in the 30 consecutive trading days ending on and including the last trading day of the immediately preceding fiscal quarter is more than 130% of the conversion price per share, which is \$1,000 divided by the then applicable conversion rate; (2) during the five consecutive business day period immediately following any five consecutive trading day period in which the trading price per \$1,000 principal amount of the *1.50% Convertible Notes* for each day of that period was less than 98% of the product of (a) the closing price of the Company's common stock for each day in that period and (b) the conversion rate per \$1,000 principal amount of the *1.50% Convertible Notes*; (3) if specified distributions to holders of the Company's common stock are made, as set forth in the indenture governing the *1.50% Convertible Notes* ( *1.50% Indenture* ); (4) if a change of control or other fundamental change, each as defined in the *1.50% Indenture*, occurs; and (5) during the 90 day period prior to maturity of the *1.50% Convertible Notes*. If the holders of the *1.50% Convertible Notes* exercise the conversion provisions under the circumstances set forth, the Company will need to remit the lower of the

principal balance of the 1.50% Convertible Notes or their conversion value to the holders in cash. As such, the Company would be required to classify the entire amount outstanding of the 1.50% Convertible Notes as a current liability in the following quarter. The evaluation of the classification of amounts outstanding associated with the 1.50% Convertible Notes will occur every quarter.

**Table of Contents**

Upon conversion, a holder will receive an amount in cash equal to the lesser of (a) the principal amount of the 1.50% Convertible Note or (b) the conversion value, determined in the manner set forth in the 1.50% Indenture. If the conversion value exceeds the principal amount of the 1.50% Convertible Notes on the conversion date, the Company will also deliver, at its election, cash or the Company's common stock or a combination of cash and the Company's common stock for the conversion value in excess of the principal amount. In the event of a change of control or other fundamental change, the holders of the 1.50% Convertible Notes may require the Company to purchase all or a portion of their 1.50% Convertible Notes at a purchase price equal to 100% of the principal amount of the 1.50% Convertible Notes, plus accrued and unpaid interest, if any. Holders of the 1.50% Convertible Notes who convert their 1.50% Convertible Notes in connection with a fundamental change may be entitled to a make-whole premium in the form of an increase in the conversion rate.

Pursuant to guidance issued under ASC Topic 815, the 1.50% Convertible Notes are accounted for as convertible debt in the accompanying consolidated balance sheet and the embedded conversion option in the 1.50% Convertible Notes has not been accounted for as a separate derivative. For a discussion of the effects of the 1.50% Convertible Notes and the 1.50% Convertible Notes Hedges and Sold Warrants defined and discussed below on earnings per share, see Note 7.

As of June 30, 2014 and December 31, 2013, the amount of the 1.50% Convertible Notes accounted for as a liability was approximately \$331.6 million and \$323.4 million, respectively, and is reflected on the consolidated balance sheet as follows:

<i>(000's omitted)</i>	June 30, 2014
Equity component carrying amount	\$ 49,931
Unamortized discount	68,437
Net debt carrying amount	331,563

As of June 30, 2014, the closing price of the Company's common stock for at least 20 trading days in the 30 consecutive trading days ending on and including the last trading day of the immediately preceding fiscal quarter was more than 130% of the conversion price per share of the 1.50% Convertible Notes. If the holders of the 1.50% Convertible Notes were to exercise the conversion option, the principal amount is payable in cash and any amount payable in excess of the \$400 million principal amount will be paid in cash or shares of the Company's common stock, at the Company's election. As a result, the 1.50% Convertible Notes are included in current portion of long-term debt on the unaudited condensed consolidated balance sheet as of June 30, 2014, reflecting the redemption rights of the holders to convert their notes during the three months ending September 30, 2014. Further, the Company has classified \$68.4 million as the equity component of the 1.50% Convertible Notes subject to redemption, and together with the net debt carrying value of the 1.50% Convertible Notes, represents the full \$400.0 million par value of the 1.50% Convertible Notes. This \$68.4 million is included in equity component of currently redeemable convertible notes on the unaudited condensed consolidated balance sheet as of June 30, 2014.

For the Current Quarter and the Prior Year Quarter, the Company recorded additional non-cash interest expense of approximately \$3.9 million and \$3.7 million, respectively, representing the difference between the stated interest rate on the 1.50% Convertible Notes and the rate for a similar instrument that does not have a conversion feature.

For the Current Six Months and the Prior Year Six Months, the Company recorded additional non-cash interest expense of approximately \$7.5 million and \$4.3 million, respectively, representing the difference between the stated interest rate on the 1.50% Convertible Notes and the rate for a similar instrument that does not have a conversion



feature.

For each of the Current Quarter and the Prior Year Quarter, cash interest expense relating to the 1.50% Convertible Notes was approximately \$1.5 million.

For the Current Six Months and the Prior Year Six Months, cash interest expense relating to the 1.50% Convertible Notes was approximately \$3.0 million and \$1.7 million, respectively.

The 1.50% Convertible Notes do not provide for any financial covenants.

On March 18, 2013, the Company used a portion of the proceeds from the 1.50% Convertible Notes to repurchase 2,964,000 shares of its common stock in a private transaction with a third party for \$69.0 million. See note 6 for further information on our stock repurchase program.

In connection with the sale of the 1.50% Convertible Notes, the Company entered into hedges for the 1.50% Convertible Notes ( 1.50% Convertible Note Hedges ) with respect to its common stock with one entity (the 1.50% Counterparty ). Pursuant to the agreements governing these 1.50% Convertible Note Hedges, the Company purchased call options (the 1.50% Purchased Call Options ) from the 1.50% Counterparty covering up to approximately 13.0 million shares of the Company s common stock. These 1.50% Convertible Note Hedges are designed to offset the Company s exposure to potential dilution upon conversion of the 1.50% Convertible Notes in the event that the market value per share of the Company s common stock at the time of exercise is greater than the strike price of the 1.50% Purchased Call Options (which strike price corresponds to the initial conversion price of the 1.50% Convertible Notes and is simultaneously subject to certain customary adjustments). On March 13, 2013, the Company paid an aggregate amount of approximately \$84.1 million of the proceeds from the sale of the 1.50% Convertible Notes for the 1.50% Purchased Call Options, of which \$29.4 million was included in the balance of deferred income tax assets at March 13, 2013 and is being recognized over the term of the 1.50% Convertible Notes. As of June 30, 2014, the balance of deferred income tax assets related to this transaction was approximately \$21.8 million.

The Company also entered into separate warrant transactions with the 1.50% Counterparty whereby the Company, pursuant to the agreements governing these warrant transactions, sold to the 1.50% Counterparty warrants (the 1.50% Sold Warrants ) to acquire up to approximately 13.0 million shares of the Company s common stock at a strike price of \$35.5173 per share of the Company s common stock. The 1.50% Sold Warrants will become exercisable on June 18, 2018 and will expire by September 1, 2018. The Company received aggregate proceeds of approximately \$57.7 million from the sale of the 1.50% Sold Warrants on March 13, 2013.

Pursuant to guidance issued under ASC Topic 815 Derivatives and Hedging as it relates to accounting for derivative financial instruments indexed to, and potentially settled in, a company s own stock, the 1.50% Convertible Note Hedge and the proceeds received from the issuance of the 1.50% Sold Warrants were recorded as a charge and an increase, respectively, in additional paid-in capital in stockholders equity as separate equity transactions. As a result of these transactions, the Company recorded a net increase to additional paid-in-capital of \$3.0 million in March 2013.

---

**Table of Contents**

The Company has evaluated the impact of adopting guidance issued under ASC Topic 815 regarding embedded features as it relates to the 1.50% Sold Warrants, and has determined it had no impact on the Company's results of operations and financial position through June 30, 2014, and will have no impact on the Company's results of operations and financial position in future fiscal periods.

As the 1.50% Convertible Note Hedge transactions and the warrant transactions were separate transactions entered into by the Company with the 1.50% Counterparty, they are not part of the terms of the 1.50% Convertible Notes and will not affect the holders' rights under the 1.50% Convertible Notes. In addition, holders of the 1.50% Convertible Notes will not have any rights with respect to the 1.50% Purchased Call Options or the 1.50% Sold Warrants.

If the market value per share of the Company's common stock at the time of conversion of the 1.50% Convertible Notes is above the strike price of the 1.50% Purchased Call Options, the 1.50% Purchased Call Options entitle the Company to receive from the 1.50% Counterparties net shares of the Company's common stock, cash or a combination of shares of the Company's common stock and cash, depending on the consideration paid on the underlying 1.50% Convertible Notes, based on the excess of the then current market price of the Company's common stock over the strike price of the 1.50% Purchased Call Options. Additionally, if the market price of the Company's common stock at the time of exercise of the 1.50% Sold Warrants exceeds the strike price of the 1.50% Sold Warrants, the Company will owe the 1.50% Counterparty net shares of the Company's common stock or cash, not offset by the 1.50% Purchased Call Options, in an amount based on the excess of the then current market price of the Company's common stock over the strike price of the 1.50% Sold Warrants.

These transactions will generally have the effect of increasing the conversion price of the 1.50% Convertible Notes to \$35.5173 per share of the Company's common stock, representing a 52.5% percent premium based on the last reported sale price of the Company's common stock of \$23.29 per share on March 12, 2013.

Moreover, in connection with the warrant transactions with the 1.50% Counterparty, to the extent that the price of the Company's common stock exceeds the strike price of the 1.50% Sold Warrants, the warrant transactions could have a dilutive effect on the Company's earnings per share.

***2.50% Convertible Notes***

On May 23, 2011, the Company completed the issuance of \$300.0 million principal amount of the Company's 2.50% convertible senior subordinated notes due June 2016 ( "2.50% 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 \$291.6 million.

The 2.50% Convertible Notes bear interest at an annual rate of 2.50%, payable semi-annually in arrears on June 1 and December 1 of each year, beginning December 1, 2011. However, the Company recognizes an effective interest rate of 7.25% on the carrying amount of the 2.50% Convertible Notes. The effective rate is based on the rate for a similar instrument that does not have a conversion feature. The 2.50% Convertible Notes will be convertible into cash and, if applicable, shares of the Company's common stock based on a conversion rate of 32.5169 shares of the Company's common stock, subject to customary adjustments, per \$1,000 principal amount of the 2.50% Convertible Notes (which is equal to an initial conversion price of approximately \$30.75 per share) only under the following circumstances: (1) during any fiscal quarter beginning after June 30, 2011 (and only during such fiscal quarter), if the closing price of the Company's common stock for at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is more than 130% of the conversion price per share, which is \$1,000 divided by the then applicable conversion rate; (2) during the five business day period immediately following any five consecutive trading day period in which the trading price per \$1,000 principal amount of the 2.50% Convertible Notes

for each day of that period was less than 98% of the product of (a) the closing price of the Company's common stock for each day in that period and (b) the conversion rate per \$1,000 principal amount of the 2.50% Convertible Notes; (3) if specified distributions to holders of the Company's common stock are made, as set forth in the indenture governing the 2.50% Convertible Notes ( 2.50% Indenture ); (4) if a change of control or other fundamental change, each as defined in the 2.50% Indenture, occurs; and (5) during the 90 day period prior to maturity of the 2.50% Convertible Notes. If the holders of the 2.50% Convertible Notes exercise the conversion provisions under the circumstances set forth, the Company will need to remit the lower of the principal balance of the 2.50% Convertible Notes or their conversion value to the holders in cash. As such, the Company would be required to classify the entire amount outstanding of the 2.50% Convertible Notes as a current liability in the following quarter. The evaluation of the classification of amounts outstanding associated with the 2.50% Convertible Notes will occur every quarter.

Upon conversion, a holder will receive an amount in cash equal to the lesser of (a) the principal amount of the 2.50% Convertible Note or (b) the conversion value, determined in the manner set forth in the 2.50% Indenture. If the conversion value exceeds the principal amount of the 2.50% Convertible Notes on the conversion date, the Company will also deliver, at its election, cash or the Company's common stock or a combination of cash and the Company's common stock for the conversion value in excess of the principal amount. In the event of a change of control or other fundamental change, the holders of the 2.50% Convertible Notes may require the Company to purchase all or a portion of their 2.50% Convertible Notes at a purchase price equal to 100% of the principal amount of the 2.50% Convertible Notes, plus accrued and unpaid interest, if any. Holders of the 2.50% Convertible Notes who convert their 2.50% Convertible Notes in connection with a fundamental change may be entitled to a make-whole premium in the form of an increase in the conversion rate.

Pursuant to guidance issued under ASC Topic 815, the 2.50% Convertible Notes are accounted for as convertible debt in the accompanying consolidated balance sheet and the embedded conversion option in the 2.50% Convertible Notes has not been accounted for as a separate derivative. For a discussion of the effects of the 2.50% Convertible Notes and the 2.50% Convertible Notes Hedges and Sold Warrants defined and discussed below on earnings per share, see Note 7.

As of June 30, 2014 and December 31, 2013, the amount of the 2.50% Convertible Notes accounted for as a liability was approximately \$273.3 million and \$267.0 million, respectively, and is reflected on the consolidated balance sheet as follows:

<i>(000 s omitted)</i>	June 30, 2014
Equity component carrying amount	\$ 35,996
Unamortized discount	26,704
Net debt carrying amount	273,296

As of June 30, 2014, the closing price of the Company's common stock for at least 20 trading days in the 30 consecutive trading days ending on and including the last trading day of the immediately preceding fiscal quarter was more than 130% of the conversion price per share of the 2.50% Convertible Notes. If the holders of the 2.50% Convertible Notes were to exercise the conversion option, the principal amount is payable in cash and any amount payable in excess of the \$300 million principal amount will be paid in cash or shares of the Company's common stock, at the Company's election. As a result, the 2.50% Convertible Notes are included in current portion of long-term debt on the unaudited condensed consolidated balance sheet as of June 30, 2014, reflecting the redemption rights of the holders to convert their notes during the three months ending September 30, 2014. Further, the Company has classified \$26.7 million as the equity component of the 2.50% Convertible Notes subject to redemption, and together with the net debt carrying value of the 2.50% Convertible Notes, represents the full \$300.0 million par value of the 1.50% Convertible Notes. This \$26.7 million is included in equity component of currently redeemable convertible notes on the unaudited condensed consolidated balance sheet as of June 30, 2014.

## Table of Contents

For the Current Quarter and the Prior Year Quarter, the Company recorded additional non-cash interest expense of approximately \$2.8 million and \$2.6 million, respectively, representing the difference between the stated interest rate on the 2.50% Convertible Notes and the rate for a similar instrument that does not have a conversion feature.

