

ICONIX BRAND GROUP, INC.  
Form 10-K  
March 15, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

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

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

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

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

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

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

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

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

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

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

Large accelerated filer

Accelerated filer

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

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

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

DOCUMENTS INCORPORATED BY REFERENCE:

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



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

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## PART I

### Item 1. Business

#### General

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### Corporate Information

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

#### The Company's brands

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

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

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

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

Women's

Brands Wholly-Owned by Iconix:

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

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

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

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

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

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

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

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

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

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

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

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

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

#### Men's

#### Brands Wholly-Owned by Iconix:

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

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



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

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

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

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

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

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

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

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

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

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

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

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

Home

Brands Wholly-Owned by Iconix:

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

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

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

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

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

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

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

## Entertainment

### Brand Wholly-Owned by Iconix:

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

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

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

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

## International

### Brands Wholly-Owned by Iconix:

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

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

Wholly-Owned Subsidiaries and Joint Ventures:

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

Wholly-Owned Subsidiaries

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

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

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

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

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

#### International Joint Ventures

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### Investments:

Marcy Media Holdings, LLC

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

#### Complex Media Inc.

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

## Galore Media Inc.

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

## Licensing Strategy

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

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

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

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

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

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

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

## Marketing

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

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

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

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

## Trend direction

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

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

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

## Key direct-to-retail licenses

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

#### Wal-Mart licenses

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

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



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

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

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

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

#### Target licenses

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

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

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

#### Kohl's licenses

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

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

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

## Kmart/Sears licenses

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

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

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

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

## Competition

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

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

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

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

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

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

## Intellectual Property

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

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

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

## Employees

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

## Financial information about geographical areas

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

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

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

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

#### Available Information

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

## Item 1A. Risk Factors

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

financial position.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

could impair our liquidity;