

ICONIX BRAND GROUP, INC.
Form 10-K
March 14, 2018

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, 2017

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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
	(Do not check if a smaller reporting company)
Non-accelerated filer	Smaller reporting company
Emerging growth company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the

Exchange Act.

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, 2017 was approximately \$394.5 million. As of March 6, 2018, 61,246,506 shares of the registrant's Common Stock, par value \$.001 per share, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Items 10, 11, 12, 13 and 14 of Part III incorporate information by reference from the Form 10-K/A to be filed within 120 days of December 31, 2017.

ICONIX BRAND GROUP, INC. - 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.

PART I

Item 1. Business

General

Iconix Brand Group is a brand management company and owner of a diversified portfolio of approximately 30 global consumer brands across the women's, men's, 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, 2017, the Company's brand portfolio includes Candie's[®], Bongo[®], Joe Boxer[®], Rampage[®], Mudd[®], London Fog[®], Mossimo[®], Ocean Pacific/OP[®], Danskin/Danskin Now[®], Rocawear[®]/Roc Nation[®], Cannon[®], Royal Velvet[®], Fieldcrest[®], Charisma[®], Starter[®], Waverly[®], Ecko Unltd[®]/Mark Ecko Cut & Sew[®], Zoo York[®], Umbro[®], Lee Cooper[®], and Artful Dodger[®]; and interests in Material Girl[®], Ed Hardy[®], Truth or Dare[®], Modern Amusement[®], Buffalo[®], Hydraulic[®], and PONY[®].

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 primarily 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). 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.

Globally, the Company has over 50 direct-to-retail licenses and more than 400 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. 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, 2018, the Company had over \$530 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, Diamond Icon, Umbro China and Danskin China. Note that the Company now maintains a 100% ownership interest in Iconix China, Iconix Latin America and Iconix Canada. Refer

to Note 4 in Notes to Consolidated Financial Statements for further detail.

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.

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

Date acquired	Brand
October 2004	Badgley Mischka ⁽¹⁾
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 ⁽²⁾
October 2011	Sharper Image ⁽³⁾
November 2012	Umbro
February 2013	Lee Cooper ⁽⁴⁾
October 2009, May 2013	Ecko Unltd/ Marc Ecko Cut & Sew ⁽⁵⁾
March 2015	Strawberry Shortcake ⁽⁶⁾

¹In February 2016, the Company sold the rights to the Badgley Mischka intellectual property to Titan Industries, Inc. Refer to Note 5 in Notes to Consolidated Financial Statements for further details.

²In 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%.

³The Company sold its rights to the Sharper Image intellectual property and related assets in December 2016. Refer to Note 5 in Notes to the Consolidated Financial Statements for further details.

⁴In 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 4 in Notes to Consolidated Financial Statements for further details.

⁵In 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%.

⁶In June 2017, the Company sold the businesses underlying the Entertainment segment, which included the Strawberry Shortcake brand. Refer to Note 2 in Notes to Consolidated Financial Statements for further details

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, 2017:

Date Acquired/Invested	Brand	Investment / Joint Venture	Iconix's Interest
November 2007	Artful Dodger	Scion ⁽¹⁾	100 %
May 2009, April 2011	Ed Hardy	Hardy Way ⁽²⁾	85 %

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March 2010	Material Girl and Truth or Dare	MG Icon	50	%
June 2010	Peanuts	Peanuts Holdings ⁽³⁾	0	%
December 2012	Modern Amusement	Icon Modern Amusement	51	%
February 2013	Buffalo	Alberta ULC	51	%
October 2014	Nick Graham	NGX ⁽⁴⁾	0	%
December 2014	Hydraulic	Hydraulic IP Holdings	51	%
February 2015	PONY	US Pony Holdings	75	%

⁽¹⁾In July 2015, the Company acquired the remaining 50% interest in Scion, increasing its effective ownership of the Artful Dodger brand from 50% to 100%. Refer to Note 4 in Notes to Consolidated Financial Statements for further details.

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(2) In April 2011, the Company acquired an additional interest in Hardy Way LLC, increasing its effective ownership of the brand from 50% to 85%. Refer to Note 4 in Notes to Consolidated Financial Statements for further details.

(3) In June 2017, the Company sold the businesses underlying the Entertainment segment, which included the Peanuts brand. Refer to Note 2 in Notes to Consolidated Financial Statements for further details.

(4) In July 2017, the Company sold its 51% ownership interest in NGX, LLC. Refer to Note 4 in Notes to Consolidated Financial Statements for further details.

As of December 31, 2017, 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 ⁽¹⁾	100	%
December 2009	Iconix Europe	51	%
May 2012	Iconix India	50	%
June 2013	Iconix Canada ⁽²⁾	100	%
September 2013	Iconix Australia	50	%
October 2013	Iconix Southeast Asia ⁽³⁾	50	%
December 2013	Iconix Israel	50	%
December 2014	Iconix Middle East ⁽⁴⁾	55	%
July 2016	Umbro China Limited ⁽⁵⁾	95	%
October 2016	Danskin China Limited ⁽⁶⁾	100	%

(1) 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%. Refer to Note 4 in Notes to Consolidated Financial Statements for further details.

(2) In July 2017, the Company purchased the remaining 50% ownership interest in both Iconix Canada L.P. and Ico Brands L.P. (together with Iconix Canada L.P., collectively, "Iconix Canada"). Refer to Note 4 in Notes to Consolidated Financial Statements for further details.

(3) In June 2017, the Company deconsolidated Iconix SE Asia, Ltd. Refer to Note 4 in Notes to Consolidated Financial Statements for further details.

(4) 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. Refer to Note 4 in Notes to Consolidated Financial Statements for further details.

(5) 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 4 in Notes to Consolidated Financial Statements for further details.

(6) 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 4 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. 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.

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The Company's brands

The Company owns a diversified portfolio of approximately 30 iconic brands across the Company's four operating segments: women's, men's, home, and international (see Note 16 in Notes to Consolidated Financial Statements). Additionally, the Company previously owned and operated an Entertainment segment which is included in the Company's consolidated statement of operations as a discontinued operation for the year ended December 31, 2017 ("FY 2017"). As of December 31, 2016, the Company's Entertainment segment was classified as assets held for sale in the Company's consolidated balance sheet pursuant to a definitive agreement dated May 9, 2017 to sell the businesses underlying the Entertainment segment. The sale was completed on June 30, 2017 (see Note 2 of Notes to Consolidated Financial Statements). 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.

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 young contemporary lifestyle brand, with products in footwear, apparel and accessories categories. The brand is "flirty and fun" in spirit, often affiliated with a celebrity spokesperson. 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. In July 2005 Kohl's commenced the all-store roll out of the brand 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 wholesale license agreements with 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 flirty 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 influences the development and design of each new collection.

Bongo. The Bongo brand is positioned as a California lifestyle brand, with a broad range of Junior's casual apparel and accessories, including denim, sportswear, eyewear and footwear. The brand was established in 1982. In February 2010, the Company signed a 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 Kmart/Sears, with strong presence across women's apparel, accessories and footwear.

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 young contemporary fashion 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, handbags, intimates, accessories and outerwear. Previous campaigns have featured Petra Nemcova, Gisele Bündchen, Bar Refaeli, Irina Shayk, and Olivia Culpo.

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Mudd. Mudd is a highly recognizable junior lifestyle brand, with product offerings 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.

London Fog. London Fog is a classic brand known worldwide for its outerwear, luggage and travel products, cold weather accessories, umbrellas and footwear. 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.

Mossimo. Mossimo is known as a contemporary, active and youthful lifestyle brand. It 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. As previously disclosed, the Company was notified that Target will not renew the existing license agreement for the brand subsequent to its expiration on October 31, 2018.

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. In 2017, Ocean Pacific was repositioned to re-connect with the brand heritage and its authentic core customer, the action-sports enthusiast, across the specialty channel. The OP DTR license agreement at Walmart was not renewed upon its expiration in June 2017.

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. 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. In 2016, Danskin entered into a partnership through 2018 with Jenna Dewan Tatum, actress - producer - dancer and social media personality, as celebrity ambassador and face of its campaign. As previously disclosed, the Company was notified that Walmart will not renew the existing Danskin Now license agreement for the brand subsequent to its expiration in January 2019.