For the Current Six Months and the Prior Year Six Months, the Company recorded additional non-cash interest expense of approximately \$5.7 million and \$5.3 million, respectively, representing the difference between the stated interest rate on the 2.50% Convertible Notes and the rate for a similar instrument that does not have a conversion feature.

For each of the Current Quarter and the Prior Year Quarter, cash interest expense relating to the 2.50% Convertible Notes was approximately \$1.9 million.

For each of the Current Six Months and the Prior Year Six Months, cash interest expense relating to the 2.50% Convertible Notes was approximately \$3.8 million.

The 2.50% Convertible Notes do not provide for any financial covenants.

In connection with the sale of the 2.50% Convertible Notes, the Company entered into hedges for the 2.50% Convertible Notes ( 2.50% Convertible Note Hedges ) with respect to its common stock with two entities (the 2.50% Counterparties ). Pursuant to the agreements governing these 2.50% Convertible Note Hedges, the Company purchased call options (the 2.50% Purchased Call Options ) from the 2.50% Counterparties covering up to approximately 9.8 million shares of the Company s common stock. These 2.50% Convertible Note Hedges are designed to offset the Company s exposure to potential dilution upon conversion of the 2.50% Convertible Notes in the event that the market value per share of the Company s common stock at the time of exercise is greater than the strike price of the 2.50% Purchased Call Options (which strike price corresponds to the initial conversion price of the 2.50% Convertible Notes and is simultaneously subject to certain customary adjustments). On May 23, 2011, the Company paid an aggregate amount of approximately \$58.7 million of the proceeds from the sale of the 2.50% Convertible Notes for the 2.50% Purchased Call Options, of which \$20.6 million was included in the balance of deferred income tax assets at May 23, 2011 and is being recognized over the term of the 2.50% Convertible Notes. As of June 30, 2014, the balance of deferred income tax assets related to this transaction was approximately \$8.0 million.

The Company also entered into separate warrant transactions with the 2.50% Counterparties whereby the Company, pursuant to the agreements governing these warrant transactions, sold to the 2.50% Counterparties warrants (the 2.50% Sold Warrants ) to acquire up to 9.76 million shares of the Company s common stock at a strike price of \$40.6175 per share of the Company s common stock. The 2.50% Sold Warrants will become exercisable on September 1, 2016 and will expire by the end of 2016. The Company received aggregate proceeds of approximately \$28.8 million from the sale of the 2.50% Sold Warrants on May 23, 2011.

Pursuant to guidance issued under ASC Topic 815 Derivatives and Hedging as it relates to accounting for derivative financial instruments indexed to, and potentially settled in, a company s own stock, the 2.50% Convertible Note Hedge and the proceeds received from the issuance of the 2.50% Sold Warrants were recorded as a charge and an increase, respectively, in additional paid-in capital in stockholders equity as separate equity transactions. As a result of these transactions, the Company recorded a net reduction to additional paid-in-capital of \$9.4 million in May 2011.

The Company has evaluated the impact of adopting guidance issued under ASC Topic 815 regarding embedded features as it relates to the 2.50% Sold Warrants, and has determined it had no impact on the Company s results of operations and financial position through June 30, 2014, and will have no impact on the Company s results of operations and financial position in future fiscal periods.

As the 2.50% Convertible Note Hedge transactions and the warrant transactions were separate transactions entered into by the Company with the 2.50% Counterparties, they are not part of the terms of the 2.50% Convertible Notes and will not affect the holders' rights under the 2.50% Convertible Notes. In addition, holders of the 2.50% Convertible Notes will not have any rights with respect to the 2.50% Purchased Call Options or the 2.50% Sold Warrants.

If the market value per share of the Company's common stock at the time of conversion of the 2.50% Convertible Notes is above the strike price of the 2.50% Purchased Call Options, the 2.50% Purchased Call Options entitle the Company to receive from the 2.50% Counterparties net shares of the Company's common stock, cash or a combination of shares of the Company's common stock and cash, depending on the consideration paid on the underlying 2.50% Convertible Notes, based on the excess of the then current market price of the Company's common stock over the strike price of the 2.50% Purchased Call Options. Additionally, if the market price of the Company's common stock at the time of exercise of the 2.50% Sold Warrants exceeds the strike price of the 2.50% Sold Warrants, the Company will owe the 2.50% Counterparties net shares of the Company's common stock or cash, not offset by the 2.50% Purchased Call Options, in an amount based on the excess of the then current market price of the Company's common stock over the strike price of the 2.50% Sold Warrants.

These transactions will generally have the effect of increasing the conversion price of the 2.50% Convertible Notes to \$40.6175 per share of the Company's common stock, representing a 75% percent premium based on the last reported sale price of the Company's common stock of \$23.21 per share on May 17, 2011.

Moreover, in connection with the warrant transactions with the 2.50% Counterparties, to the extent that the price of the Company's common stock exceeds the strike price of the 2.50% Sold Warrants, the warrant transactions could have a dilutive effect on the Company's earnings per share.

### ***Debt Maturities***

As of June 30, 2014, the Company's debt maturities on a calendar year basis are as follows:

<i>(000 \$ omitted)</i>	Total	July 1 through December 31,					
		2014	2015	2016	2017	2018	Thereafter
Senior Secured	\$ 806,263	\$ 32,264	\$ 61,250	\$ 61,250	\$ 61,250	\$ 61,250	\$ 528,999
1.50% Convertible Notes (1)	331,563					331,563	
2.50% Convertible Notes (2)	273,296			273,296			
Total	\$ 1,411,122	\$ 32,264	\$ 61,250	\$ 334,546	\$ 61,250	\$ 392,813	\$ 528,999

(1) Reflects the net debt carrying amount of the 1.50% Convertible Notes in the consolidated balance sheet as of June 30, 2014, in accordance with accounting for convertible notes. The principal amount owed to the holders of the 1.50% Convertible Notes is \$400.0 million.

(2) Reflects the net debt carrying amount of the 2.50% Convertible Notes in the consolidated balance sheet as of June 30, 2014, in accordance with accounting for convertible notes. The principal amount owed to the holders of the 2.50% Convertible Notes is \$300.0 million.

**Table of Contents****6. Stockholders Equity*****Stock Repurchase Program***

In October 2011, the Company's Board of Directors authorized a program to repurchase up to \$200 million of the Company's common stock over a period of approximately three years (the 2011 Program). In February 2013, the Company's Board of Directors authorized another program to repurchase up to \$300 million of the Company's common stock over a three year period (the February 2013 Program). This program was in addition to the 2011 Program, which was fully expended as of February 27, 2013. In July 2013, the Company's Board of Directors authorized a program to repurchase up to \$300 million of the Company's common stock over a period of approximately three years (July 2013 Program). The July 2013 Program was in addition to the February 2013 Program, which was fully expended on August 15, 2013. In February 2014, the Company's Board of Directors authorized another program to repurchase up to \$500 million of the Company's common stock over a three year period (the February 2014 Program and together with the 2011 Program and the February 2013 Program, the Repurchase Programs). The February 2014 Program is in addition to the July 2013 Program.

The following table illustrates the activity under the Repurchase Programs, in the aggregate, for the FY 2014, FY 2013, FY 2012 and FY 2011:

	<b># of shares repurchased as part of stock repurchase programs</b>	<b>Cost of shares repurchased (in 000 s)</b>
Q2 YTD 2014	3,700,000	\$ 144,312
FY 2013	15,812,566	436,419
FY 2012	7,185,257	125,341
FY 2011	1,150,000	19,138
<b>Total, FY 2011 through June 30, 2014</b>	<b>27,847,823</b>	<b>\$ 725,210</b>

As of June 30, 2014, \$74.8 million and \$500.0 million remained available for repurchase under the July 2013 Program and February 2014 Program, respectively.

***2009 Equity Incentive Plan***

On August 13, 2009, the Company's stockholders approved the Company's 2009 Equity Incentive Plan (2009 Plan). The 2009 Plan authorizes the granting of common stock options or other stock-based awards covering up to 3.0 million shares of the Company's common stock. All employees, directors, consultants and advisors of the Company, including those of the Company's subsidiaries, are eligible to be granted non-qualified stock options and other stock-based awards (as defined) under the 2009 Plan, and employees are also eligible to be granted incentive stock options (as defined) under the 2009 Plan. No new awards may be granted under the Plan after August 13, 2019.

On August 15, 2012, the Company's stockholders approved the Company's Amended and Restated 2009 Plan (Amended and Restated 2009 Plan), which, among other items and matters, increased the shares available under the 2009 Plan by an additional 4.0 million shares to a total of 7.0 million shares issuable under the Amended and Restated

2009 Plan and extended the 2009 Plan termination date through August 15, 2022.

***Shares Reserved for Issuance***

At June 30, 2014, 2,330,868 common shares were reserved for issuance under the Amended and Restated 2009 Plan. At June 30, 2014 there were no common shares available for issuance under any previous Company plan.

***Stock Options and Warrants***

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

There was no compensation expense related to stock option grants or warrant grants during the Current Quarter or Prior Year Quarter.

**Table of Contents**

Summaries of the Company's stock options, warrants (other than warrants issued related to our 1.50% Convertible Notes and 2.50% Convertible Notes) and performance related options activity, and related information for the Current Six Months are as follows:

	<b>Options</b>	<b>Weighted Average Exercise Price</b>
Outstanding at January 1, 2014	1,313,077	\$ 6.22
Granted		
Canceled		
Exercised	(137,000)	3.04
Expired/Forfeited		
Outstanding at June 30, 2014	1,176,077	\$ 6.59
Exercisable at June 30, 2014	1,176,077	\$ 6.59

**Warrants**

	<b>Warrants</b>	<b>Weighted Average Exercise Price</b>
Outstanding at January 1, 2014	190,000	\$ 19.80
Granted		
Canceled		
Exercised	(140,000)	21.63
Expired/Forfeited		
Outstanding at June 30, 2014	50,000	\$ 14.67
Exercisable at June 30, 2014	50,000	\$ 14.67

All warrants issued in connection with acquisitions are recorded at fair market value using the Black Scholes model and are recorded as part of purchase accounting. Certain warrants are exercised using the cashless method.

The Company values other warrants issued to non-employees at the commitment date at the fair market value of the instruments issued, a measure which is more readily available than the fair market value of services rendered, using the Black Scholes model. The fair market value of the instruments issued is expensed over the vesting period.

**Restricted stock**

Compensation cost for restricted stock is measured as the excess, if any, of the quoted market price of the Company's stock at the date the common stock is issued over the amount the employee must pay to acquire the stock (which is generally zero). The compensation cost, net of projected forfeitures, is recognized over the period between the issue date and the date any restrictions lapse, with compensation cost for grants with a graded vesting schedule recognized on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award



was, in substance, multiple awards. The restrictions do not affect voting and dividend rights.

The following tables summarize information about unvested restricted stock transactions:

	<b>Shares</b>	<b>Weighted Average Grant Date Fair Value</b>
Non-vested, January 1, 2014	2,770,147	\$ 20.53
Granted	253,316	40.62
Vested	(143,883)	18.49
Forfeited/Canceled	(30,288)	23.58
Non-vested, June 30, 2014	2,849,292	\$ 22.39

The Company has awarded time-based restricted shares of common stock to certain employees. The awards have restriction periods tied to employment and vest over a maximum period of 5 years. The cost of the time-based restricted stock awards, which is the fair market value on the date of grant net of estimated forfeitures, is expensed ratably over the vesting period. The Company has awarded performance-based restricted shares of common stock to certain employees. The awards have restriction periods tied to certain performance measures. The cost of the performance-based restricted stock awards, which is the fair market value on the date of grant net of estimated forfeitures, is expensed when the likelihood of those shares being earned is deemed probable.

Compensation expense related to restricted stock grants for the Current Quarter and the Prior Year Quarter was approximately \$5.7 million and \$6.0 million, respectively. Compensation expense related to restricted stock grants for the Current Six Months and the Prior Year Six Months was approximately \$8.2 million and \$7.9 million, respectively. An additional amount of \$9.6 million of expense related to time-based restricted shares is expected to be expensed evenly over a period of approximately three years. During the Current Quarter and the Prior Year Quarter, the Company repurchased shares valued at \$.4 million and \$0.3 million, respectively, of its common stock in connection with net share settlement of restricted stock grants and option exercises. During the Current Six Months and the Prior Year Six Months, the Company repurchased shares valued at \$14.0 million and \$2.4 million, respectively, of its common stock in connection with net share settlement of restricted stock grants and option exercises.

**Table of Contents****7. Earnings Per Share**

Basic earnings per share includes no dilution and is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect, in periods in which they have a dilutive effect, the effect of restricted stock-based awards, common shares issuable upon exercise of stock options and warrants and shares underlying convertible notes potentially issuable upon conversion. The difference between basic and diluted weighted-average common shares results from the assumption that all dilutive stock options outstanding were exercised and all convertible notes have been converted into common stock.

As of June 30, 2014, of the total potentially dilutive shares related to restricted stock-based awards, stock options and warrants, none were anti-dilutive, compared to less than 0.1 million as of June 30, 2013.

As of June 30, 2014 and 2013, none of the performance related restricted stock-based awards issued in connection with the Company's named executive officers were anti-dilutive.

The 1.50% Convertible Notes and Warrants and the 2.50% Convertible Notes and Warrants that would be subject to conversion to common stock were dilutive as of June 30, 2014 and therefore have been included in this calculation.

A reconciliation of weighted average shares used in calculating basic and diluted earnings per share follows:

(000 shares omitted)	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	(unaudited)		(unaudited)	
	2014	2013	2014	2013
Basic	48,551	56,405	49,034	60,316
Effect of exercise of stock options	1,016	1,145	1,061	1,106
Effect of assumed vesting of restricted stock	1,339	1,444	1,361	1,431
Effect of convertible notes subject to conversion	5,743		5,240	
Effect of convertible notes warrants subject to conversion	1,946		1,541	
Diluted	58,595	58,994	58,237	62,853

**8. Commitments and Contingencies*****Normal Course litigation***

From time to time, the Company is also made a party to litigation incurred in the normal course of business. 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.

**9. Related Party Transactions*****The Candie's Foundation***

The Candie's Foundation, a charitable foundation founded by Neil Cole for the purpose of raising national awareness about the consequences of teenage pregnancy, owed the Company \$0.3 million at June 30, 2014 and less than \$0.1 million at December 31, 2013. The Candie's Foundation intends to pay-off the entire borrowing from the Company during 2014, although additional advances will be made as and when necessary.