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. As previously disclosed, the Company was notified that Macy's will not renew the existing license agreement for the brand subsequent to its

expiration in January 2020. Additionally, the brand has signed three 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 seventh year, the brand has had many notable faces for its campaigns, including Rita Ora, Zendaya, Kelly Osbourne, Sofia Richie, Taylor Momsen and Pia Mia.

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 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.

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

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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. Fanatics, Barnes and Noble College Book Stores). In the Fall of 2017, the Starter brand was launched as an exclusive distribution with Amazon as their only national brand in their private brand division. Over 300 styles across men's, women's, and children's activewear and accessories will launch on the site throughout 2018.

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.

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 boxer 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.

Artful Dodger. In November 2007, Scion, through its wholly-owned subsidiary, Artful Holdings LLC, purchased the Artful Dodger brand, a high end urban apparel brand. 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%.

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.

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. The Company sold its ownership interest in NGX, LLC in July 2017.

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 and is licensed for women's 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, and the rights in Mexico and Canada obtained from Super Jumbo Holdings Limited. 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 its current 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. Established in 1887, Cannon is a brand with a powerful heritage and products that are known for their high quality, easy care and appeal to a broad range of consumers. One of the most recognized home brands, Cannon delivers a consistent quality at an affordable price. It 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 its current 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. For over 60 years, Royal Velvet has been celebrating home fashions, offering sophisticated designs that foster creativity and welcome customers home. Royal Velvet is a premium brand that provides a sophisticated aesthetic to homes and delivers exceptional quality that people know, trust and love. Royal Velvet is an authority on color, bringing rich, elevated choices in home textiles and décor. 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., (owner of JC Penney stores), for the Royal Velvet brand to be sold exclusively in JC Penney Stores in the United States, which commenced in February 2012. As previously disclosed, the Company was notified that JC Penney will not renew the existing license agreement for the brand subsequent to its expiration in January 2019.

Fieldcrest. Fieldcrest has been the choice for quality bedding and bath since the late 19th Century. A brand rich in heritage, Fieldcrest is foundational luxury for the modern guest. 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 towels, rugs, basic bedding and sheets.

Charisma. Charisma home textiles were introduced in the 1970's and are synonymous with understated elegance. The Company acquired Charisma as part of the 2007 Pillowtex acquisition. In February 2009, the Company signed a direct-to-retail license with Costco Wholesale Corporation, (herein referred to as Costco), for certain Charisma products to be sold in Costco stores in the United States and other countries. The brand is also licensed in the United States and Canada for distribution through better department stores such as Bloomingdales, Bed Bath & Beyond, Nieman Marcus and Horchow.

Waverly. Waverly is a home fashion and lifestyle brand that has been a leader in prints and patterns since its launch in 1923. It is one of the most recognized names in home décor and furnishings. Waverly's distinctive color palette and accessible home decor allows consumers to mix and match fabrics offering a custom-designed look at an affordable price. The Company acquired Waverly in October 2008. Waverly has two direct-to-retail agreements in the United States; with Wal-Mart for the Waverly Inspirations Collection covering fabrics and craft and the Waverly Celebrations Collection of Gifts for Her for Walgreen's. 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 and off-price retailers.

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

On May 9, 2017, the Company signed definitive agreements to sell its Entertainment segment. The sale was completed on June 30, 2017. Refer to Note 2 of Notes to Consolidated Financial Statements for further details.

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. In June 2017, the Company sold the brand to DHX Media, Ltd. Refer to Note 2 of Notes to Consolidated Financial Statements for further details.

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, owned and managed 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 was the family of Charles Schulz, the creator of the Peanuts brand and characters. In June 2017, the Company sold its 80% ownership interest in the brand to DHX Media, Ltd. Refer to Note 2 of Notes to Consolidated Financial Statements for further details.

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 more than a hundred 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.

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 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, Joe Boxer, London Fog, Mossimo, Ocean Pacific, Danskin/Danskin Now, Starter, Zoo York, Ecko Unltd., Ed Hardy, Cannon, and Fieldcrest, among others.

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. In July 2017, the Company purchased from Buffalo its 50% interest in Iconix Canada for \$19.0 million plus 50% of the net asset value of Iconix Canada (estimated to be approximately \$2.0 million), increasing the Company's ownership to 100%. Iconix Canada has many direct-to-retail licenses including 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., Danskin, Rampage, Zoo York, Umbro, Fieldcrest, Royal Velvet, and Waverly.

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 established and maintains the following international joint ventures: Iconix Europe, Iconix India, 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. This approach 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, 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, in China in 2015 and Canada in 2017.

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 is also our joint venture partner in Iconix SE Asia.

Iconix Europe has multiple direct-to-retail partnerships including OP with Sports Direct, Danskin with Go Sport and Danskin, Starter, Joe Boxer, Zoo York and London Fog with S-Group/Prisma as well as a wide range of licenses in multiple territories for key brands such as Ocean Pacific, Ecko Unltd., 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, and Arvind and Aditya Birla Nuvo and has licensed brands such as Ecko Unltd., London Fog, Umbro, Ed Hardy and Cannon.

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 Unltd., 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 and its affiliated companies, have licenses for Umbro, Joe Boxer, OP and Starter, 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.

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.

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 Joe Boxer, Rampage, London Fog, Cannon, Ecko Unltd., Ed Hardy, Lee Cooper, Mossimo, Rocawear, Starter, Zoo York, Umbro, Charisma and others.

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, and Waverly 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, at that time, 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 Company Limited 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 depend upon, which 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 4 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 the year ended December 31, 2015 ("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. Given these arrangements, the Company had an investment of approximately 11% of the equity of Galore. In September 2017, the Company entered into a stock repurchase agreement with Galore to sell the Company's outstanding shares of Series A Preferred Stock of Galore. Refer to Note 4 in Notes to Consolidated Financial Statements for further details.

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 400 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. 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, 2018, the Company and its joint ventures had a contractual right to receive over \$530 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 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, 2017, 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 Kmart/Sears for the Joe Boxer, Bongo and Cannon brands. The relationships with these major retailers collectively represented approximately 42% 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, 16%, 19% and 19% of the Company's revenue for the years ended December 31, 2017 ("FY 2017"), December 31, 2016 ("FY 2016") and FY 2015, 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 term of the license continues through January 31, 2019.

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 OP license expired June 30, 2017.

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 Starter license expired December 31, 2017.

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 current term of the license expires on January 31, 2020.

Target licenses

Revenue generated by the Company's licenses with Target accounted for, in the aggregate, 9%, 9% and 9% of the Company's revenue for FY 2017, FY 2016 and FY 2015, 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 term of the license continues through October 31, 2018.

Fieldcrest. As part of the Company's acquisition of Official-Pillowtex in October 2007, the Company acquired the license with Target for the Fieldcrest brand, which commenced in March 2004. Pursuant to this license, Target has the exclusive right to design, manufacture, and sell through Target stores and Target.com in the United States and Canada a wide range of home products, including

bedding, towels, rugs, furniture and dinnerware. The current term of the license continues through January 31, 2020. The license has been renewed 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, 9%, 8%, and 9% of the Company's revenue for FY 2017, FY 2016 and FY 2015, 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, 8%, 7% and 7% of the Company's revenue for FY 2017, FY 2016 and FY 2015, 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 2, 2019. 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.

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, 2017, we owned nearly 6,400 trademark and service mark registrations and applications – over 450 of which are domestic and over 5,900 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 addition, the Company owns numerous copyrights in its iconic Waverly and Joe Boxer patterns and designs. The Company also owns over 1,500 domain names worldwide and registers key domain names containing its trademarks.

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

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, 2017, the Company had a total of 152 full-time employees. Of the 152 full-time employees, three were named executive officers of the Company. The remaining employees are senior managers, middle management, marketing and administrative personnel. Of the Company's 152 full-time employees, 81 employees reside in the U.S., 67 reside in Europe and, four 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 2017	FY 2016	FY 2015
	(000's omitted)		
Licensing revenue by geographic region:			
United States	\$163,809	\$186,829	\$204,290
Other ⁽¹⁾	62,024	68,314	67,300
Total	\$225,833	\$255,143	\$271,590

⁽¹⁾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, 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, www.joeboxer.com and www.danskin.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:

RISKS RELATED TO OUR CAPITAL STRUCTURE

The Company may not generate sufficient cash in the next twelve months necessary to fund continued operations.

Our ability to make cash payments on and to refinance our indebtedness and to fund future operations will depend on our ability to generate significant operating cash flow in the future. This ability is, to a significant extent, subject to general economic, financial, competitive and other factors that are beyond our control. We cannot assure you that our business will generate cash flow from operations in amount sufficient to enable us to fund our liquidity needs, including fees payable in connection with waivers obtained from our creditors and lenders, costs related to the

impairment analysis discussed below and costs related to ongoing litigation (see “Legal Proceedings” and the risk factor entitled “—We have been named in securities litigations, which could be expensive and could divert our management’s attention. There may be additional class action and/or derivative claims”). As a result, we may need to refinance all or a portion of our indebtedness, on or before its maturity, obtain additional equity or debt financing, sell existing assets or enter into strategic alliances with other parties. We cannot assure you that we will be able to do so on commercially reasonable terms or at all, or on terms that would be advantageous to our stockholders. Any inability to generate sufficient cash flow, refinance our indebtedness or incur additional indebtedness on commercially reasonable terms could adversely affect our financial condition and could cause us to be unable to service our existing debt. If we are unable to obtain a waiver, we would be in default under our existing indebtedness, the holders of such indebtedness could exercise their rights as described above, and we could be forced into bankruptcy or liquidation. Even if we are able to obtain such waivers, limited liquidity may cause us to delay or abandon some or all of our plans to invest in new brands and may have a material and adverse effect our ability to generate and/or increase revenue going forward or cause us to be unable to maintain existing licenses on favorable terms and conditions.

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

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

Due to the delayed filing with the SEC of our Form 10-K for the year ended December 31, 2015, and our Form 10-Q for the quarter ended September 30, 2017, we are not currently eligible to use a registration statement on Form S-3 to register the offer and sale of securities, which may adversely affect our ability to raise future capital or complete acquisitions.

As a result of the delayed filing with the SEC of our annual report on Form 10-K for the year ended December 31, 2015, and our Form 10-Q for the quarter ended September 30, 2017, we will not be eligible to register the offer and sale of our securities using a registration statement on Form S-3 until we have timely filed all periodic reports required under the Securities Exchange Act of 1934 for one year, and there can be no assurance that we will be able to file all such reports in a timely manner in the future. Should we wish to register the offer and sale of additional securities to the public, our transaction costs and the amount of time required to complete the transaction could increase, making it more difficult to execute any such transaction successfully and potentially harming our business, strategic plan and financial condition. Furthermore, if we were to experience delays in making our future periodic filings with the SEC, it could subject us to delisting of our common stock from trading on the NASDAQ exchange. The delisting of our common stock could adversely affect the market price of and hinder our stockholders' ability to trade in our common stock, and could also affect our ability to access the capital markets or complete acquisitions. If our shares of common stock were delisted, there could be no assurance of it again being listed for trading on NASDAQ or any other exchange.

RISKS RELATED TO OUR DEBT

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, 2017, the Company's consolidated balance sheet reflects debt of approximately \$800.8 million (which is net of \$7.4 million of debt issuance costs), including (i) secured debt of \$574.4 million under our Series 2012-1 4.229% Senior Secured Notes, Class A-2, Series 2013-1 4.352% Senior Secured Notes and Class A-2 (collectively, the "Senior Secured Notes"), Variable Funding Notes and 2017 Senior Secured Term Loan, and (ii) \$233.9 million net debt carrying value of our 1.5% Convertible Notes; however, the principal amount owed to the holders of our 1.50% convertible senior subordinated notes due March 2018 (the "1.50% Convertible Notes"), was \$236.2 million as of such date. In accordance with ASC 470, our 1.50% Convertible Notes are included in our \$797.9 million of consolidated debt at a net debt carrying value of \$233.9 million. As previously disclosed, in February 2018, the Company issued \$125 million of 5.75% convertible senior subordinated secured second lien notes due 2023 (the "5.75% Convertible Notes"). On March 14, 2018, the Company drew down \$110 million under the Second Delayed

Draw Term Loan (defined below) and used those proceeds, along with cash on hand, to make a payment to the trustee under the indenture governing the 1.50% Convertible Notes to repay the remaining 1.50% Convertible Notes at maturity on March 15, 2018. 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 outstanding debt obligations:

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

In addition, as of December 31, 2017, approximately \$12.7 million, or 10%, of the Company's total cash (including restricted cash) was held in foreign subsidiaries. Our investments in these foreign subsidiaries are considered indefinitely reinvested and unavailable for the payment of any U.S. based expenditures, including debt obligations. Any repatriation of cash from these foreign subsidiaries may require the accrual and payment of U.S. federal and certain state taxes, which could negatively impact our results of operations and/or the amount of available funds. While we currently have no intention to repatriate cash from these subsidiaries, should the need arise domestically, there is no guarantee that we could do so without adverse consequences.

In the event that we are unable to raise the additional financing referenced above, or we fail to make any required payment under agreements governing our indebtedness or fail to comply with the financial and operating covenants contained in those agreements, we would be in default regarding that indebtedness. A debt default could significantly diminish the market value and marketability of our common stock, result in the acceleration of the payment obligations under all or a portion of our consolidated indebtedness and impact the Company's ability to continue as a going concern.

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 and service repayment obligations under our other financing arrangements (including under the DB Credit Agreement (defined in the section entitled "Liquidity and Capital

Resources—Obligations and commitments—2017 Senior Secured Term Loan”) and 5.75% Convertible Notes).

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 and ZY Holdings; on the equity interests in certain of our subsidiaries; and on other related assets securing the notes.

The DB Credit Agreement and the indenture in respect of our 5.75% Convertible Notes (the “5.75% Notes Indenture”) also contain a number of covenants that restrict our ability and the ability of certain of our subsidiaries, their respective 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 investments; and
- incur or prepay certain indebtedness.

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

Upon the occurrence of an event of default under the DB Credit Agreement or a default under the 5.75% Notes Indenture, in addition to the interest rate increasing by an additional 3% per year under the Credit Agreement, all unpaid amounts under the DB Credit Agreement and the 5.75% Convertible Notes could become immediately due and payable. An acceleration of our debt could have a material adverse effect on our liquidity if we were to be unable to negotiate mutually acceptable terms with our lenders or holders of the 5.75% Convertible Notes or other debt obligations as they come due. In addition, a default under one debt instrument relating to our existing indebtedness could in turn permit lenders or holders under other debt instruments to declare borrowings outstanding under those instruments to be due and payable pursuant to cross-default and cross-acceleration clauses.

In the event of a default under our indebtedness under our DB Credit Agreement, which is not waived by our lenders thereunder, such lenders may be able to declare all of the indebtedness under such facilities, together with accrued interest, to be due and payable.

In the event of a default under our indebtedness under our DB Credit Agreement, which is not waived by our lenders thereunder, such lenders generally would be able to declare all of the indebtedness under such facilities, together with accrued interest, to be due and payable. In addition, borrowings under our DB Credit Agreement are secured by a first-priority lien on substantially all of the assets of the Guarantors defined therein. In the event of a default under that facility, such lenders generally would be entitled to seize the collateral, including assets which are necessary to operate our business.

Pursuant to the terms of the 5.75% Note Indenture, the 5.75% Convertible Notes are secured by a second-priority lien on all of the assets of the same Guarantors listed in the DB Credit Agreement. Subject to the terms of an Intercreditor Agreement governing the relationship between the lenders under the DB Credit Agreement and the holders of the 5.75% Convertible Notes, in the event of a default under our DB Credit Agreement, the lenders under the DB Credit Agreement generally would be entitled to seize the collateral, including assets which are necessary to operate our business. In addition, default under one debt instrument relating to our existing indebtedness could in turn permit lenders or holders under other debt instruments to declare borrowings outstanding under those instruments to be due and payable pursuant to cross-default and cross-acceleration clauses. Moreover, upon the occurrence of an event of default relating to our indebtedness, any commitments to extend further credit to us could be terminated.