### *Travel*

The Company recorded expenses of approximately \$33 in the Prior Year Quarter and \$95 and \$72 in the Current Six Months and the Prior Year Six Months, respectively, for the hire and use of aircraft solely for business purposes owned by a company in which the Company's chairman, chief executive officer and president is the sole owner. There were no such expenses in the Current Quarter. Management believes that all transactions were made on terms and conditions no less favorable than those available in the marketplace from unrelated parties.

## **10. Segment and Geographic Data**

The Company identifies its operating segments according to how business activities are managed and evaluated: men's, women's, home, entertainment and corporate. Since the Company does not track, manage and analyze its assets by segments, no disclosure of segmented assets is reported. The information below has been revised from previously published financial statements in which the Company had formerly identified only one reporting segment.

The geographic regions consist of the United States, Japan and Other (which principally represent Latin America and Europe). Revenues attributable to each region are based on the location in which licensees are located and where they principally do business.

**Table of Contents**

Reportable data for the Company's operating segments were as follows:

	Q2 2014 (Restated)	Q2 2013	Six Months 2014 (Restated)	Six Months 2013
<b><u>Licensing and other revenue by segment:</u></b>				
Mens	\$ 25,742	\$ 39,098	\$ 49,119	\$ 77,371
Womens	39,985	38,268	81,437	76,024
Home	11,242	10,139	22,221	21,033
Entertainment	19,102	17,852	54,946	35,990
Corporate	16,038	9,769	20,009	9,769
	\$ 112,109	\$ 115,125	\$ 227,732	\$ 220,187

**Operating income (loss) by segment:**

Mens	\$ 14,970	\$ 28,962	\$ 30,077	\$ 59,529
Womens	34,595	32,764	70,148	66,493
Home	9,416	8,179	18,985	17,440
Entertainment	3,498	4,649	15,610	10,149
Corporate	5,775	(3,040)	1,294	(15,861)
	\$ 68,254	\$ 71,514	\$ 136,114	\$ 137,750

(000's omitted)	For the three months ended June 30, (unaudited)		For the six months ended June 30, (unaudited)	
	2014 (Restated)	2013	2014 (Restated)	2013
<b><u>Licensing and other revenue by segment:</u></b>				
Mens	\$ 25,742	\$ 39,098	\$ 49,119	\$ 77,371
Womens	39,985	38,268	81,437	76,024
Home	11,242	10,139	22,221	21,033
Entertainment	19,102	17,852	54,946	35,990
Corporate	16,038	9,769	20,009	9,769
	\$ 112,109	\$ 115,125	\$ 227,732	\$ 220,187

**Operating income (loss) by segment:**

Mens	\$ 14,970	\$ 28,962	\$ 30,077	\$ 59,529
Womens	34,595	32,764	70,148	66,493
Home	9,416	8,179	18,985	17,440
Entertainment	3,498	4,649	15,610	10,149
Corporate	5,775	(3,040)	1,293	(15,861)

	\$ 68,254	\$ 71,514	\$ 136,113	\$ 137,750
--	-----------	-----------	------------	------------

**Licensing and other revenue by category:**

Direct-to-retail license	\$ 46,176	\$ 43,237	\$ 89,229	\$ 84,082
Wholesale license	42,122	55,074	86,573	113,955
Entertainment and other	23,811	16,814	51,930	22,150
	\$ 112,109	\$ 115,125	\$ 227,732	\$ 220,187

**Licensing and other revenue by geographic region:**

United States	\$ 73,755	\$ 71,326	\$ 156,025	\$ 146,272
Japan	7,630	5,806	16,518	11,893
Other <sup>(1)</sup>	30,724	37,993	55,189	62,022
	\$ 112,109	\$ 115,125	\$ 227,732	\$ 220,187

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

**Table of Contents**

**11. Subsequent Events**

As of June 30, 2014, there was an aggregate of \$8.6 million included in restricted cash, representing cash collateral related to a financing arrangement on behalf of a licensee in which the Company has a minority interest accounted for under the cost method of accounting. In July 2014, the lender under this financing arrangement made a cash collateral call, reducing the Company's restricted cash by \$8.5 million. The Company expects to recover this \$8.5 million through assets secured by this financing arrangement as well as through contractual obligations under an agreement between the licensee and the Company. Accordingly, no loss was recognized on this asset account.

**Table of Contents****12. Restatement**

As previously discussed, a Special Committee of the Company's Board of Directors, along with the Special Committee's independent legal and accounting advisors, has been conducting a review of the accounting treatment related to certain of the Company's transactions. The advisors have presented their analysis and conclusions to the Special Committee and to the Company's current management team. The Special Committee has now completed the review.

Based on the Special Committee's review and additional review by the Company's Audit Committee and current management team, the Board of Directors, Audit Committee and the Company's current management team concluded that the Company would restate its historical financial statements in respect of (i) the fourth quarter and 2013 fiscal year, (ii) the 2014 fiscal year and each quarterly period thereof and (iii) the first and second quarters of 2015 (collectively, the Restatement Periods), to correct certain errors in accounting. Restatements related to the Current Six Months are incorporated and reflected in this Amendment No. 2 on Form 10-K/A.

These restatements include the correction of errors regarding (i) the classification of contractually obligated expenses, retail support and other costs as selling, general and administrative expenses, as opposed to netting such expenses against licensing or other revenue, as applicable, (ii) inadequate support for revenue recognition relating to certain license agreements, and (iii) inadequate estimation of accruals related to retail support for certain license agreements.

Adjustments to the Company's previously reported consolidated statements of income and comprehensive income for the Current Quarter and Current Six Months are identified in the tables below:

	Three Months Ended June 30, 2014			Six Months Ended June 30, 2014		
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
Licensing revenue	\$ 97,542	\$ (1,471)	\$ 96,071	\$ 209,709	\$ (1,986)	\$ 207,723
Other revenue	21,401	(5,363)	16,038	25,372	(5,363)	20,009
<b>Total revenue</b>	<b>118,943</b>	<b>(6,834)</b>	<b>112,109</b>	<b>235,081</b>	<b>(7,349)</b>	<b>227,732</b>
Selling, general and administrative expenses	44,293	(438)	43,855	92,495	(876)	91,619
<b>Operating income</b>	<b>74,650</b>	<b>(6,396)</b>	<b>68,254</b>	<b>142,586</b>	<b>(6,473)</b>	<b>136,113</b>
Income before taxes	59,560	(6,396)	53,164	147,956	(6,473)	141,483
Provision for income taxes	20,778	(2,239)	18,539	46,332	(2,266)	44,066
<b>Net income</b>	<b>38,782</b>	<b>(4,157)</b>	<b>34,625</b>	<b>101,624</b>	<b>(4,207)</b>	<b>97,417</b>
Net income attributable to Iconix Brand Group, Inc.	35,319	(4,157)	31,162	95,087	(4,207)	90,880
<b>Earnings per share:</b>						
Basic	\$ 0.73	(\$ 0.09)	\$ 0.64	\$ 1.94	(\$ 0.09)	\$ 1.85
Diluted	\$ 0.60	(\$ 0.07)	\$ 0.53	\$ 1.63	(\$ 0.07)	\$ 1.56

Comprehensive income	36,450	(4,157)	32,293	99,004	(4,207)	94,797
Comprehensive income attributable to Iconix Brand Group, Inc.	32,987	(4,157)	28,830	92,467	(4,207)	88,260



**Table of Contents*****Restated Unaudited Financial Statements for the Quarterly Period Ended September 30, 2014***

## Part I. Financial Information

## Item 1. Financial Statements

**Iconix Brand Group, Inc. and Subsidiaries**

## Condensed Consolidated Balance Sheet

(in thousands, except par value)

	<b>September 30, 2014 (Restated)</b>
<b>Assets</b>	
Current Assets:	
Cash and cash equivalents	\$ 129,526
Restricted cash – current	48,689
Accounts receivable, net	131,802
Deferred income tax assets	6,560
Other assets – current	46,722
<b>Total Current Assets</b>	<b>363,299</b>
Property and equipment:	
Furniture, fixtures and equipment	22,320
Less: Accumulated depreciation	(14,508)
	7,812
Other Assets:	
Other assets	52,220
Trademarks and other intangibles, net	2,028,623
Deferred financing costs, net	21,105
Investments and joint ventures	136,698
Goodwill	231,855
	2,470,501
<b>Total Assets</b>	<b>\$ 2,841,612</b>
<b>Liabilities, Redeemable Non-Controlling Interest and Stockholders' Equity</b>	
Current liabilities:	
Accounts payable and accrued expenses	\$ 38,605
Deferred revenue	30,760

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

Current portion of long-term debt	61,123
Other liabilities – current	12,120
<b>Total current liabilities</b>	<b>142,608</b>
Deferred income tax liability	300,853
Long-term debt, less current maturities	1,340,660
Deferred revenue, net of current portion	
Other liabilities	12,310
<b>Total Liabilities</b>	<b>1,796,431</b>
<b>Redeemable Non-Controlling Interest</b>	<b>14,045</b>
Commitments and contingencies	
<b>Stockholders' Equity</b>	
Common stock, \$.001 par value shares authorized 150,000; shares issued 78,102	78
Additional paid-in capital	929,606
Retained earnings	782,441
Accumulated other comprehensive income (loss)	(12,608)
Less: Treasury stock – 30,619 shares at cost	(785,414)
<b>Total Iconix Brand Group, Inc. Stockholders' Equity</b>	<b>914,103</b>
Non-controlling interest	117,033
<b>Total Stockholders' Equity</b>	<b>1,031,136</b>
<b>Total Liabilities, Redeemable Non-Controlling Interest, and Stockholders' Equity</b>	<b>\$ 2,841,612</b>

See Notes to Unaudited Condensed Consolidated Financial Statements.

**Table of Contents**

## Unaudited Condensed Consolidated Income Statements

(in thousands, except earnings per share data)

**Iconix Brand Group, Inc. and Subsidiaries****Unaudited Condensed Consolidated Statements of Income****(in thousands, except earnings per share data)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014 (Restated)	2013	2014 (Restated)	2013
Licensing revenue	\$ 91,612	\$ 99,135	\$ 299,334	\$ 309,553
Other revenue	18,680	8,040	38,690	17,809
<b>Total revenue</b>	<b>110,292</b>	<b>107,175</b>	<b>338,024</b>	<b>327,362</b>
Selling, general and administrative expenses	46,878	45,705	138,497	128,142
<b>Operating income</b>	<b>63,414</b>	<b>61,470</b>	<b>199,527</b>	<b>199,220</b>
Other (income) expenses:				
Interest expense	21,130	21,230	63,533	54,522
Interest and other income	(605)	(616)	(39,581)	(6,939)
Equity earnings on joint ventures	(4,084)	(3,388)	(12,881)	(7,588)
<b>Other expenses net</b>	<b>16,441</b>	<b>17,226</b>	<b>11,071</b>	<b>39,995</b>
<b>Income before income taxes</b>	<b>46,973</b>	<b>44,244</b>	<b>188,456</b>	<b>159,225</b>
Provision for income taxes	9,856	13,740	53,922	47,432
<b>Net income</b>	<b>\$ 37,117</b>	<b>\$ 30,504</b>	<b>\$ 134,534</b>	<b>\$ 111,793</b>
Less: Net income attributable to non-controlling interest	\$ 3,433	\$ 1,507	\$ 9,970	\$ 9,891
<b>Net income attributable to Iconix Brand Group, Inc.</b>	<b>\$ 33,684</b>	<b>\$ 28,997</b>	<b>\$ 124,564</b>	<b>\$ 101,902</b>
Earnings per share:				
Basic	\$ 0.70	\$ 0.54	\$ 2.56	\$ 1.76
Diluted	\$ 0.58	\$ 0.50	\$ 2.14	\$ 1.67
Weighted average number of common shares outstanding:				
Basic	47,991	53,325	48,682	57,966
Diluted	58,457	57,805	58,306	61,150

See Notes to Unaudited Condensed Consolidated Financial Statements.

**Table of Contents****Iconix Brand Group, Inc. and Subsidiaries****Unaudited Condensed Consolidated Statements of Comprehensive Income****(in thousands)**

	Three Months Ended September 30, 2014 (Restated)	2013	2014 (Restated)	2013
Net income	\$ 37,117	\$ 30,504	\$ 134,534	\$ 111,793
Other comprehensive income:				
Foreign currency translation	(26,524)	12,200	(29,144)	5,005
Unrealized gain on investments	50		50	
Total other comprehensive income	(26,474)	12,200	(29,094)	5,005
Comprehensive income	\$ 10,643	\$ 42,704	\$ 105,440	\$ 116,798
Less: comprehensive income attributable to non-controlling interest	(3,433)	(1,507)	(9,970)	(9,891)
Comprehensive income attributable to Iconix Brand Group, Inc.	\$ 7,210	\$ 41,197	\$ 95,470	\$ 106,907

See Notes to Unaudited Condensed Consolidated Financial Statements.

**Table of Contents****Iconix Brand Group, Inc. and Subsidiaries**

Unaudited Condensed Consolidated Statement of Stockholders' Equity

Nine Months Ended September 30, 2014

(in thousands)

Accumulated

Other

	Common Stock Shares	Amount Paid-In	Additional Capital	Retained Earnings	Comprehensive Loss	Treasury Stock	Non-Controlling Interest	Total
Balance at January 1, 2014	77,048	\$ 77	\$ 910,145	\$ 657,877	\$ 16,486	\$ (599,816)	\$ 117,173	\$ 1,101,942
Shares issued on exercise of stock options and warrants	302		3,792					3,792
Shares issued on vesting of restricted stock	752	1						1
Tax benefit of stock option exercises			1,480					1,480
Compensation expense in connection with restricted stock and stock options			14,726					14,726
Shares repurchased on the open market						(171,627)		(171,627)
Cost of shares repurchased on vesting of restricted stock and exercise of stock options						(13,971)		(13,971)
Change in redemption value of redeemable non-controlling interest			(537)					(537)
Net income				124,564			9,970	134,534
Foreign currency translation					(29,144)			(29,144)
Distributions to non-controlling interest holders							(10,110)	(10,110)
					50			50

Unrealized Gain on  
Investments

Balance at September 30, 2014 (Restated)	78,102	\$ 78	\$ 929,606	\$ 782,441	\$ (12,608)	\$ (785,414)	\$ 117,033	\$ 1,031,136
--	--------	-------	------------	------------	-------------	--------------	------------	--------------

See Notes to Unaudited Condensed Consolidated Financial Statements.

**Table of Contents****Iconix Brand Group, Inc. and Subsidiaries**

## Unaudited Condensed Consolidated Statements of Cash Flows

(in thousands)

	<b>Nine Months Ended September 30, 2014 (Restated)</b>	<b>Nine Months Ended September 30, 2013</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 134,534	\$ 111,793
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property and equipment	2,154	1,897
Amortization of trademarks and other intangibles	3,392	5,765
Amortization of deferred financing costs	3,997	2,898
Amortization of convertible note discount	22,041	17,705
Stock-based compensation expense	14,726	12,528
Non-cash gain on re-measurement of equity investment	(37,893)	
Provision for doubtful accounts	5,530	4,968
Earnings on equity investments in joint ventures	(12,881)	(7,588)
Distributions from equity investments	6,303	4,217
Gain on sale of securities	(125)	(5,395)
Gain on sale of trademarks	(38,690)	(17,809)
Deferred income tax provision	29,893	15,246
Changes in operating assets and liabilities, net of business acquisitions:		
Accounts receivable	(35,530)	(8,186)
Other assets - current	31,558	(639)
Other assets	(30,034)	942
Deferred revenue	216	13,722
Accounts payable, accrued expenses and other liabilities	25,255	8,154
Net cash provided by operating activities	124,445	160,218
<b>Cash flows used in investing activities:</b>		
Purchases of property and equipment	(1,086)	(1,046)
Acquisition of interest in IPH Unltd		(45,000)
Acquisition of interest in Buffalo		(76,500)
Acquisition of Lee Cooper		(66,667)
Acquisition of interest in Complex Media		(25,120)
Acquisition of interest in Mary Media		(32,000)
Acquisition of trademarks of Rocawear diffusion brand		(8,000)
Proceeds from sale of securities	720	5,395
Acquisition of interest in Iconix Latin America	(42,000)	
Proceeds from sale of trademarks	14,730	23,361



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

Additional investments in joint ventures	(2,500)	(373)
Additions to trademarks	(790)	(344)
Purchase of securities	(5,998)	
Net cash used in investing activities	(36,924)	(226,294)
Cash flows (used in) provided by financing activities:		
Shares repurchased on the open market	(168,168)	(406,333)
Proceeds from long-term debt		662,188
Proceeds from sale of warrants		57,707
Payment for purchase of convertible note hedge		(84,106)
Payment of long-term debt	(47,574)	(79,800)
Deferred financing costs		(3,839)
Acquisition of interest in MG Icon		(3,000)
Distributions to non-controlling interest holders	(10,110)	(4,440)
Excess tax benefit from share-based payment arrangements	1,480	
Shares repurchased on vesting of restricted stock and exercise of stock options	(13,696)	(2,737)
Proceeds from exercise of stock options and warrants	3,512	328
Restricted cash - current	1,708	(29,998)
Net cash provided by (used in) financing activities	(232,848)	105,970
Effect of exchange rate changes on cash	(3,936)	807
Net increase (decrease) in cash and cash equivalents	(149,263)	40,701
Cash and cash equivalents, beginning of period	278,789	238,672
Cash and cash equivalents, end of period	\$ 129,526	\$ 279,373

---

**Table of Contents****Supplemental disclosure of cash flow information:**

(in thousands)	Nine Months Ended September 30,	
	2014	2013
Cash paid during the period:		
Income taxes	\$ 3,508	\$ 16,478
Interest	\$ 36,051	\$ 27,439
Non-cash investing activities:		
Sale of trademarks for note receivable	\$ 39,339	\$ 8,919
Non-cash financing activities:		
Shares repurchased on the open market included in payables	\$ 3,459	\$

See Notes to Unaudited Condensed Consolidated Financial Statements.

**Table of Contents****Iconix Brand Group, Inc. and Subsidiaries**

Notes to Unaudited Condensed Consolidated Financial Statements

September 30, 2014

(dollars are in thousands (unless otherwise noted) except per share data)

**1. Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management of Iconix Brand Group, Inc. (the Company, we, us, or our), all adjustments (consisting primarily of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ( Current Quarter ) and the nine months ( Current Nine Months ) ended September 30, 2014 are not necessarily indicative of the results that may be expected for a full fiscal year.

Certain prior period amounts have been reclassified to conform to the current period's presentation.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Amendment No. 2 on Form 10-K/A included herein.

**2. Trademarks and Other Intangibles, net**

Trademarks and other intangibles, net consist of the following:

		<b>September 30, 2014</b>	
	<b>Estimated Lives in Years</b>	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>
<i>(000's omitted)</i>			
Indefinite life trademarks and copyrights	Indefinite	\$ 2,015,256	\$
Definite life trademarks	10-15	19,628	10,622
Non-compete agreements	2-15	940	392
Licensing contracts	1-9	24,440	20,627
		<b>\$ 2,060,264</b>	<b>\$ 31,641</b>
Trademarks and other intangibles, net			<b>\$ 2,028,623</b>

In September 2014, the Company contributed certain trademarks in China to its Iconix Southeast Asia joint venture, thereby decreasing indefinite-lived trademarks by approximately \$5.2 million.

In June 2014, the Company contributed certain trademarks in Korea, Europe and Turkey to its Iconix Southeast Asia joint venture, thereby decreasing indefinite-lived trademarks by approximately \$3.6 million. Also in June 2014, the

Company sold the exclusive right to use the sharperimage.com domain name and Sharper Image trademark in connection with the operation of a branded website and catalog distribution in specified jurisdictions, thereby decreasing indefinite-lived trademarks by approximately \$2.2 million.

In February 2014, the Company acquired the 50% interest in Iconix Latin America held by its joint venture partner, thereby increasing its ownership in Iconix Latin America to 100%. As a result of this transaction, Iconix Latin America is now consolidated with the Company, which increased the Company's indefinite life trademarks by \$82.4 million. In January 2014, the Company acquired a 1% interest in Iconix Europe, thereby increasing its ownership in Iconix Europe to 51%. As a result of this transaction, Iconix Europe is now consolidated with the Company, which increased the Company's indefinite life trademarks by \$27.0 million. See Note 3 for further explanation of these transactions.

Amortization expense for intangible assets for the Current Quarter and for the three months ended September 30, 2013 (the Prior Year Quarter) was \$0.9 million and \$2.0 million, respectively. Amortization expense for intangible assets for the Current Nine Months and for the nine months ended September 30, 2013 (the Prior Year Nine Months) was \$3.4 million and \$5.8 million, respectively.

The trademarks of Candie's, Bongo, Joe Boxer, Rampage, Mudd, London Fog, Mossimo, Ocean Pacific, Danskin, Rocawear, Cannon, Royal Velvet, Fieldcrest, Charisma, Starter, Waverly, Ecko, Zoo York, Peanuts, Ed Hardy, Sharper Image, Umbro, Modern Amusement, Buffalo and Lee Cooper have been determined to have an indefinite useful life and accordingly, consistent with ASC Topic 350, no amortization has been recorded in the Company's unaudited condensed consolidated income statements. Instead, each of these intangible assets are tested for impairment annually and as needed on an individual basis as separate single units of accounting, with any related impairment charge recorded to the statement of operations at the time of determining such impairment. The annual evaluation of the Company's indefinite-lived trademarks is performed as of October 1, the beginning of the Company's fourth fiscal quarter. Consistent with ASC Topic 350, there was no impairment of the indefinite-lived trademarks during the Current Nine Months or the Prior Year Nine Months. Further, as it relates to the Company's definite-lived trademarks, and consistent with ASC Topic 360, there was no impairment of the definite-lived trademarks during the Current Nine Months or the Prior Year Nine Months.

**Table of Contents****3. Acquisitions, Investments and Joint Ventures****Acquisitions*****Iconix Latin America***

In December 2008, the Company contributed substantially all rights to its brands in Mexico, Central America, South America, and the Caribbean (the Latin America Territory) to Iconix Latin America LLC (Iconix Latin America), a then newly formed subsidiary of the Company. On December 29, 2008, New Brands America LLC (New Brands), an affiliate of the Falic Group, purchased a 50% interest in Iconix Latin America. In consideration for its 50% interest in Iconix Latin America, New Brands agreed to pay \$6.0 million to the Company. New Brands paid \$1.0 million upon closing of this transaction and committed to pay an additional \$5.0 million over the 30-month period following closing. As of December 31, 2011 this obligation was paid in full.

During FY 2011, the Company contributed to Iconix Latin America its share of the rights to revenues from IPH Unltd (see below) for the exploitation of the Ecko brands in the Latin America Territory. Also in FY 2011, the Company contributed to Iconix Latin America its rights to the Ed Hardy brands for the Latin America Territory. During FY 2012, the Company contributed to Iconix Latin America the rights to the Zoo York and Sharper Image brands for the Latin America Territory. In consideration for these contributions, New Brands agreed to pay an aggregate of approximately \$5.7 million to the Company. As of December 31, 2013, the balance owed to the Company under this obligation was approximately \$1.7 million, \$1.2 million of which was included in other assets current and \$0.5 million of which is included in other assets on the Company's consolidated balance sheet. The Company had recorded the consideration associated with these transactions as other liabilities, which was to be recognized over a period of three years.

Prior to the 2014 Buy-out (defined below), based on the corporate structure, voting rights and contributions of the Company and New Brands, Iconix Latin America was not subject to consolidation. This conclusion was based on the Company's determination that the entity met the criteria to be considered a business, and therefore was not subject to consolidation due to the business scope exception of ASC Topic 810. As such, prior to the 2014 Buy-out, the Company had recorded its investment under the equity method of accounting.

In February 2014, the Company purchased from New Brands its 50% interest in Iconix Latin America for \$42.0 million, which was funded entirely from cash on hand (the 2014 Buy-out), thereby taking full ownership of 100% of the equity interests in Iconix Latin America. The following is a reconciliation of cash paid to New Brands:

*(000's omitted)*

Fair value of 50% interest in Iconix Latin America	\$ 42,698
Less: note receivable owed to the Company	(1,695)
Add: accrued distributions due to New Brands	997
Cash paid to New Brands	\$ 42,000

As a result of the 2014 Buy-out and in accordance with ASC Topic 805, the Company recorded a non-cash pre-tax re-measurement gain of approximately \$37.9 million, representing the increase in fair value of its original 50% investment in Iconix Latin America. This re-measurement gain is included in interest and other income on the Company's unaudited condensed consolidated income statement in the Current Nine Months. Further, as a result of the

2014 Buy-out, the balance owed to the Company from New Brands was settled. As a result of the 2014 Buy-out, Iconix Latin America is subject to consolidation and is included in the Company's unaudited condensed consolidated financial statements at September 30, 2014.

The estimated fair value of the assets acquired, less liabilities assumed, is allocated as follows:

Fair value of 50% interest in Iconix Latin America	\$ 42,698
Value of initial equity investment prior to 2014 Buy-out	4,805
Gain on re-measurement of initial equity investment	37,893
	\$ 85,396
Trademarks	82,400
License agreements	700
Cash	1,842
Net working deficit, excluding cash	(676)
Goodwill	1,130
	\$ 85,396

The Iconix Latin America trademarks have been determined by management to have an indefinite useful life and accordingly, consistent with ASC Topic 350, no amortization is being recorded in the Company's consolidated income statements. The goodwill and trademarks are subject to a test for impairment on an annual basis. The \$1.1 million of goodwill resulting from the 2014 Buy-out is deductible for income tax purposes.

As of September 30, 2014, the impact of consolidating Iconix Latin America on the Company's unaudited consolidated balance sheet has increased current assets by \$9.2 million, non-current assets by \$84.3 million, current liabilities by \$1.6 million and total liabilities by \$1.6 million. For the Current Nine Months, the impact of consolidating Iconix Latin America on the Company's consolidated income statement has increased licensing and other revenue by \$5.4 million and operating income by \$4.6 million.

### ***Lee Cooper***

In February 2013, the Company, through its wholly-owned subsidiary Iconix Luxembourg Holdings SÀRL, acquired the Lee Cooper brand for approximately \$72.7 million, of which the Company paid \$66.7 million in cash (funded entirely from cash on hand) and assumed liabilities of approximately \$6.0 million. Founded in 1908, Lee Cooper is an iconic British denim brand that has expanded into multiple lifestyle categories including men's and women's casual wear, footwear and accessories.

**Table of Contents****Joint Ventures*****Iconix Europe***

In December 2009, the Company contributed substantially all rights to its brands in the European Territory (defined as all member states and candidate states of the European Union and certain other European countries) to Iconix Europe LLC, a then newly formed wholly-owned subsidiary of the Company (Iconix Europe). Also in December 2009 and shortly after the formation of Iconix Europe, an investment group led by The Licensing Company and Albion Equity Partners LLC purchased a 50% interest in Iconix Europe through Brand Investments Vehicles Group 3 Limited (BIV), to assist the Company in developing, exploiting, marketing and licensing the Company's brands in the European Territory. In consideration for its 50% interest in Iconix Europe, BIV agreed to pay \$4.0 million, of which \$3.0 million was paid upon closing of this transaction in December 2009 and the remaining \$1.0 million of which was paid in January 2011. As a result of this transaction, the Company recognized a gain of approximately \$7.0 million for 2009 which is included in licensing and other revenue on the consolidated income statement in 2009. Pursuant to the terms of the Iconix Europe operating agreement and subject to certain conditions, the Company was entitled to recognize a preferred profit distribution from Iconix Europe of at least \$6.0 million, after which all profits and losses are recognized 50/50 in accordance with each principal's membership interest percentage.

At inception and prior to the January 2014 transaction described below, the Company determined, in accordance with ASC 810, based on the corporate structure, voting rights and contributions of the Company and BIV, that Iconix Europe is not a variable interest entity and was not subject to consolidation. The Company had recorded its investment under the equity method of accounting.

In January 2014, the Company consented to the purchase of BIV's 50% ownership interest in Iconix Europe by LF Asia Limited (LF Asia), an affiliate of Li & Fung Limited. In exchange for this consent, the Company received \$1.5 million from LF Asia. As a result of this transaction, the Company recorded a gain of \$1.5 million, which is included in licensing and other revenue in the Company's unaudited condensed consolidated income statement for the Current Nine Months. In addition, the Company acquired an additional 1% equity interest in Iconix Europe from LF Asia, and amended the operating agreement (herein referred to as the IE Operating Agreement) thereby increasing its ownership in Iconix Europe to a controlling 51% interest and reducing its preferred profit distribution from Iconix Europe to \$3.0 million after which all profits and losses are recognized 51/49 in accordance with each principal's membership interest percentage.