Accordingly, the occurrence of a default under any debt instrument, unless cured or waived, may have a material adverse effect on our results of operations.

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

Our credit ratings are periodically reviewed and updated by nationally recognized credit rating agencies and are based on our operating performance, liquidity and leverage ratios, overall financial position, and other factors viewed by the credit rating agencies as relevant to our industry and the economic outlook in general. Our corporate credit rating was recently downgraded by Standard and Poor's to SD. Our credit rating can affect the amount of capital we can access, as well as the terms of any future financing we may obtain. There is no guarantee our credit ratings will not decrease or remain the same. If rating agencies make adverse changes to our credit ratings, it could adversely impact our ability to access the debt markets, our cost of funds, and other terms for new debt issuances.

RISKS RELATED TO NEW OUR 5.75% CONVERTIBLE NOTES

We may not have the ability to raise the funds necessary to pay cash upon conversion of our 5.75% Convertible Notes or in connection with a Conversion Make-Whole Payment (as defined in the 5.75% Notes Indenture) or an interest payment or to repurchase the notes upon a Fundamental Change (as defined in the 5.75% Notes Indenture), and our debt may limit our ability to pay cash upon conversion or repurchase of the 5.75% Convertible Notes.

Holder of the 5.75% Convertible Notes have the right to convert their 5.75% Convertible Notes at any time and the right to require us to repurchase their notes upon the occurrence of a Fundamental Change at a repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest, if any. However, we are not obligated to make any payments in cash in lieu of Shares until April 15, 2019, and our ability to make such cash payments may be further restricted by the terms of our credit facilities (see the risk factor immediately following for further details). In addition, upon conversion of any 5.75% Convertible Notes or in connection with a Conversion Make-Whole Payment or an interest payment, unless we elect solely to deliver Shares to settle such conversion (other than paying cash in lieu of delivering any fractional share), which we may be precluded from doing as a result of the Aggregate Share Cap (as defined in the 5.75% Notes Indenture), we will be required to pay to the holders of a note cash as part (or all) of the conversion consideration as described in Section 4.02(b) of the 5.75% Notes Indenture. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of 5.75% Convertible Notes surrendered therefor or being converted. Pursuant to the 5.75% Notes Indenture, we have agreed to use our commercially reasonable efforts (and to seek shareholder approval up to three times prior to April 2019) to obtain the requisite stockholder approvals to effect a reverse stock split or issue Shares in excess of the Aggregate Share Cap. We can provide no assurance, however, that we will obtain such stockholder approvals within a specific timeframe or at all. Until such time as we obtain stockholder approval to effect a reverse stock split or to issue more Shares than permitted under the Aggregate Share Cap, our ability to settle conversions in Shares instead of cash will be limited. In addition, in order to pay cash upon conversion or repurchase of the 5.75% Convertible Notes, we may have to raise funds through additional debt or equity financing. Our ability to meet our obligations or to raise such financing will depend on our financial and operating performance, which is subject to prevailing market conditions and to certain financial, business and other factors beyond our control. 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 or in connection with a Conversion Make-Whole Payment, an interest payment or a repurchase obligation. In addition, the terms of our existing senior secured credit facility limits our ability to make certain cash payments under the 5.75% Notes Indenture, however, so long as no default exists under our senior secured credit facility, we are permitted to make our regularly scheduled interest payments in cash. Moreover, the terms of any future debt may also 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 the DB Credit Agreement include a series of covenants and restrictions that restricts our ability to incur debt and to sell assets, to pay cash for such conversion payments and to make restricted payments and certain prepayments. In addition, the terms of our Senior Secured Notes are subject to a series of covenants and restrictions that may restrict the amount of royalties received from licenses related to collateral pledged to secure our obligations thereunder, or proceeds from the sale of such collateral. Such covenants and restrictions limit our ability to make payments in cash under certain circumstances, including payments to the 5.75% Convertible Notes holders upon conversion or repurchase. Our failure to repurchase notes at a time when the repurchase is required by the 5.75% Notes Indenture or to pay cash payable upon conversion or maturity of the notes as required by the 5.75% Notes Indenture would constitute a default under the 5.75% Notes Indenture and, as a result: (i) subject to the terms of the Intercreditor Agreement, our debt holders could declare all outstanding principal and interest to be due and payable; (ii) the lenders under the DB Credit

Agreement could terminate their commitments to lend us money and foreclose against the collateral pledged to secure our obligations; (iii) we could be forced into bankruptcy or liquidation; and (iv) the acceleration of these obligations would also trigger potential cross-defaults under the DB Credit Agreement and the Senior Secured Notes. In addition, a default under the 5.75% Notes Indenture or the Fundamental Change itself could also lead to a default under agreements governing our other outstanding indebtedness.

The conversion of the 5.75% Convertible Notes may adversely affect our financial condition and operating results. We may be required to convert the 5.75% Convertible Notes for cash under certain circumstances, which would require us to take certain actions such as requesting a waiver under the DB Credit Agreement. A failure to obtain such waiver may result in an event of default or cross default under the agreements governing our existing indebtedness, which could force us into bankruptcy or liquidation.

Holders of 5.75% Convertible Notes will be entitled to convert the notes at any time until the close of business on the business day preceding the maturity date of the notes. If one or more holders elect to convert their 5.75% Convertible Notes on or after April 15, 2019, unless we elect and are able at such time to satisfy our conversion obligation solely by delivering Shares (other than paying cash in lieu of delivering any fractional Share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity.

Under the 5.75% Notes Indenture, on or after the earlier of (i) April 15, 2019, (ii) the effective date of (x) any reverse stock split or (y) any amendment to our charter to increase the authorized shares of common stock, in each case to ensure that we would have a sufficient amount of shares reserved for issuance to satisfy our conversion obligations under the 5.75% Notes Indenture, or (iii) the commencement of any bankruptcy, insolvency, reorganization or similar proceeding with respect to our business, then we are required to pay cash for any portion of the 5.75% Convertible Notes surrendered for conversion and for which shares of our common stock were unable to be delivered pursuant to any physical or combination settlement, both for the relevant conversion and any applicable make-whole payments. However, under the DB Credit Agreement, as amended, we are prohibited from making any cash payment in excess of \$1,000,000 in the aggregate in respect of the 5.75% Convertible Notes.

We may be required to take actions such as requesting a waiver from the lenders under the DB Credit Agreement, and failure to obtain such waiver may result in an event of default or cross default under the agreements governing our existing indebtedness. As a result, the holders of such indebtedness could exercise their rights as described above, and we could be forced into bankruptcy or liquidation.

In addition, even if a waiver is obtained, we may not have enough cash to furnish to the holders of the 5.75% Convertible Notes pursuant to this required cash payment, and we may be required to take actions such as requesting additional waivers from our holders of existing indebtedness, reducing or delaying capital expenditures, selling assets, restructuring or refinancing all or part of the existing debt, or seeking additional equity capital. Failure to seek such waivers or other remedies may result in an event of default or cross default under the agreements governing our existing indebtedness, and the holders of such indebtedness could exercise their rights as described above, and we could be forced into bankruptcy or liquidation. We cannot assure you that any of these remedies can be implemented on commercially reasonable terms or at all.

Holders of 5.75% Convertible Notes will not be entitled to any rights with respect to our common stock, but they will be subject to all changes made with respect to them to the extent our conversion obligation includes Shares.

Holders of 5.75% Convertible Notes will not be entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock) prior to the conversion date relating to such notes (if we have elected to settle the relevant conversion by delivering solely Shares (other than paying cash in lieu of delivering any fractional Share)) or the last trading day of the relevant Observation Period (if we elect to pay and deliver, as the case may be, a combination of cash and Shares in respect of the relevant conversion), but holders of 5.75% Convertible Notes will be subject to all changes affecting our common stock. For example, if an amendment is proposed to our charter or bylaws requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to the conversion date related to a holder's conversion of its 5.75% Convertible Notes (if we have elected to settle the relevant conversion by delivering solely Shares (other than paying cash in lieu of delivering any fractional Share)) or the last trading day of the relevant Observation Period (if we elect to pay and deliver, as the case may be, a combination of cash and Shares in respect of the relevant conversion), such holder will not be entitled to vote on the amendment, although such holder will nevertheless be subject to any changes affecting our common stock.