The estimated fair value of the assets acquired, less liabilities assumed, is allocated as follows:

Fair value of 50% interest in Iconix Europe	\$ 13,800
Value of initial equity investment prior to this transaction	13,800
Gain on re-measurement of initial equity investment	
	\$ 27,600
Trademarks	27,000
Cash	677
Net working deficit, excluding cash	(77)
	\$ 27,600

ASC Topic 810 affirms that consolidation is appropriate when one entity has a controlling financial interest in another entity. As a result of this transaction, the Company owns a 51% membership interest in Iconix Europe compared to the minority owner's 49% membership interest. Further, the Company believes that the voting and veto rights of the minority shareholder are merely protective in nature and do not provide the minority shareholder with substantive participating rights in Iconix Europe. As such, Iconix Europe is subject to consolidation with the Company, which is reflected in the unaudited condensed consolidated financial statements as of September 30, 2014.

In accordance with ASC Topic 810, the Company recognizes the non-controlling interest of Iconix Europe as equity in consolidated financial statements and separate from the parent's equity. As such, the amount of net income attributable to the non-controlling interest of Iconix Europe for the Current Quarter and Current Nine Months has been included in net income attributable to non-controlling interest in the unaudited condensed consolidated income statement.

Pursuant to the IE Operating Agreement, for a period following the fifth anniversary of the closing of this transaction (i.e. January 2014) and again following the eighth anniversary of the closing of this transaction, the Company has a call option to purchase, and LF Asia has a put option to initiate the Company's purchase of LF Asia's 49% equity interests in Iconix Europe for a calculated amount as defined in the IE Operating Agreement. As a result of the January 2014 transaction, the Company will carry this redeemable non-controlling interest as mezzanine equity on the Company's unaudited condensed consolidated balance sheet. The Company will accrete the difference between the fair value of the put option and the non-controlling interest at inception over the five year term of the first put option to additional paid-in-capital on the Company's balance sheet.

As of September 30, 2014, the impact of consolidating Iconix Europe on the Company's unaudited consolidated balance sheet has increased current assets by \$2.0 million, non-current assets by \$27.0 million, current liabilities by \$0.9 million and total liabilities by \$0.9 million. For the Current Nine Months, the impact of consolidating Iconix Europe on the Company's consolidated income statement has increased licensing and other revenue by \$2.0 million and operating income by \$0.1 million.

#### ***LC Partners U.S.***

In March 2014, the Company, through its wholly-owned subsidiary domiciled in Luxembourg, contributed its rights to the Lee Cooper trademarks in the U.S. through a royalty-free perpetual master license agreement to LC Partners U.S. LLC ( *LCP* ), a then newly formed wholly-owned Delaware limited liability company. Subsequent to this contribution, the Company sold 50% of the equity interests in *LCP* to Rise Partners LLC ( *Rise Partners* ) for \$4.0 million, of which \$0.8 million was received during the Current Nine Months, with the remaining \$3.2 million to be paid in four equal annual installments on the first through the fourth anniversaries of the closing date. As of September 30, 2014, \$0.8 million of the \$3.2 million is included in other assets—current, with the remaining \$2.4 million included in other assets in the unaudited condensed consolidated balance sheet. As a result of this transaction the Company recorded a \$4.0 million gain, which is included in licensing and other revenue in the unaudited condensed consolidated income statement in the Current Nine Months.

At inception, the Company determined, in accordance with ASC 810, based on the corporate structure, voting rights and contributions of the Company and Rise Partners, that *LCP* is not a variable interest entity and not subject to consolidation. The Company has recorded its investment under the equity method of accounting.



**Table of Contents*****Buffalo Brand Joint Venture***

In February 2013, Iconix CA Holdings, LLC ( ICA Holdings ), a Delaware limited liability company and a wholly-owned subsidiary of the Company, formed a joint venture with Buffalo International ULC ( BII ). The name of the joint venture is 1724982 Alberta ULC ( Alberta ULC ), an Alberta, Canada unlimited liability company. The Company, through ICA Holdings, paid \$76.5 million, which was funded entirely from cash on hand, in exchange for a 51% controlling ownership of Alberta ULC which consists of a combination of equity and a promissory note. BII owns the remaining 49% interest in Alberta ULC. Alberta ULC owns the intellectual property rights, licenses and other assets relating principally to the Buffalo David Bitton brand (the Buffalo brand ). Concurrently, Alberta ULC and BII entered into a license agreement pursuant to which Alberta ULC licensed the Buffalo brand to BII as licensee in certain categories and geographies. Additionally, ICA Holdings and BII entered into a shareholder agreement with respect to their ownership of Alberta ULC.

The following table is a reconciliation of cash paid to sellers and the fair value of the sellers' non-controlling interest:

Cash paid to sellers	\$ 76,500
Fair value of 49% non-controlling interest to sellers	59,489
	<b>\$ 135,989</b>

The fair value of the assets acquired is allocated as follows:

Trademarks	\$ 142,600
License agreements	2,400
Non-compete agreement	940
Goodwill	4,060
Deferred tax liability	(14,011)
	<b>\$ 135,989</b>

ASC Topic 810 affirms that consolidation is appropriate when one entity has a controlling financial interest in another entity. The Company owns a 51% membership interest in Alberta ULC compared to the minority owner's 49% membership interest. Further, the Company believes that the voting and veto rights of the minority shareholder are merely protective in nature and do not provide the minority shareholder with substantive participating rights in Alberta ULC. As such, Alberta ULC is subject to consolidation with the Company, which is reflected in the unaudited condensed consolidated financial statements.

In accordance with ASC Topic 810, the Company recognizes the non-controlling interest of Alberta ULC as equity in the unaudited condensed consolidated financial statements and separate from the parent's equity. As such, the amount of net income attributable to the non-controlling interest has been included in net income attributable to non-controlling interest in the unaudited condensed consolidated income statement for the Current Quarter.

***Iconix Israel Joint Venture***

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 \$3.3 million. MGS paid \$1.0 million upon the closing of the transaction and committed to pay an additional \$2.3 million over the 36-month period following closing. As a result of this transaction, the Company recorded a gain of \$2.3 million at the closing, which was included in licensing and other revenue in FY 2013. As of September 30, 2014, of the \$1.8 million remaining due to the Company from MGS, approximately \$0.8 million is included in other assets current and \$1.0 million is included in other assets on the unaudited condensed consolidated balance sheet.

Pursuant to the Iconix Israel amended and restated operating agreement, for a period following the second anniversary of the closing of this transaction (i.e. November 2013), the Company has a call option to purchase from MGS 5% of the equity interests held by MGS in Iconix Israel for a calculated amount as defined in the amended and restated operating agreement.

At inception, the Company determined, in accordance with ASC 810, based on the corporate structure, voting rights and contributions of the Company and MGS, that Iconix Israel is not a variable interest entity and is not subject to consolidation. The Company has recorded its investment under the equity method of accounting.

#### ***Iconix Southeast Asia Joint Venture***

In October 2013, the Company formed Iconix SE Asia Limited (Iconix SE Asia), a wholly owned subsidiary of the Company, and 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 (the South East Asia Territory). Shortly thereafter, GBG (f/k/a Li + Fung Asia Limited) purchased a 50% interest in Iconix SE Asia for approximately \$12.0 million. GBG paid \$7.5 million in cash upon the closing of the transaction and committed to pay an additional \$4.5 million over the 24-month period following closing. As a result of this transaction, the Company recorded a gain of \$2.7 million for FY 2013 for the difference between the consideration (cash and notes receivable) received by the Company, \$2.0 million of consulting costs incurred by the Company as part of this transaction which were deducted from the gain due to lack of evidence of fair value of such consulting costs, and the book value of the brands contributed to the joint venture, which was included in other revenue in FY 2013.

In June 2014, the Company contributed substantially all rights to its wholly-owned and controlled brands in the Republic of Korea, and its Ecco, 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, of which \$4.0 million was paid in cash at closing. The Company guaranteed minimum distributions of \$2.5 million in the aggregate through FY 2015 to GBG from the exploitation in the European Union and Turkey of the brands contributed to Iconix SE Asia as part of this transaction. As a result of this transaction, the Company recorded a \$8.3 million gain in FY 2014 for the difference between the consideration (cash and notes receivable) received by the Company, \$5.4 million of marketing costs incurred by the Company as part of this transaction which were deducted from the gain due to lack of evidence of fair value of such marketing costs, and the book value of the brands contributed to the joint venture.

In September 2014, the Company's subsidiaries contributed substantially all rights to their Lee Cooper and Umbro brands in the People's Republic of China, Hong Kong, Macau and Taiwan (together, the Greater China Territory), to Iconix SE Asia. In return, GBG agreed to pay the Company \$21.5 million, of which \$4.3 million was paid at closing. The Company guaranteed minimum distributions of \$5.1 million in the aggregate through FY 2017 to GBG from the exploitation in the Greater China Territory of the brands contributed to Iconix SE Asia as part of this transaction. As a result of this transaction the Company recorded an \$18.7 million gain in FY 2014 for the difference between the consideration (cash and notes receivable) received by the Company and the book value of the brands contributed to the joint venture.

---

**Table of Contents**

As of September 30, 2014, of the \$35.6 million remaining due to the Company from LF Asia, \$15.3 million is included in other assets – current and \$20.3 million is included in other assets on the unaudited condensed consolidated balance sheet.

Pursuant to the Iconix SE Asia second amended and restated shareholders’ agreement, for a period following the second anniversary of the closing of the October 2013 transaction, the Company has a call option to purchase from LF Asia 5% of the equity interests held by LF Asia in Iconix SE Asia for a calculated amount as defined in the Iconix SE Asia second amended and restated shareholders agreement. Further, for a period following the fifth anniversary and again following the eighth anniversary of the closing of this transaction, the Company has a call option to purchase from LF Asia the right to the Europe territory, the Southeast Asia territory and/or the Korean territory on an individual basis (together, the Territories ), and LF Asia has a put option to initiate the Company’s purchase all or a portion of the Territories, in each case for a calculated amount as defined in the Iconix SE Asia second amended and restated shareholders agreement.

Also, pursuant to the Iconix SE Asia second amended and restated shareholders’ agreement, for a period following the fifth anniversary and again following the eighth anniversary of the closing of the September 2014 transaction, the Company has a call option to purchase from LF Asia the Greater China Territory, and LF Asia has a put option to initiate the Company’s purchase of the Greater China Territory, in each case for a calculated amount as defined in the Iconix SE Asia second amended and restated shareholders agreement. In addition, in connection with the June 2014 and September 2014 transactions, the Company guaranteed minimum distributions relating to royalty revenue on specified brands through the 2017 calendar year. Certain distributions paid by the Company under this guarantee may be distributed back to the Company pursuant to the exercise of the put and call options described above.

At inception, the Company determined, in accordance with ASC 810, based on the corporate structure, voting rights and contributions of the Company and LF Asia, that Iconix SE Asia is not a variable interest entity and not subject to consolidation. The Company has recorded its investment under the equity method of accounting.

***Iconix Canada Joint Venture***

In June 2013, the Company contributed substantially all economic rights to its brands in Canada to Iconix Canada L.P. and ICO Brands L.P. (together with general partner 8560854 Canada, Inc., Iconix Canada ), each then a newly formed joint venture with BII and its subsidiaries. In consideration for its aggregate 50% interest in Iconix Canada, BII agreed to pay \$17.8 million in cash to the Company, of which approximately \$8.9 million was paid upon closing of this transaction in June 2013, the remaining \$8.9 million of which is a note payable to the Company to be paid over five years from the date of closing, with final payment in June 2018. Of the \$8.2 million note receivable at September 30, 2014, approximately \$3.0 million is included in other assets – current, the remaining \$5.2 million of which is included in other assets on the unaudited condensed consolidated balance sheet. As a result of this transaction, the Company recognized a gain of approximately \$9.8 million which is included in licensing and other revenue on the consolidated income statement for FY 2013.

Pursuant to the limited partnership agreements between the Company and BII and its subsidiaries, between the second and third anniversaries of June 2013, the Company has a call option to purchase from BII and its subsidiaries 5% of the equity interests held by BII and its subsidiaries in Iconix Canada for a calculated amount as defined in the partnership agreements.

At inception, the Company determined, in accordance with ASC 810, based on the corporate structure, voting rights and contributions of the Company and BII, that Iconix Canada is not a variable interest entity and not subject to consolidation. The Company has recorded its investment under the equity method of accounting.

### ***Iconix Australia Joint Venture***

In September 2013, the Company formed Iconix Australia, LLC ( *Iconix Australia* ), a Delaware limited liability company and a wholly-owned subsidiary of the Company, and contributed substantially all rights to its wholly-owned and controlled brands in Australia and New Zealand through an exclusive, royalty-free perpetual master license agreement with Iconix Australia. Shortly thereafter Pac Brands USA, Inc. ( *Pac Brands* ) purchased a 50% interest in Iconix Australia for \$7.2 million in cash, all of which was received upon closing of this transaction in September 2013. As a result of this transaction, the Company recorded a gain of \$5.1 million, which is included in licensing and other revenue in the FY 2013.

Following the second anniversary of the closing of this transaction (i.e. September 2013) and for a period of six months thereafter, the Company may exercise a call option to purchase a 5% interest in Iconix Australia from Pac Brands for a calculated amount as defined in the Iconix Australia operating agreement. Subsequent to the earlier of any exercise of the call option by the Company and six months following the second anniversary of the closing of this transaction, Pac Brands may exercise a put option to initiate the purchase of all of Pac Brands' ownership interests in Iconix Australia by the Company for a calculated amount as defined in the Iconix Australia operating agreement.

At inception, the Company determined, in accordance with ASC 810, based on the corporate structure, voting rights and contributions of the Company and Pac Brands, that Iconix Australia is not a variable interest entity and not subject to consolidation. The Company has recorded its investment under the equity method of accounting.

### ***IPH Unltd***

In October 2009, the Company consummated, through IPH Unltd, a then newly formed subsidiary of the Company, a transaction with the sellers of the Ecko portfolio of brands, including Ecko and Zoo York (the *Ecko Assets* ), pursuant to which the sellers sold and/or contributed the Ecko Assets to IPH Unltd in exchange for a 49% membership interest in IPH Unltd and \$63.5 million in cash which had been contributed to IPH Unltd by the Company. As a result of this transaction, the Company owned a 51% controlling membership interest in IPH Unltd. In addition, as part of this transaction, IPH Unltd borrowed \$90.0 million from a third party to repay certain indebtedness of the sellers.

On July 27, 2011 the Company, through its newly formed wholly owned subsidiary ZY Holdings LLC ( *ZY Holdings* ), acquired the Zoo York trademark and related assets from IPH Unltd for a net purchase price of \$18.0 million, effectively increasing its ownership in the Zoo York assets from 51% to 100%. In accordance with ASC Topic 810, no gain was recognized on this transaction as the Company retained a controlling interest in the Zoo York assets before and after the increase in its ownership interest.

ASC Topic 810 affirms that consolidation is appropriate when one entity has a controlling financial interest in another entity. Prior to May 17, 2013, the Company owned a 51% membership interest in IPH Unltd compared to the minority owner's 49% membership interest. Further, the Company believed that the voting and veto rights of the minority shareholder were merely protective in nature and did not provide them with substantive participating rights in IPH Unltd. As such, prior to May 17, 2013, IPH Unltd was subject to consolidation with the Company, which is reflected in the consolidated financial statements.

---

**Table of Contents**

In accordance with ASC Topic 810, prior to May 17, 2013, the Company recognized the non-controlling interest of IPH Unltd as equity in the consolidated financial statements and separate from the parent's equity.

On May 17, 2013 the Company purchased the remaining 49% minority interest in IPH Unltd for \$45.0 million in cash, increasing its ownership in IPH Unltd from 51% to 100%. In accordance with ASC Topic 810, no gain was recognized on this transaction as the Company retained a controlling interest in IPH Unltd before and after the increase in its ownership interest.

On May 30, 2013, the Company paid to the holders of the Ecko Note (see Note 5) approximately \$52.7 million, representing total outstanding principal and accrued interest to date. This Ecko Note was issued by IPH Unltd in connection with the Company's original acquisition of a 51% interest in the Ecko and Zoo York brands and related assets in October 2009.

***Peanuts Holdings***

On June 3, 2010 (the *Peanuts Closing Date*), the Company consummated an interest purchase agreement with United Feature Syndicate, Inc ( *UFS* ) and The E.W. Scripps Company (the *Parent* ) (Parent and UFS, collectively, the *Sellers* ), pursuant to which it purchased all of the issued and outstanding interests ( *Interests* ) of Peanuts Worldwide, a then newly formed Delaware limited liability company, to which, prior to the closing of this acquisition, copyrights and trademarks associated with the Peanuts characters and certain other assets were contributed by UFS. On the *Peanuts Closing Date*, the Company also assigned its right to buy all of the *Interests* to Peanuts Holdings, a newly formed Delaware limited liability company and joint venture owned 80% by Icon Entertainment LLC ( *IE* ), a wholly-owned subsidiary of the Company, and 20% by Beagle Scout LLC, a Delaware limited liability company ( *Beagle* ) owned by certain Schulz family trusts.

Further, on the *Closing Date*, *IE* and *Beagle* entered into an operating agreement with respect to Peanuts Holdings (the *Peanuts Operating Agreement* ). Pursuant to the *Peanuts Operating Agreement*, the Company, through *IE*, and *Beagle* made capital contributions of \$141.0 million and \$34.0 million, respectively, in connection with the acquisition of Peanuts Worldwide. The *Interests* were then purchased for \$172.1 million in cash, as adjusted for acquired working capital.

In connection with the *Peanuts Operating Agreement*, the Company through *IE*, loaned \$17.5 million to *Beagle* (the *Beagle Note* ), the proceeds of which were used to fund *Beagle*'s capital contribution to Peanuts Holdings in connection with the acquisition of Peanuts Worldwide. The *Beagle Note* bears interest at 6% per annum, with minimum principal payable in equal annual installments of approximately \$2.2 million on June 3, with any remaining unpaid principal balance and accrued interest to be due on June 3, 2015, the *Beagle Note* maturity date. Principal may be prepaid at any time. The *Beagle Note* is secured by the membership interest in Peanuts Holdings owned by *Beagle*. As of September 30, 2014, the current portion of approximately \$2.4 million is included in other assets current in the unaudited condensed consolidated balance sheet.

ASC Topic 810 affirms that consolidation is appropriate when one entity has a controlling financial interest in another entity. The Company owns an 80% membership interest in Peanuts Holdings, compared to the non-controlling owner's 20% membership interest. As such, Peanuts Holdings is subject to consolidation with the Company, which is reflected in the Company's unaudited condensed consolidated financial statements as of September 30, 2014.

In accordance with ASC Topic 810, the Company recognizes the non-controlling interest of Peanuts Holdings as equity in the consolidated financial statements and separate from the parent's equity.

## **Investments**

### ***Marcy Media LLC***

In July 2013, the Company purchased a 10% minority interest in Marcy Media LLC ( Marcy Media ), a multi-media portfolio company which owns a 50% interest in Roc Nation LLC, an entertainment and talent management company, for \$32.0 million. At inception, the Company determined, in accordance with ASC 810, based on the corporate structure, voting rights and contributions of the Company that Marcy Media is not a variable interest entity and not subject to consolidation. As the Company does not have significant influence over Marcy Media, its investment has been recorded under the cost method of accounting.

Also in July 2013, the Company acquired the global rights to the Roc Nation name, a diffusion brand of Rocawear, to use and register as a trademark for apparel, footwear and related categories for \$8.0 million.

### ***Complex Media Inc.***

In September 2013, the Company purchased convertible preferred shares which, on an as converted basis as of the closing date, equaled 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, for \$25.0 million. At inception, the Company determined, in accordance with ASC 810, based on the corporate structure, voting rights and contributions of the Company that Complex Media is not a variable interest entity and not subject to consolidation. As the Company does not have significant influence over Complex Media, its investment has been recorded under the cost method of accounting.

### ***Unaudited Pro Forma Information***

Unaudited pro forma information for the transactions completed in the Current Nine Months is not presented, as such pro forma disclosure is not required with respect to such transactions because the effects of such transactions, each by themselves or in the aggregate, are considered immaterial to the Company.

## **4. Fair Value Measurements**

ASC Topic 820 Fair Value Measurements , which the Company adopted on January 1, 2008, establishes a framework for measuring fair value and requires expanded disclosures about fair value measurement. While ASC 820 does not require any new fair value measurements in its application to other accounting pronouncements, it does emphasize that a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, ASC 820 established the following fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs):

Level 1: Observable inputs such as quoted prices for identical assets or liabilities in active markets

Level 2: Other inputs that are observable directly or indirectly, such as quoted prices for similar assets or liabilities or market-corroborated inputs

Level 3: Unobservable inputs for which there is little or no market data and which requires the owner of the assets or liabilities to develop its own assumptions about how market participants would price these assets or liabilities

**Table of Contents**

The valuation techniques that may be used to measure fair value are as follows:

(A) Market approach Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities

(B) Income approach Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about those future amounts, including present value techniques, option-pricing models and excess earnings method

(C) Cost approach Based on the amount that would currently be required to replace the service capacity of an asset (replacement cost)

To determine the fair value of certain financial instruments, the Company relies on Level 1 inputs generated by market transactions of identical instruments where available, Level 2 inputs generated by market transactions of similar instruments where available and in the absence of Level 1 inputs, and Level 3 inputs using an income approach when Level 1 and Level 2 inputs are not available. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of financial assets and financial liabilities and their placement within the fair value hierarchy.

**Financial Instruments**

As of September 30, 2014 and December 31, 2013, the fair values of cash, receivables and accounts payable approximated their carrying values due to the short-term nature of these instruments. The fair value of notes receivables and note payable from and to our joint venture partners approximate their carrying values, and the fair value of our cost basis investments approximate their carrying values. The carrying value of marketable securities is marked to its fair value, which is determined using level one inputs. The estimated fair values of other financial instruments subject to fair value disclosures, determined based on Level One inputs including broker quotes or quoted market prices and the related carrying amounts are as follows:

<i>(000's omitted)</i>	September 30, 2014	
	Carrying Amount	Fair Value
Long-term debt, including current portion	\$ 1,401,783	\$ 1,674,413

Financial instruments expose the Company to counterparty credit risk for nonperformance and to market risk for changes in interest. The Company manages exposure to counterparty credit risk through specific minimum credit standards, diversification of counterparties and procedures to monitor the amount of credit exposure. The Company's financial instrument counterparties are investment or commercial banks with significant experience with such instruments as well as certain of our joint venture partners see Note 3.

**Non-Financial Assets and Liabilities**

The Company accounts for non-recurring adjustments to the fair values of its non-financial assets and liabilities under ASC Topic 820 using a market participant approach. The Company uses a discounted cash flow model with Level 3 inputs to measure the fair value of its non-financial assets and liabilities. The Company also adopted the provisions of ASC 820 as it relates to purchase accounting for its acquisitions. The Company has goodwill, which is tested for impairment at least annually, as required by ASC Topic 350. Further, in accordance with ASC Topic 350, the Company's indefinite-lived trademarks are tested for impairment at least annually, on an individual basis as separate

single units of accounting. Similarly, consistent with ASC Topic 360 as it relates to accounting for the impairment or disposal of long-lived assets, the Company assesses whether or not there is impairment of the Company's definite-lived trademarks. There was no impairment, and therefore no write-down, of any of the Company's long-lived assets during the Current Nine Months or FY 2013.

## 5. Debt Arrangements

The Company's net carrying amount of debt is comprised of the following:

(000's omitted)	September 30, 2014
Senior Secured Notes	\$ 789,311
1.50% Convertible Notes	335,772
2.50% Convertible Notes	276,700
<b>Total</b>	<b>\$ 1,401,783</b>

### *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.

As of September 30, 2014, no amounts under the Variable Funding Notes have been drawn. 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.



---

**Table of Contents**

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 intellectual property and license agreements for the use of its intellectual property, 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 and a 50% interest in the Ice Cream trademark and the Billionaire Boys Club 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.

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) intellectual property 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, Charisma, and Sharper Image (other than for a Sharper Image branded website or catalog in the United States and other specified jurisdictions); (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 has been compliant with all covenants under the Notes from inception through the Current Quarter.

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 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 September 30, 2014, the total principal balance of the Notes is \$789.3 million, of which \$61.1 million is included in the current portion of long-term debt on the Company's unaudited condensed consolidated balance sheet. As of September 30, 2014 and December 31, 2013, \$47.8 million and \$52.4 million, respectively, is included in restricted cash on the unaudited condensed 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.

---

**Table of Contents*****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.

The 1.50% Convertible Notes bear interest at an annual rate of 1.50%, payable semi-annually in arrears on March 15 and September 15 of each year, beginning on September 15, 2013. However, the Company recognizes an effective interest rate of 6.50% on the carrying amount of the 1.50% Convertible Notes. The effective rate is based on the rate for a similar instrument that does not have a conversion feature. The 1.50% Convertible Notes will be convertible into cash and, if applicable, shares of the Company's common stock based on a conversion rate of 32.4052 shares of the Company's common stock, subject to customary adjustments, per \$1,000 principal amount of the 1.50% Convertible Notes (which is equal to an initial conversion price of approximately \$30.86 per share) only under the following circumstances: (1) during any fiscal quarter beginning after December 15, 2017 (and only during such fiscal quarter), if the closing price of the Company's common stock for at least 20 trading days in the 30 consecutive trading days ending on and including the last trading day of the immediately preceding fiscal quarter is more than 130% of the conversion price per share, which is \$1,000 divided by the then applicable conversion rate; (2) during the five consecutive business day period immediately following any five consecutive trading day period in which the trading price per \$1,000 principal amount of the 1.50% Convertible Notes for each day of that period was less than 98% of the product of (a) the closing price of the Company's common stock for each day in that period and (b) the conversion rate per \$1,000 principal amount of the 1.50% Convertible Notes; (3) if specified distributions to holders of the Company's common stock are made, as set forth in the indenture governing the 1.50% Convertible Notes ( "1.50% Indenture" ); (4) if a change of control or other fundamental change, each as defined in the 1.50% Indenture, occurs; and (5) during the 90 day period prior to maturity of the 1.50% Convertible Notes. If the holders of the 1.50% Convertible Notes exercise the conversion provisions under the circumstances set forth, the Company will need to remit the lower of the principal balance of the 1.50% Convertible Notes or their conversion value to the holders in cash. As such, the Company would be required to classify the entire amount outstanding of the 1.50% Convertible Notes as a current liability in the following quarter. The evaluation of the classification of amounts outstanding associated with the 1.50% Convertible Notes will occur every quarter.

Upon conversion, a holder will receive an amount in cash equal to the lesser of (a) the principal amount of the 1.50% Convertible Note or (b) the conversion value, determined in the manner set forth in the 1.50% Indenture. If the conversion value exceeds the principal amount of the 1.50% Convertible Notes on the conversion date, the Company will also deliver, at its election, cash or the Company's common stock or a combination of cash and the Company's common stock for the conversion value in excess of the principal amount. In the event of a change of control or other fundamental change, the holders of the 1.50% Convertible Notes may require the Company to purchase all or a portion of their 1.50% Convertible Notes at a purchase price equal to 100% of the principal amount of the 1.50% Convertible Notes, plus accrued and unpaid interest, if any. Holders of the 1.50% Convertible Notes who convert their 1.50% Convertible Notes in connection with a fundamental change may be entitled to a make-whole premium in the form of an increase in the conversion rate.

Pursuant to guidance issued under ASC Topic 815, the 1.50% Convertible Notes are accounted for as convertible debt in the accompanying consolidated balance sheet and the embedded conversion option in the 1.50% Convertible Notes has not been accounted for as a separate derivative. For a discussion of the effects of the 1.50% Convertible Notes and the 1.50% Convertible Notes Hedges and Sold Warrants defined and discussed below on earnings per share, see Note 7.

As of September 30, 2014 and December 31, 2013, the amount of the 1.50% Convertible Notes accounted for as a liability was approximately \$335.8 million and \$323.4 million, respectively, and is reflected on the consolidated balance sheet as follows:

<i>(000 s omitted)</i>	September 30, 2014
Equity component carrying amount	\$ 49,931
Unamortized discount	64,228
Net debt carrying amount	335,772

For the Current Quarter and the Prior Year Quarter, the Company recorded additional non-cash interest expense of approximately \$3.9 million and \$3.7 million, respectively, representing the difference between the stated interest rate on the 1.50% Convertible Notes and the rate for a similar instrument that does not have a conversion feature.

For the Current Nine Months and the Prior Year Nine Months, the Company recorded additional non-cash interest expense of approximately \$11.4 million and \$7.9 million, respectively, representing the difference between the stated interest rate on the 1.50% Convertible Notes and the rate for a similar instrument that does not have a conversion feature.