RISKS RELATED TO OUR COMMON STOCK

We have previously identified material weaknesses in our internal control over financial reporting, and during the course of preparing our financial statements for the year ended December 31, 2017, we identified material weaknesses in our internal control over financial reporting. If our remediation of this material weakness is not effective, we may be unable to report our financial condition or results of operations accurately or on a timely basis and investors may lose confidence in the accuracy and completeness of our financial reports, and the market price of our common stock may be adversely affected.

As previously disclosed, we and our auditors have identified material weaknesses in our internal control over financial reporting for prior periods. Following the identification of the material weaknesses for prior periods, management implemented a remediation plan for such material weaknesses. Such material weaknesses cannot be considered completely addressed until the applicable additional controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. Further, management concluded that certain of our disclosure controls and procedures, including management review controls related to our statement of cash flows, our intangible asset impairment testing, our calculation of long term incentive program compensation expense, and the financial reporting for the modification of debt were not effective in timely alerting them to material information required to be included in our periodic SEC filings and ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Securities and Exchange Act of 1934, as amended, or Exchange Act, is recorded, processed, summarized and reported within the time period specified in the SEC's rules and forms.

We are continuing to implement additional review procedures and adopt additional control procedures to remediate the material weaknesses identified as of December 31, 2017. There can be no assurance that the internal controls we implement will be effective or that in the future we will not suffer from additional ineffective disclosure controls and procedures or internal controls over financial reporting, which would further impair our ability to provide reliable and timely financial reports. We have implemented, and are implementing, additional finance and accounting systems, procedures and controls to satisfy our reporting requirements, but we must implement further measures. Moreover, because of the inherent limitations of any control system, material misstatements due to error or fraud may not be prevented or detected on a timely basis, or at all. If we are unable to remediate effectively these material weaknesses, we may be unable to report our financial condition or financial results accurately or report them within the timeframes required by the SEC, and our business may be further harmed. Historical restated financial statements and failures in internal controls may also cause investors to lose confidence in our financial reporting process and the accuracy and completeness of our financial reports, which could have a negative effect on the price of our common stock, subject us to regulatory investigations and penalties, and adversely impact our business and financial condition.

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

The market price of our common stock has significantly declined in the past year. Furthermore, the publicly traded shares of our common stock have experienced, and may continue to experience, significant price and volume fluctuations. This market volatility could further reduce the market price of our common stock, regardless of our operating performance. In addition, the trading price of our common stock could change significantly over short periods of time in response to actual or anticipated variations in our quarterly operating results, announcements by us, our licensees or our respective competitors, factors affecting our licensees' markets generally and/or changes in national or regional economic conditions, making it more difficult for shares of our common stock to be sold at a favorable price or at all. The market price of our common stock could also be reduced by general market price declines or market volatility in the future or future declines or volatility in the prices of stocks for companies in the trademark licensing business or companies in the industries in which our licensees compete. In addition, any future conversions of the 5.75% Convertible Notes would dilute the holdings of our then existing stockholders, including any remaining holders of convertible notes that receive shares of our common stock upon conversion of their notes, and could reduce the market price of our common stock.

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

We have issued a substantial number of shares of common stock that are eligible for resale under Rule 144 of the Securities Act of 1933, as amended, or Securities Act, and that may become freely tradable. We may, in the future, issue additional shares of our common stock. We are required under the 5.75% Notes Indenture to seek to obtain the necessary stockholder approval to effect a reverse stock split or increase the number of authorized but unissued shares of our common stock in an amount or manner such that we would have a sufficient amount of shares reserved for issuance to satisfy our conversion obligations under the 5.75% Notes Indenture upon conversion of the 5.75% Convertible Notes solely in shares of our common stock. Upon conversion of our 5.75% Convertible Notes, we may elect to satisfy our conversion obligations solely in shares of our common stock, which would result in an increase in the outstanding number of shares of our common stock that, subject to certain limitations, would be freely tradable. We have also already registered a substantial number of shares of common stock that are issuable upon the exercise of options and warrants and have registered for resale a substantial number of restricted shares of common stock issued in connection with our acquisitions. If the holders of 5.75% Convertible Notes and our options and warrants choose to exercise their respective conversion and purchase rights, as applicable, and sell the underlying shares of common stock in the public market, or if holders of currently restricted shares of our common stock choose to sell such shares in the public market under Rule 144 or otherwise, the prevailing market price for our common stock may decline. The sale of shares issued upon the exercise of our derivative securities or other issuances of our common stock could also

further dilute the holdings of our then existing stockholders, including holders of convertible notes that receive shares of our common stock upon conversion of their notes. In addition, future issuances of shares of our common stock could impair our ability to raise capital by offering equity securities.

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

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

Future issuances of equity or convertible notes to raise additional needed capital may result in significant dilution to our stockholders.

In order to raise additional needed capital, the Company may issue shares of its common stock or shares of preferred stock or debt convertible into shares of its common stock or preferred stock. There can be no assurance that such issuances will be at current market rates or on terms favorable to the Company and its existing stockholders. Any raising of capital involving the issuance of equity is expected to result in a significant dilution to existing stockholders. The terms of any debt securities issued could also impose significant restrictions on our operations. Broad market and industry factors may seriously harm the market price of our common stock, regardless of our operating performance, and may adversely impact our ability to raise additional funds. Similarly, if our common stock is delisted from the NASDAQ Global Market tier of The NASDAQ Stock Market LLC, herein referred to as NASDAQ, it may limit our ability to raise additional funds.

RISKS RELATING TO OUR BUSINESS

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 Walmart, Target, Kohls, Kmart/Sears and Global Brands Group represent, each in the aggregate, our five largest licensees during the twelve-month period ended December 31, 2017, representing approximately 16%, 9%, 9%, 8% and 8%, 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.

As previously disclosed, the Company was notified of the following non-renewals of license agreements: (i) the OP and Starter DTR license agreements with Walmart, (ii) the Mossimo DTR license agreement with Target, (iii) the Danskin Now DTR license agreement with Walmart, (iv) the Royal Velvet license agreement with J.C. Penney's and (v) the Material Girl DTR license agreement with Macy's. While the Company is actively working to place these brands with other licensees, the failure to enter into replacement license agreements for these brands on economic terms similar to such DTR arrangements may adversely affect our future revenues and cash flows.

In addition, 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 or establish their own 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.

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

As of December 31, 2017, goodwill represented approximately \$63.9 million, or approximately 7% of the Company's total consolidated assets, and trademarks and other intangible assets represented approximately \$465.7 million, or approximately 54% of our total consolidated assets. Under current U.S. GAAP accounting standards, goodwill and indefinite life intangible assets, including most of our trademarks, are no longer amortized, but instead are subject to impairment evaluation based on related estimated fair values, with such testing to be done at least annually.

As previously disclosed, in November 2017, as of a result of, among other things, the recent decisions by certain licensees not to renew existing Mossimo and Danskin Now license agreements and expected diminished revenues in 2018 across several of the Company's other brands, the Company accelerated the timing of its annual impairment testing of goodwill and intangible assets to be completed in connection with the preparation of its financial statements for the quarter ended September 30, 2017. As a result of such testing, the Company recorded a total non-cash asset impairment charge, related to the write-off of certain of our trademarks and goodwill, in the amount of approximately \$625.5 million. Additionally, in the fourth quarter of FY 2017, as a result of the recent notification of JC Penney not renewing the existing Royal Velvet license agreement, the Company recorded an additional non-cash asset impairment charge, related to the write-off of the Royal Velvet trademark, in the amount of approximately \$4.1 million. As a result, total trademark and goodwill impairment recorded for FY 2017 is in the amount of approximately \$629.6 million.

As previously disclosed, in the fourth quarter of fiscal 2016, the Company recognized a non-cash impairment charge, related to the write-off of certain of our trademarks and goodwill, in the amount of approximately \$438.1 million. A significant portion of the trademark impairment was indirectly driven by the Company's continuing decreased market capitalization relative to its net book value.

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

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 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 significant turnover in our senior management team. While we are not aware of any further pending changes in key management positions, we cannot provide assurance that 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.

Although we expect the U.S. federal tax reform to have a favorable impact on our overall U.S federal tax liability, the effects of the tax reform are uncertain and include limitations on interest deductions and taxes on cash held outside of the U.S. which may adversely affect our results.

On December 22, 2017, the Tax Cut and Jobs Act of 2017 (the "Tax Act"), was signed into law making significant changes to the U.S. Internal Revenue Code of 1986, as amended (the "Code"). The Tax Act reduced the U.S. statutory corporate tax rate from 35% to 21% and made other changes that could have a favorable impact on our overall U.S. federal tax liability in a given period. However, the Tax Act also included a number of provisions that limit or eliminate various deductions which could adversely affect our U.S. federal income tax position. For example, the Tax Act limits our ability to deduct interest expenses to the extent that such expenses exceed 30% of our earnings before interest, taxes, depreciation and amortization.

In addition, under certain circumstances, the Tax Act may require us to pay taxes on cash held abroad, even if the cash is not ultimately repatriated to the U.S. As of December 31, 2017, approximately \$12.7 million, or 10%, of the Company's total cash (including restricted cash) was held in foreign subsidiaries. Although we do not anticipate being required to pay taxes on such foreign cash under the Tax Act because the Company did not generate sufficient earnings and profits to trigger such tax liability, it is not possible for us to determine with certainty whether we will be subject to any such taxes in the future due to the complexity of the income tax laws and the effects of the Tax Act and other factors.

We continue to examine the impact the Tax Act may have on our business, which is uncertain and may be adverse. There can be no assurance that changes in tax laws or regulations, both within the U.S. and the other jurisdictions in

which we operate, will not materially and adversely affect our effective tax rate, tax payments, financial condition and results of operations. See Note 14 in Notes to Consolidated Financial Statements for further details.

Our ability to use our tax attributes including net operating loss carry forwards ("NOLs") to offset future taxable income may be limited as a result of an ownership change.

At December 31, 2017, the Company had approximately \$20.4 million in federal NOLs which will expire in fiscal year 2035 if unused. The Company also has foreign tax credit carryforwards of approximately \$5.3 million which will expire in 2023 and 2024. These NOLs are subject to various limitations under Section 382 of the Code. If we experience any "ownership change" (as defined in Section 382 of the Code) our ability to utilize our tax attributes including U.S. Federal NOLs could be limited. An ownership change may be triggered, among other things, by the conversion of our 5.75% Convertible Notes by large holders who obtain more than 5% of our common stock. We also have approximately \$22.8 million apportioned state and local NOLs that expire in 2034 and 2035 if not used. Similar results could apply to these NOLs because the states in which we operate generally follow Section 382.

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 internationally and execute our strategy for growth, we may 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 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 domestic or foreign territory, where we do not intend to continue exploiting the brand. In these instances, we may 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.

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.

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

Goodwill is tested for impairment at the reporting unit or segment level and is required to be tested for impairment annually, and more frequently if events or circumstances indicate that it is more likely than not that the fair value of a reporting unit or segment is less than its carrying amount. Beginning in the fourth quarter of 2016, the Company changed its reporting segments to reflect a separate International segment as a result of the manner in which the Company manages its business. Previously, international data was reflected in each of our Men's, Women's and Home segments. In the fourth quarter of 2016, the Company recognized a non-cash impairment charge of approximately \$438.1 million related to the write-off of certain of our trademarks and goodwill, which impairment charge is partly attributable to such change in segment reporting. The change in the Company's reporting segments necessitated its reallocation of the value of certain trademarks and goodwill across the new segments, resulting in such non-cash impairment charge. While the Company does not anticipate any future changes in its reporting segments, we cannot ensure that future changes in the manner in which we operate our business may not necessitate a reallocation of our business segments. We also cannot ensure that any change in the Company's segments will not result in impairment charges, which may adversely affect our operating results and financial condition.

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

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

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

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

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

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

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

We may be subject to legal proceedings and claims, including claims of alleged infringement or violation of the patents, trademarks and other intellectual property rights of third parties. In the future, we may be required to assert infringement claims against third parties or third parties may assert infringement claims against us and/or our licensees. To the extent that any of our intellectual property assets is deemed to violate the proprietary rights of others in any litigation or proceeding or as a result of any claim, then we and our licensees may be prevented from using it, which could cause a breach or termination of certain license agreements. If our licensees are prevented from using our

trademarks, this could adversely impact the revenue of our licensees with respect to those IP assets, and thus the royalty payments over and above the guaranteed minimums could be reduced as a result of the licensees' inability to continue using our trademarks. Litigation could also result in a judgment or monetary damages being levied against us and our licensees. Further, if we, our International Joint Ventures or our licensees are alleged to have infringed the IP rights of another party, any resulting litigation could be costly and could damage the Company's reputation. There can be no assurance that we, our International Joint Ventures or our licensees would prevail in any litigation relating to our IP.

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

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

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

A key component of our growth strategy is the acquisition of additional brands and trademarks. Historically, we have been involved in numerous acquisitions of varying sizes. However, we have been unable to complete a significant acquisition of brand-related IP assets since fiscal 2015. We continue to explore new acquisitions. We generally compete with traditional apparel and consumer brand companies, other brand management companies and private equity groups for brand acquisitions. However, as more of our competitors continue to pursue our brand management model, competition for specific acquisition targets may become more acute, acquisitions may become more expensive and suitable acquisition candidates could become more difficult to find. In addition, even if we successfully acquire additional trademarks or the rights to use additional trademarks, we may not be able to achieve or maintain profitability levels that justify our investment in, or realize planned benefits with respect to, those additional brands.

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

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

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

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

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

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

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

From time to time, we may be made a party to litigation in the normal course of business. For example, as the owner of a trademark, we may be named as a defendant in a lawsuit relating to a product designed and manufactured by a licensee of that trademark. In most cases, our licensees under the existing license agreements are obligated to defend and indemnify us, as licensor, and our affiliates with respect to such litigation. In addition, while third parties could assert infringement claims involving our trademarks, we believe our trademarks are not subject to significant litigation risk because they are widely known and well-established trademarks, which have been consistently used by us and the previous owners. We also maintain insurance for certain risks, but it is not possible to obtain insurance to protect against all possible liabilities. Although historically the litigation involving us has not been material to our financial position or our liquidity, any litigation has an element of uncertainty and if any such litigation were to be adversely determined and/or a licensee were to fail to properly indemnify us and/or we did not have appropriate insurance coverage, such litigation could affect our financial position and liquidity.

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

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

our business. Finally, the market price of our common stock may be volatile, and in the past companies that have experienced volatility in the market price of their stock have been subject to securities and/or derivative litigation.

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

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

As a result of the Staff comment letter process, as previously disclosed, we have restated our historical financial statements in respect of the fiscal years ended December 31, 2013 and 2014 which addresses the following accounting matters: (i) consolidate the financial statements of the Iconix Canada, Iconix Israel, Iconix Southeast Asia, Iconix MENA and LC Partners US joint ventures with the Company's financial statements, and eliminate the previously reported gains on sale which were recorded at the time these transactions were consummated (including subsequent June 2014 and September 2014 transactions with respect to Iconix Southeast Asia), (ii) record the recalculated cost basis of the trademarks contributed to certain joint ventures which are recorded under the equity method of accounting at the time of consummation of the transactions, (iii) record the recalculated cost basis of the Umbro brand in the territory of Korea (which closed in December 2013) and the e-commerce and U.S. catalog rights in respect of the Sharper Image brand (which closed in June 2014) to determine the amount of the gain that should have been recorded at the time of the sale, (iv) reclassify the presentation of its statement of operations to reflect gains on sales of trademarks (to joint ventures or third parties) as a separate line item above the Operating Income line, and not as revenue as historically reflected, (v) reclassify the Equity Earnings on Joint Ventures line to above the Operating Income line, from its previous location within the Other Expenses section.