For each of the Current Quarter and the Prior Year Quarter, cash interest expense relating to the 1.50% Convertible Notes was approximately \$1.5 million, respectively.

For the Current Nine Months and the Prior Year Nine Months, cash interest expense relating to the 1.50% Convertible Notes was approximately \$4.5 million and \$3.2 million, respectively.

The 1.50% Convertible Notes do not provide for any financial covenants.

On March 18, 2013, the Company used a portion of the proceeds from the 1.50% Convertible Notes to repurchase 2,964,000 shares of its common stock in a private transaction with a third party for \$69.0 million. See note 6 for further information on our stock repurchase program.

In connection with the sale of the 1.50% Convertible Notes, the Company entered into hedges for the 1.50% Convertible Notes ( 1.50% Convertible Note Hedges ) with respect to its common stock with one entity (the 1.50% Counterparty ). Pursuant to the agreements governing these 1.50% Convertible Note Hedges, the Company purchased call options (the 1.50% Purchased Call Options ) from the 1.50% Counterparty covering up to approximately 13.0 million shares of the Company s common stock. These 1.50% Convertible Note Hedges are designed to offset the Company s exposure to potential dilution upon conversion of the 1.50% Convertible Notes in the event that the market value per share of the Company s common stock at the time of exercise is greater than the strike price of the 1.50% Purchased Call Options (which strike price corresponds to the initial conversion price of the 1.50% Convertible Notes and is simultaneously subject to certain customary adjustments). On March 13, 2013, the Company paid an aggregate amount of approximately \$84.1 million of the proceeds from the sale of the 1.50% Convertible Notes for the 1.50% Purchased Call Options, of which \$29.4 million was included in the balance of deferred income tax assets at March 13, 2013 and is being recognized over the term of the 1.50% Convertible Notes. As of September 30, 2014, the balance of deferred income tax assets related to this transaction was approximately \$20.4 million.

---

**Table of Contents**

The Company also entered into separate warrant transactions with the 1.50% Counterparty whereby the Company, pursuant to the agreements governing these warrant transactions, sold to the 1.50% Counterparty warrants (the 1.50% Sold Warrants ) to acquire up to approximately 13.0 million shares of the Company's common stock at a strike price of \$35.5173 per share of the Company's common stock. The 1.50% Sold Warrants will become exercisable on June 18, 2018 and will expire by September 1, 2018. The Company received aggregate proceeds of approximately \$57.7 million from the sale of the 1.50% Sold Warrants on March 13, 2013.

Pursuant to guidance issued under ASC Topic 815 Derivatives and Hedging as it relates to accounting for derivative financial instruments indexed to, and potentially settled in, a company's own stock, the 1.50% Convertible Note Hedge and the proceeds received from the issuance of the 1.50% Sold Warrants were recorded as a charge and an increase, respectively, in additional paid-in capital in stockholders' equity as separate equity transactions. As a result of these transactions, the Company recorded a net increase to additional paid-in-capital of \$3.0 million in March 2013.

The Company has evaluated the impact of adopting guidance issued under ASC Topic 815 regarding embedded features as it relates to the 1.50% Sold Warrants, and has determined it had no impact on the Company's results of operations and financial position through September 30, 2014, and will have no impact on the Company's results of operations and financial position in future fiscal periods.

As the 1.50% Convertible Note Hedge transactions and the warrant transactions were separate transactions entered into by the Company with the 1.50% Counterparty, they are not part of the terms of the 1.50% Convertible Notes and will not affect the holders' rights under the 1.50% Convertible Notes. In addition, holders of the 1.50% Convertible Notes will not have any rights with respect to the 1.50% Purchased Call Options or the 1.50% Sold Warrants.

If the market value per share of the Company's common stock at the time of conversion of the 1.50% Convertible Notes is above the strike price of the 1.50% Purchased Call Options, the 1.50% Purchased Call Options entitle the Company to receive from the 1.50% Counterparties net shares of the Company's common stock, cash or a combination of shares of the Company's common stock and cash, depending on the consideration paid on the underlying 1.50% Convertible Notes, based on the excess of the then current market price of the Company's common stock over the strike price of the 1.50% Purchased Call Options. Additionally, if the market price of the Company's common stock at the time of exercise of the 1.50% Sold Warrants exceeds the strike price of the 1.50% Sold Warrants, the Company will owe the 1.50% Counterparty net shares of the Company's common stock or cash, not offset by the 1.50% Purchased Call Options, in an amount based on the excess of the then current market price of the Company's common stock over the strike price of the 1.50% Sold Warrants.

These transactions will generally have the effect of increasing the conversion price of the 1.50% Convertible Notes to \$35.5173 per share of the Company's common stock, representing a 52.5% percent premium based on the last reported sale price of the Company's common stock of \$23.29 per share on March 12, 2013.

Moreover, in connection with the warrant transactions with the 1.50% Counterparty, to the extent that the price of the Company's common stock exceeds the strike price of the 1.50% Sold Warrants, the warrant transactions could have a dilutive effect on the Company's earnings per share.

***2.50% Convertible Notes***

On May 23, 2011, the Company completed the issuance of \$300.0 million principal amount of the Company's 2.50% convertible senior subordinated notes due June 2016 ( 2.50% 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 \$291.6 million.

The 2.50% Convertible Notes bear interest at an annual rate of 2.50%, payable semi-annually in arrears on June 1 and December 1 of each year, beginning December 1, 2011. However, the Company recognizes an effective interest rate of 7.25% on the carrying amount of the 2.50% Convertible Notes. The effective rate is based on the rate for a similar instrument that does not have a conversion feature. The 2.50% Convertible Notes will be convertible into cash and, if applicable, shares of the Company's common stock based on a conversion rate of 32.5169 shares of the Company's common stock, subject to customary adjustments, per \$1,000 principal amount of the 2.50% Convertible Notes (which is equal to an initial conversion price of approximately \$30.75 per share) only under the following circumstances: (1) during any fiscal quarter beginning after June 30, 2011 (and only during such fiscal quarter), if the closing price of the Company's common stock for at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is more than 130% of the conversion price per share, which is \$1,000 divided by the then applicable conversion rate; (2) during the five business day period immediately following any five consecutive trading day period in which the trading price per \$1,000 principal amount of the 2.50% Convertible Notes for each day of that period was less than 98% of the product of (a) the closing price of the Company's common stock for each day in that period and (b) the conversion rate per \$1,000 principal amount of the 2.50% Convertible Notes; (3) if specified distributions to holders of the Company's common stock are made, as set forth in the indenture governing the 2.50% Convertible Notes ( " 2.50% Indenture " ); (4) if a change of control or other fundamental change, each as defined in the 2.50% Indenture, occurs; and (5) during the 90 day period prior to maturity of the 2.50% Convertible Notes. If the holders of the 2.50% Convertible Notes exercise the conversion provisions under the circumstances set forth, the Company will need to remit the lower of the principal balance of the 2.50% Convertible Notes or their conversion value to the holders in cash. As such, the Company would be required to classify the entire amount outstanding of the 2.50% Convertible Notes as a current liability in the following quarter. The evaluation of the classification of amounts outstanding associated with the 2.50% Convertible Notes will occur every quarter.

Upon conversion, a holder will receive an amount in cash equal to the lesser of (a) the principal amount of the 2.50% Convertible Note or (b) the conversion value, determined in the manner set forth in the 2.50% Indenture. If the conversion value exceeds the principal amount of the 2.50% Convertible Notes on the conversion date, the Company will also deliver, at its election, cash or the Company's common stock or a combination of cash and the Company's common stock for the conversion value in excess of the principal amount. In the event of a change of control or other fundamental change, the holders of the 2.50% Convertible Notes may require the Company to purchase all or a portion of their 2.50% Convertible Notes at a purchase price equal to 100% of the principal amount of the 2.50% Convertible Notes, plus accrued and unpaid interest, if any. Holders of the 2.50% Convertible Notes who convert their 2.50% Convertible Notes in connection with a fundamental change may be entitled to a make-whole premium in the form of an increase in the conversion rate.

Pursuant to guidance issued under ASC Topic 815, the 2.50% Convertible Notes are accounted for as convertible debt in the accompanying consolidated balance sheet and the embedded conversion option in the 2.50% Convertible Notes has not been accounted for as a separate derivative. For a discussion of the effects of the 2.50% Convertible Notes and the 2.50% Convertible Notes Hedges and Sold Warrants defined and discussed below on earnings per share, see Note 7.

As of September 30, 2014 and December 31, 2013, the amount of the 2.50% Convertible Notes accounted for as a liability was approximately \$276.7 million and \$267.0 million, respectively, and is reflected on the consolidated balance sheet as follows:

<i>(000 s omitted)</i>	September 30, 2014
Equity component carrying amount	\$ 35,996
Unamortized discount	23,300
Net debt carrying amount	276,700

## Table of Contents

For the Current Quarter and the Prior Year Quarter, the Company recorded additional non-cash interest expense of approximately \$3.1 million and \$2.9 million, respectively, representing the difference between the stated interest rate on the 2.50% Convertible Notes and the rate for a similar instrument that does not have a conversion feature.

For the Current Nine Months and the Prior Year Nine Months, the Company recorded additional non-cash interest expense of approximately \$8.8 million and \$8.2 million, respectively, representing the difference between the stated interest rate on the 2.50% Convertible Notes and the rate for a similar instrument that does not have a conversion feature.

For each of the Current Quarter and the Prior Year Quarter, cash interest expense relating to the 2.50% Convertible Notes was approximately \$1.9 million, respectively.

For each of the Current Nine Months and the Prior Year Nine Months, cash interest expense relating to the 2.50% Convertible Notes was approximately \$5.6 million, respectively.

The 2.50% Convertible Notes do not provide for any financial covenants.

In connection with the sale of the 2.50% Convertible Notes, the Company entered into hedges for the 2.50% Convertible Notes ( 2.50% Convertible Note Hedges ) with respect to its common stock with two entities (the 2.50% Counterparties ). Pursuant to the agreements governing these 2.50% Convertible Note Hedges, the Company purchased call options (the 2.50% Purchased Call Options ) from the 2.50% Counterparties covering up to approximately 9.8 million shares of the Company s common stock. These 2.50% Convertible Note Hedges are designed to offset the Company s exposure to potential dilution upon conversion of the 2.50% Convertible Notes in the event that the market value per share of the Company s common stock at the time of exercise is greater than the strike price of the 2.50% Purchased Call Options (which strike price corresponds to the initial conversion price of the 2.50% Convertible Notes and is simultaneously subject to certain customary adjustments). On May 23, 2011, the Company paid an aggregate amount of approximately \$58.7 million of the proceeds from the sale of the 2.50% Convertible Notes for the 2.50% Purchased Call Options, of which \$20.6 million was included in the balance of deferred income tax assets at May 23, 2011 and is being recognized over the term of the 2.50% Convertible Notes. As of September 30, 2014, the balance of deferred income tax assets related to this transaction was approximately \$6.9 million.

The Company also entered into separate warrant transactions with the 2.50% Counterparties whereby the Company, pursuant to the agreements governing these warrant transactions, sold to the 2.50% Counterparties warrants (the 2.50% Sold Warrants ) to acquire up to 9.76 million shares of the Company s common stock at a strike price of \$40.6175 per share of the Company s common stock. The 2.50% Sold Warrants will become exercisable on September 1, 2016 and will expire by the end of 2016. The Company received aggregate proceeds of approximately \$28.8 million from the sale of the 2.50% Sold Warrants on May 23, 2011.

Pursuant to guidance issued under ASC Topic 815 Derivatives and Hedging as it relates to accounting for derivative financial instruments indexed to, and potentially settled in, a company s own stock, the 2.50% Convertible Note Hedge and the proceeds received from the issuance of the 2.50% Sold Warrants were recorded as a charge and an increase, respectively, in additional paid-in capital in stockholders equity as separate equity transactions. As a result of these transactions, the Company recorded a net reduction to additional paid-in-capital of \$9.4 million in May 2011.

The Company has evaluated the impact of adopting guidance issued under ASC Topic 815 regarding embedded features as it relates to the 2.50% Sold Warrants, and has determined it had no impact on the Company s results of operations and financial position through September 30, 2014, and will have no impact on the Company s results of

operations and financial position in future fiscal periods.

As the 2.50% Convertible Note Hedge transactions and the warrant transactions were separate transactions entered into by the Company with the 2.50% Counterparties, they are not part of the terms of the 2.50% Convertible Notes and will not affect the holders' rights under the 2.50% Convertible Notes. In addition, holders of the 2.50% Convertible Notes will not have any rights with respect to the 2.50% Purchased Call Options or the 2.50% Sold Warrants.

If the market value per share of the Company's common stock at the time of conversion of the 2.50% Convertible Notes is above the strike price of the 2.50% Purchased Call Options, the 2.50% Purchased Call Options entitle the Company to receive from the 2.50% Counterparties net shares of the Company's common stock, cash or a combination of shares of the Company's common stock and cash, depending on the consideration paid on the underlying 2.50% Convertible Notes, based on the excess of the then current market price of the Company's common stock over the strike price of the 2.50% Purchased Call Options. Additionally, if the market price of the Company's common stock at the time of exercise of the 2.50% Sold Warrants exceeds the strike price of the 2.50% Sold Warrants, the Company will owe the 2.50% Counterparties net shares of the Company's common stock or cash, not offset by the 2.50% Purchased Call Options, in an amount based on the excess of the then current market price of the Company's common stock over the strike price of the 2.50% Sold Warrants.

These transactions will generally have the effect of increasing the conversion price of the 2.50% Convertible Notes to \$40.6175 per share of the Company's common stock, representing a 75% percent premium based on the last reported sale price of the Company's common stock of \$23.21 per share on May 17, 2011.

Moreover, in connection with the warrant transactions with the 2.50% Counterparties, to the extent that the price of the Company's common stock exceeds the strike price of the 2.50% Sold Warrants, the warrant transactions could have a dilutive effect on the Company's earnings per share.

### ***Debt Maturities***

As of September 30, 2014, the Company's debt maturities on a calendar year basis are as follows:

<i>(000's omitted)</i>	Total	October 1 through December 31, 2014	2015	2016	2017	2018	Thereafter
Senior Secured	\$ 789,311	\$ 15,281	\$ 61,123	\$ 61,123	\$ 61,123	\$ 61,123	\$ 529,538
1.50% Convertible Notes (1)	335,772					335,772	
2.50% Convertible Notes (2)	276,700			276,700			
<b>Total</b>	<b>\$ 1,401,783</b>	<b>\$ 15,281</b>	<b>\$ 61,123</b>	<b>\$ 337,823</b>	<b>\$ 61,123</b>	<b>\$ 396,895</b>	<b>\$ 529,538</b>

(1) Reflects the net debt carrying amount of the 1.50% Convertible Notes in the consolidated balance sheet as of September 30, 2014, in accordance with accounting for convertible notes. The principal amount owed to the holders of the 1.50% Convertible Notes is \$400.0 million.