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

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

Additionally, during the preparation of the FY 2015 financial statements, the Company restated certain of its historical financial statements due to errors in accounting related to inadequate support for revenue recognition, the classification of contractually obligated expenses as selling expenses as opposed to netting such expenses with revenue and the inadequate estimation of accruals related to retail support for certain license agreements. Further, the Company noted there were inadequate review controls over historical complex accounting transactions. As a result,

the Company recorded adjustments to (i) reduce licensing revenue and remeasurement gains associated with the review of various historical accounting transactions and (ii) record a liability for a royalty credit earned by a specific licensee in accordance with its license agreement.

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

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

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

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

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

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

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

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

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

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

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

Certain provisions of our certificate of incorporation could have the effect of making more difficult, delaying or deterring unsolicited attempts by others to obtain control of our company, even when these attempts may be in the best interests of our stockholders. Our certificate of incorporation authorizes our board of directors, without stockholder approval, to issue up to 5,000,000 shares of preferred stock, in one or more series, which could have voting and conversion rights that adversely affect or dilute the voting power of the holders of our common stock, none of which is outstanding.

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

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

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

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

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

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

On November 9, 2007, we entered into a lease agreement covering approximately 30,550 square feet of office and showroom space at 1450 Broadway in New York, New York. The term of the lease runs through June 30, 2024 and

provides for total aggregate annual base rental payments for such space of approximately \$26.4 million (ranging from approximately \$1.1 million for the first year following the rent commencement date to approximately \$2.2 million, on an annualized basis, in the last year of the lease). We will also be required to pay our proportionate share of any increased taxes attributed to the premises. Such property is utilized by each of the Company's reporting segments other than the international segment.

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

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

We lease office space at The Aircraft Factory, 100 Cambridge Grove, Hammersmith, London W6 0LE, for approximately £0.3 million per annum, pursuant to a lease that expires June 7, 2022. Such property is utilized by the Company's international segment.

Item 3. Legal Proceedings

In July 2013, Signature Apparel Group LLC, referred to as Signature, filed an amended complaint in an adversary proceeding captioned Signature Apparel Group LLC v. ROC Fashions, LLC, et al., Adv. Pro. No. 11-02800-REG in the United States Bankruptcy Court for the Southern District of New York that, among others, named as defendants the Company and Studio IP Holdings, LLC, referred to as Studio IP (the Company and Studio IP are collectively referred to as Iconix). The causes of action in the amended complaint relate to a series of events from September 2009 with respect to which Signature sought at least \$8.8 million in damages from Iconix. In August 2017, the Bankruptcy Court rendered a decision in this matter. In that decision, the Court found that one of Signature's principals must disgorge \$2.05 million of the consulting fees that he received in breach of his fiduciary duties to Signature and that Iconix was jointly and severally liable for this amount, plus interest as applicable. The Court also found Iconix liable on the causes of action asserted against it in the amended complaint, including negligent misrepresentation, aiding and abetting breach of fiduciary duty, breach of contract (Studio IP only), fraud, and tortious interference with contract (the Company only). The Court ordered supplemental post-trial briefing related solely to the calculation of additional damages, if any, to be awarded to Signature. Signature now alleges damages of up to \$70 million, plus counsel fees and interest as applicable. Iconix strongly disagrees with the basis for and amounts of damages claimed by Signature, and argued vigorously that no additional damages are warranted. On January 12, 2018, Signature filed an application with the Court for reimbursement of its counsel fees and expenses totaling approximately \$4.2 million that it purportedly incurred in the adversary proceeding. Iconix will vigorously oppose Signature's application. Given the uncertainty of how the Bankruptcy Court will rule with respect to damages and counsel fees, Iconix cannot estimate the amount of additional damages, if any, at this time.

On May 1, 2017, 3TAC, LLC, referred to as 3TAC, a former licensee of the Company, and West Loop South, LLC, referred to as West Loop (3TAC and West Loop collectively referred to as Plaintiffs), sued the Company, its affiliate, IP Holdings Unltd., LLC, referred to as IPHU, and the Company's former CEO, Neil Cole (the Company, IPHU, and Cole are collectively referred to as the Iconix Parties), in the action captioned 3TAC, LLC and West Loop South, LLC v. Iconix Brand Group, Inc., and Neil Cole, Case No. 16-cv-08795-KBF-RWL in the United States District Court for the Southern District of New York. Plaintiffs asserted claims for breach of contract, tortious inference with contract and business relations, unjust enrichment, trade libel and prima facie tort relating to the Iconix Parties' alleged breach of a Global License Agreement, as amended, between 3TAC and IPHU concerning intellectual property rights in and to the Marc Ecko brands, the Iconix Parties' alleged interference with 3TAC's performance thereunder, and the Iconix Parties' alleged interference with a related sublicense between 3TAC and West Loop. On October 27, 2017, Judge Katherine B. Forrest granted the Iconix Parties' motion to dismiss Plaintiffs' unjust enrichment, trade libel and prima facie tort claims. Plaintiffs seek damages of up to \$19 million for their remaining claims, plus counsel fees and interest. The Iconix Parties are vigorously defending against the remaining claims. At this time, the Company is unable to estimate the ultimate outcome of this matter.

On November 1, 2017, Seth Gerszberg and EGRHC, LLC, collectively referred to as Plaintiffs, a successor in interest to Suchman, LLC, referred to as Suchman, a company wholly-owned by Gerszberg that entered into a joint venture with the Company pursuant to which they formed IP Holdings Unltd., LLC, referred to as IPHU, filed an action captioned Gerszberg and EGRHC, LLC v. Iconix Brand Group, Inc., IP Holdings Unltd, LLC and Neil Cole, Case No. 17-cv-08421-KBF-RWL in the United States District Court for the Southern District of New York. Plaintiffs seek in excess of \$100 million for the Company's, IPHU's, and Neil Cole's (collectively referred to as the Iconix Parties) alleged breach of IPHU's Operating Agreement and related breaches of fiduciary duties, breach of an agreement pursuant to which the Company bought out Suchman's interest in IPHU and fraudulent inducement into the same, and

unjust enrichment. The core of Plaintiffs' allegations concern the intellectual property rights in and to the Marc Ecko brands. The Iconix Parties are vigorously defending against the claims asserted by Plaintiffs. At this time, the Company is unable to estimate the ultimate outcome of this matter.

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

Two shareholder derivative complaints captioned James v. Cuneo et al, Docket No. 1:16-cv-02212 and Ruthazer v. Cuneo et al, Docket No. 1:16-cv-04208 have been consolidated in the United States District Court for the Southern District of New York, and three shareholder derivative complaints captioned De Filippis v. Cuneo et al. Index No. 650711/2016, Gold v. Cole et al, Index No. 53724/2016 and Rosenfeld v. Cuneo et al., Index No. 510427/2016 have been consolidated in the Supreme Court of the State of New York, New York County. The complaints name the Company as a nominal defendant and assert claims for breach of fiduciary duty, insider trading and unjust enrichment against certain of the Company's current and former directors and officers arising out of the Company's restatement of financial reports and certain employee departures. At this time, the Company is unable to estimate the ultimate outcome of these matters.

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

Three securities class actions have been consolidated in the United States District Court for the Southern District of New York, under the caption In re Iconix Brand Group, Inc., et al., Docket No. 1:15-cv-4860, against the Company and certain former officers and one current officer (the "Class Action"). The plaintiffs in the Class Action purport to represent a class of purchasers of the Company's securities from February 22, 2012 to November 5, 2015, inclusive, and claim that the Company and individual defendants violated sections 10(b) and 20(a) of the Exchange Act, by making allegedly false and misleading statements regarding certain aspects of the Company's business operations and prospects. On October 25, 2017, the Court granted the motion to dismiss the consolidated amended complaint filed by the Company and the individual defendants with leave to amend. On November 14, 2017, the plaintiffs filed a second consolidated amended complaint. On February 2, 2018, the defendants moved to dismiss the second consolidated amended complaint. The Company and the individual defendants intend to vigorously defend against the claims. At this time, the Company is unable to estimate the ultimate outcome of these matters.

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

See Note 10 of Notes to Consolidated Financial Statements.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

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

	High	Low
Year Ended December 31, 2017		
Fourth Quarter	\$5.81	\$1.23
Third Quarter	7.06	4.79
Second Quarter	8.30	5.91
First Quarter	10.80	6.83
Year Ended December 31, 2016		
Fourth Quarter	\$10.08	\$6.76
Third Quarter	9.12	6.26
Second Quarter	9.27	6.30
First Quarter	10.30	4.67

As of March 1, 2018, there were 1,159 holders of record of the Company’s common stock.