(2)



Reflects the net debt carrying amount of the 2.50% Convertible Notes in the consolidated balance sheet as of September 30, 2014, in accordance with accounting for convertible notes. The principal amount owed to the holders of the 2.50% Convertible Notes is \$300.0 million.

**Table of Contents****6. Stockholders Equity*****Stock Repurchase Program***

In October 2011, the Company's Board of Directors authorized a program to repurchase up to \$200 million of the Company's common stock over a period of approximately three years (the 2011 Program). In February 2013, the Company's Board of Directors authorized another program to repurchase up to \$300 million of the Company's common stock over a three year period (the February 2013 Program). This program was in addition to the 2011 Program, which was fully expended as of February 27, 2013. In July 2013, the Company's Board of Directors authorized a program to repurchase up to \$300 million of the Company's common stock over a period of approximately three years (July 2013 Program). The July 2013 Program was in addition to the February 2013 Program, which was fully expended on August 15, 2013. In February 2014, the Company's Board of Directors authorized another program to repurchase up to \$500 million of the Company's common stock over a three year period (the February 2014 Program and together with the 2011 Program and the February 2013 Program, the Repurchase Programs). The February 2014 Program is in addition to the July 2013 Program.

The following table illustrates the activity under the Repurchase Programs, in the aggregate, for the FY 2014, FY 2013, FY 2012 and FY 2011:

	# of shares repurchased as part of stock repurchase programs	Cost of shares repurchased (in 000 s)
Q3 YTD 2014	4,400,000	\$ 171,627
FY 2013	15,812,566	436,419
FY 2012	7,185,257	125,341
FY 2011	1,150,000	19,138
Total, FY 2011 through September 30, 2014	28,547,823	\$ 752,525

As of September 30, 2014, \$47.5 million and \$500.0 million remained available for repurchase under the July 2013 Program and February 2014 Program, respectively.

***2009 Equity Incentive Plan***

On August 13, 2009, the Company's stockholders approved the Company's 2009 Equity Incentive Plan (2009 Plan). The 2009 Plan authorizes the granting of common stock options or other stock-based awards covering up to 3.0 million shares of the Company's common stock. All employees, directors, consultants and advisors of the Company, including those of the Company's subsidiaries, are eligible to be granted non-qualified stock options and other stock-based awards (as defined) under the 2009 Plan, and employees are also eligible to be granted incentive stock options (as defined) under the 2009 Plan. No new awards may be granted under the Plan after August 13, 2019.

On August 15, 2012, the Company's stockholders approved the Company's Amended and Restated 2009 Plan (Amended and Restated 2009 Plan), which, among other items and matters, increased the shares available under the 2009 Plan by an additional 4.0 million shares to a total of 7.0 million shares issuable under the Amended and Restated

2009 Plan and extended the 2009 Plan termination date through August 15, 2022.

***Shares Reserved for Issuance***

At September 30, 2014, 2,327,860 common shares were reserved for issuance under the Amended and Restated 2009 Plan. At September 30, 2014 there were no common shares available for issuance under any previous Company plan.

***Stock Options and Warrants***

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

There was no compensation expense related to stock option grants or warrant grants during the Current Quarter or Prior Year Quarter, as well as no compensation expense in current year nine months or the prior year nine months.

**Table of Contents**

Summaries of the Company's stock options, warrants (other than warrants issued related to our 1.50% Convertible Notes and 2.50% Convertible Notes) and performance related options activity, and related information for the Current Nine Months are as follows:

	Options	Weighted Average Exercise Price
Outstanding at January 1, 2014	1,313,077	\$ 6.22
Granted		
Canceled		
Exercised	(162,000)	4.18
Expired/Forfeited		
Outstanding at September 30, 2014	1,151,077	\$ 6.51
Exercisable at September 30, 2014	1,151,077	\$ 6.51

	Warrants	Weighted Average Exercise Price
<i>Warrants</i> Outstanding at January 1, 2014	190,000	\$ 19.80
Granted		
Canceled		
Exercised	(140,000)	21.63
Expired/Forfeited		
Outstanding at September 30, 2014	50,000	\$ 14.67
Exercisable at September 30, 2014	50,000	\$ 14.67

All warrants issued in connection with acquisitions are recorded at fair market value using the Black Scholes model and are recorded as part of purchase accounting. Certain warrants are exercised using the cashless method.

The Company values other warrants issued to non-employees at the commitment date at the fair market value of the instruments issued, a measure which is more readily available than the fair market value of services rendered, using the Black Scholes model. The fair market value of the instruments issued is expensed over the vesting period.

***Restricted stock***

Compensation cost for restricted stock is measured as the excess, if any, of the quoted market price of the Company's stock at the date the common stock is issued over the amount the employee must pay to acquire the stock (which is generally zero). The compensation cost, net of projected forfeitures, is recognized over the period between the issue date and the date any restrictions lapse, with compensation cost for grants with a graded vesting schedule recognized on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards. The restrictions do not affect voting and dividend rights.

The following tables summarize information about unvested restricted stock transactions:

	Shares	Weighted Average Grant Date Fair Value
Non-vested, January 1, 2014	2,770,147	\$ 20.53
Granted	256,324	40.64
Vested	(147,044)	19.00
Forfeited/Canceled	(48,590)	25.81
Non-vested, September 30, 2014	2,830,837	\$ 22.34

The Company has awarded time-based restricted shares of common stock to certain employees. The awards have restriction periods tied to employment and vest over a maximum period of 5 years. The cost of the time-based restricted stock awards, which is the fair market value on the date of grant net of estimated forfeitures, is expensed ratably over the vesting period. The Company has awarded performance-based restricted shares of common stock to certain employees. The awards have restriction periods tied to certain performance measures. The cost of the performance-based restricted stock awards, which is the fair market value on the date of grant net of estimated forfeitures, is expensed when the likelihood of those shares being earned is deemed probable.

Compensation expense related to restricted stock grants for the Current Quarter and the Prior Year Quarter was approximately \$6.5 million and \$4.6 million, respectively. Compensation expense related to restricted stock grants for the Current Nine Months and the Prior Year Nine Months was approximately \$14.7 million and \$12.5 million, respectively. An additional amount of \$7.8 million of expense related to time-based restricted shares is expected to be expensed evenly over a period of approximately three years. During the Current Nine Months and the Prior Year Nine Months, the Company repurchased shares valued at \$14.0 million and \$2.7 million, respectively, of its common stock in connection with net share settlement of restricted stock grants and option exercises.

**Table of Contents****7. Earnings Per Share**

Basic earnings per share includes no dilution and is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect, in periods in which they have a dilutive effect, the effect of restricted stock-based awards, common shares issuable upon exercise of stock options and warrants and shares underlying convertible notes potentially issuable upon conversion. The difference between basic and diluted weighted-average common shares results from the assumption that all dilutive stock options outstanding were exercised and all convertible notes have been converted into common stock.

As of September 30, 2014, of the total potentially dilutive shares related to restricted stock-based awards, stock options and warrants, approximately 0.1 million were anti-dilutive, compared to less than 0.1 million as of September 30, 2013.

As of September 30, 2014 and 2013, none of the performance related restricted stock-based awards issued in connection with the Company's named executive officers were anti-dilutive.

The 1.50% Convertible Notes and Warrants and the 2.50% Convertible Notes and Warrants that would be subject to conversion to common stock were dilutive as of September 30, 2014 and therefore have been included in this calculation.

A reconciliation of weighted average shares used in calculating basic and diluted earnings per share follows:

(000 shares omitted)	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	(unaudited)		(unaudited)	
	2014	2013	2014	2013
Basic	47,991	53,325	48,682	57,966
Effect of exercise of stock options	987	1,158	1,036	1,123
Effect of assumed vesting of performance related to restricted stock-based awards	381	180	127	60
Effect of assumed vesting of restricted stock	1,387	1,489	1,369	1,450
Effect of convertible notes subject to conversion	5,753	1,653	5,411	551
Effect of convertible notes warrants subject to conversion	1,958		1,681	
<b>Diluted</b>	<b>58,457</b>	<b>57,805</b>	<b>58,306</b>	<b>61,150</b>

**8. Commitments and Contingencies***Normal Course litigation*

From time to time, the Company is also made a party to litigation incurred in the normal course of business. 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.

## **9. Related Party Transactions**

### *The Candie s Foundation*

The Candie s Foundation, a charitable foundation founded by Neil Cole for the purpose of raising national awareness about the consequences of teenage pregnancy, owed the Company \$.4 million at September 30, 2014 and less than \$0.1 million at December 31, 2013. The Candie s Foundation intends to pay-off the entire borrowing from the Company during 2014, although additional advances will be made as and when necessary.

### *Travel*

The Company recorded expenses of \$95 and \$72 in the Current Nine Months and Prior Year Nine Months, respectively, for the hire and use of aircraft solely for business purposes owned by a company in which the Company s chairman, chief executive officer and president is the sole owner. Management believes that all transactions were made on terms and conditions no less favorable than those available in the marketplace from unrelated parties.

## **10. Segment and Geographic Data**

The Company has one reportable segment, licensing and commission revenue generated from its brands. The geographic regions consist of the United States, Japan and Other (which principally represent Canada and Europe). Revenues attributed to each region are based on the location in which licensees are located. The information below has been revised from previously published financial statements in which the Company had formerly identified only one reporting segment.

**Table of Contents**

The net revenues by type of license and information by geographic region are as follows:

(000 s omitted)	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	(unaudited)		(unaudited)	
	2014	2013	2014	2013
	(Restated)		(Restated)	
<b>Licensing and other revenue by segment:</b>				
Men s	\$ 24,433	\$ 36,128	\$ 73,552	\$ 113,499
Women s	32,998	32,159	114,435	108,182
Home	10,968	10,740	33,189	31,773
Entertainment	23,213	20,109	78,158	56,099
Corporate	18,680	8,040	38,690	17,809
	\$ 110,292	\$ 107,175	\$ 338,024	\$ 327,362

**Operating income (loss) by segment:**

Men s	\$ 10,818	\$ 23,848	\$ 40,895	\$ 83,376
Women s	27,022	26,324	97,170	92,818
Home	8,959	9,130	27,944	26,570
Entertainment	8,742	6,162	24,351	16,310
Corporate	7,873	(3,994)	9,167	(19,854)
	\$ 63,414	\$ 61,470	\$ 199,527	\$ 199,220

**Licensing and other revenue by category:**

Direct-to-retail license	\$ 34,949	\$ 35,663	\$ 124,178	\$ 119,745
Wholesale license	45,963	56,479	132,535	170,434
Entertainment and other	29,380	15,033	81,311	37,183
	\$ 110,292	\$ 107,175	\$ 338,024	\$ 327,362

**Licensing and other revenue by geographic region:**

United States	\$ 64,573	\$ 75,783	\$ 220,598	\$ 221,964
Japan	6,565	9,754	23,084	21,738
Other <sup>(1)</sup>	39,154	21,638	94,342	83,660
	\$ 110,292	\$ 107,175	\$ 338,024	\$ 327,362



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

**Table of Contents****12. Restatement**

As previously discussed, a Special Committee of the Company's Board of Directors, along with the Special Committee's independent legal and accounting advisors, has been conducting a review of the accounting treatment related to certain of the Company's transactions. The advisors have presented their analysis and conclusions to the Special Committee and to the Company's current management team. The Special Committee has now completed the review.

Based on the Special Committee's review and additional review by the Company's Audit Committee and current management team, the Board of Directors, Audit Committee and the Company's current management team concluded that the Company would restate its historical financial statements in respect of (i) the fourth quarter and 2013 fiscal year, (ii) the 2014 fiscal year and each quarterly period thereof and (iii) the first and second quarters of 2015 (collectively, the Restatement Periods), to correct certain errors in accounting. Restatements related to the Current Nine Months are incorporated and reflected in this Amendment No. 2 on Form 10-K/A.

These restatements include the correction of errors regarding (i) the classification of contractually obligated expenses, retail support and other costs as selling, general and administrative expenses, as opposed to netting such expenses against licensing or other revenue, as applicable, (ii) inadequate support for revenue recognition relating to certain license agreements, and (iii) inadequate estimation of accruals related to retail support for certain license agreements.

Adjustments to the Company's previously reported consolidated statements of income and comprehensive income for the Current Quarter are identified in the tables below:

	Three Months Ended September 30, 2014			Nine Months Ended September 30, 2014		
	As Previously		As Restated	As Previously		As Restated
	Reported	Adjustments		Reported	Adjustments	
Licensing revenue	\$ 95,070	\$ (3,458)	\$ 91,612	\$ 304,778	\$ (5,444)	\$ 299,334
Other revenue	18,680		18,680	44,053	(5,363)	38,690
<b>Total revenue</b>	<b>113,750</b>	<b>(3,458)</b>	<b>110,292</b>	<b>348,831</b>	<b>(10,807)</b>	<b>338,024</b>
Selling, general and administrative expenses	50,190	(3,312)	46,878	142,685	(4,188)	138,497
<b>Operating income</b>	<b>63,560</b>	<b>(146)</b>	<b>63,414</b>	<b>206,146</b>	<b>(6,619)</b>	<b>199,527</b>
Income before taxes	47,119	(146)	46,973	195,075	(6,619)	188,456
Provision for income taxes	9,907	(51)	9,856	56,239	(2,317)	53,922
<b>Net income</b>	<b>37,212</b>	<b>(95)</b>	<b>37,117</b>	<b>138,836</b>	<b>(4,302)</b>	<b>134,534</b>
Net income attributable to Iconix Brand Group, Inc.	33,779	(95)	33,684	128,866	(4,302)	124,564
<b>Earnings per share:</b>						
Basic	\$ 0.70	\$ 0.00	\$ 0.70	\$ 2.65	(\$ 0.09)	\$ 2.56
Diluted	\$ 0.58	\$ 0.00	\$ 0.58	\$ 2.21	(\$ 0.07)	\$ 2.14

Comprehensive income	10,738	(95)	10,643	109,742	(4,302)	105,440
Comprehensive income attributable to Iconix Brand Group, Inc.	7,305	(95)	7,210	99,772	(4,302)	95,470