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

ISSUER PURCHASES OF EQUITY SECURITIES

2017	Total	Weighted	Total	Maximum
	Number of	Average	Number of	Approximate
	Shares	Price	Shares	Dollar
	Purchased (*)	Paid	Purchased	Value of
				Shares

	per Share	as Part of	that
		Publicly	May Yet be
		Announced	Purchased
		Plan	Under the
			Plan
October 1—October 31	—	\$ —	— \$ —
November 1—November 30	—	—	— —
December 1—December 31	9,827	2.82	— —
Total	9,827	\$ 2.82	— \$ —

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

During FY 2017, the Company did not repurchase any shares under the Company's share repurchase plans. Shares purchased in FY 2016 and FY 2015 that were not part of the Company's share repurchase plan represent shares surrendered to the Company to pay withholding taxes due upon the vesting of restricted stock of employees.

The information regarding equity compensation plans is incorporated by reference to Item 12 of this Form 10-K, which incorporates by reference the information set forth in the Company's Definitive Proxy Statement in connection with the annual meeting of stockholders to be held in 2018.

Performance Graph

The performance graph does not constitute soliciting material, is not deemed filed with the SEC and is not incorporated by reference in any of the Company's filings under the Exchange Act of 1934, whether made before or after the date of this Annual Report on Form 10-K and irrespective of any general incorporation language in any such filings, except to the extent the Company specifically incorporates this performance graph by reference therein.

The following graph sets forth the cumulative total return to the Company's shareholders during the five years ended December 31, 2017, as well as an overall stock market (NASDAQ) and an industry peer group selected by the Company. The peer group we selected is comprised of the following companies: Cherokee Inc., Fossil Inc., Sequential Brands Inc., Steve Madden, and Vera Bradley, Inc. The performance graph assumes \$100 was invested on December 31, 2012, in each category.

Item 6. Selected Financial Data

Selected Historical Financial Data

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

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

	Year Ended December 31,				
	(000's omitted)				
	2017	2016	2015	2014	2013
Consolidated Income Statement Data⁽¹⁾					
Licensing revenue	\$225,833	\$255,143	\$271,590	\$288,419	\$315,625
Selling, general and administrative expenses	114,606	128,759	134,006	111,579	110,638
Loss on termination of licenses	28,360	—	—	—	—
Depreciation and amortization	2,455	2,793	4,317	6,238	8,880
Equity earnings on joint ventures	3,259	(3,578)	(5,330)	(11,325)	(10,211)
Gain on deconsolidation of joint venture	(3,772)	—	—	—	—
Gains on sale of trademarks	(875)	(38,104)	—	(6,399)	(7,354)
Goodwill impairment	103,877	18,331	35,132	—	—
Trademark impairment	525,726	419,762	402,392	—	—
Investment impairment	16,848	—	—	—	—
Operating (loss) income	(564,651)	(272,820)	(298,927)	188,326	213,672
Other expenses— net	88,781	63,129	15,072	46,549	68,162
Net income (loss) from continuing operations, net of tax	(557,455)	(257,824)	(210,098)	100,631	102,295
Net income (loss) from continuing operations attributable to					
Iconix Brand Group, Inc.	(535,278)	(254,498)	(201,659)	91,803	94,044
Net income from discontinued operations, net of tax	48,968	8,316	21,168	18,191	14,997
Net income from discontinued operations attributable to					
Iconix Brand Group, Inc.	46,025	2,364	15,145	11,920	10,945
Net income (loss) attributable to Iconix Brand Group, Inc.	\$(489,253)	\$(252,134)	\$(186,514)	\$103,723	\$104,989
(Loss) earnings per share - basic:					
Continuing operations	\$(9.47)	\$(4.86)	\$(4.18)	\$1.90	\$1.67
Discontinued operations	\$0.81	\$0.05	\$0.31	\$0.25	\$0.19

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(Loss) earnings per share - basic:	\$ (8.66) \$ (4.82) \$ (3.86) \$ 2.14	\$ 1.87
(Loss) earnings per share - diluted:					
Continuing operations	\$ (9.47) \$ (4.86) \$ (4.18) \$ 1.60	\$ 1.55
Discontinued operations	\$ 0.81	\$ 0.05	\$ 0.31	\$ 0.21	\$ 0.18
(Loss) earnings per share - diluted	\$ (8.66) \$ (4.82) \$ (3.86) \$ 1.81	\$ 1.73
Weighted average number of common shares outstanding:					
Basic	57,112	52,338	48,293	48,431	56,281
Diluted	57,112	52,338	48,293	57,366	60,734

*The year ended December 31, 2014 will herein be referred to as FY 2014; and the year ended December 31, 2013 will herein be referred to as FY 2013.

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	At December 31, (000's omitted)				
	2017	2016	2015	2014	2013
Consolidated Balance Sheet Data					
Cash	\$65,927	\$137,114	\$169,971	\$128,039	\$278,789
Working capital	120,522	453,648	221,506	211,985	355,970
Trademarks and other intangibles, net	465,722	1,003,895	1,696,524	1,996,334	1,900,340
Total assets	870,513	2,005,515	2,504,601	2,742,872	2,784,025
Long-term debt, including current portion	800,842	1,254,160	1,449,392	1,374,235	1,402,216
Total stockholders' equity (deficit)	\$(50,976)	\$494,644	\$716,161	\$951,437	\$1,060,497

⁽¹⁾ During FY 2017, FY 2016, FY 2015, FY 2014, and FY 2013, the Company made none, none, two, six (including investments in joint ventures that are consolidated in our financial statements), and five (including investments in joint ventures that are consolidated in our financial statements) acquisitions, respectively. See Note 4 of Notes to Consolidated Financial Statements for information about the Company's acquisitions and investments through its joint ventures.

⁽²⁾ Includes the following: 1) in FY 2017, a loss of approximately \$20.9 million primarily related to our principal prepayments made on our Senior Secured Notes and Senior Secured Term Loan, 2) in FY 2016, a cash gain of approximately \$10.2 million related to our sale of our investment in Complex Media, a gain of approximately \$7.3 million related to the recoupment and final settlement of unearned incentive compensation from the Company's former CEO in connection with the previously announced financial restatements, a net non-cash gain of approximately \$8.4 million related to our repurchase of our 1.50% Convertible Notes and 2.50% Convertible Notes, and a loss of approximately \$14.2 million related to our principal prepayments made on our Senior Secured Term Loan; 3) in FY 2015, a non-cash gain of approximately \$50.0 million related to our purchase of our joint venture partner's interest in Iconix China offset by a non-cash loss of approximately \$3.8 million related to our additional investment in Scion; and 4) in FY 2014, a non-cash gain of approximately \$34.7 million related to our purchase of our joint venture partner's interest in Iconix Latin America offset by a non-cash loss of approximately \$5.9 million related to our purchase of our joint venture partner's interest in Iconix Europe.

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

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

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

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

Overview

We are a brand management company and owner of a diversified portfolio of approximately 30 global consumer brands across the Company's operating segments: women's, men's, home, and international. Additionally, the Company previously owned and operated an Entertainment segment which is included in the Company's consolidated statement of operations as a discontinued operation for FY 2017. As of December 31, 2016, the Company's Entertainment segment was classified as assets held for sale in the Company's consolidated balance sheet pursuant to a definitive agreement dated May 9, 2017 to sell the businesses underlying the Entertainment segment. The sale was completed on June 30, 2017 (see Note 2 of Notes to Consolidated Financial Statements). 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, 2017, the Company's brand portfolio includes Candie's[®], Bongo[®], Joe Boxer[®], Rampage[®], Mudd[®], London Fog[®], Mossimo[®], Ocean Pacific/OP[®], Danskin/Danskin Now[®], Rocawear[®]/Roc Nation[®], Cannon[®], Royal Velvet[®], Fieldcrest[®], Charisma[®], Starter[®], Waverly[®], Ecko Unltd[®]/Mark Ecko Cut & Sew[®], Zoo York[®], Umbro[®], Lee Cooper[®], and Artful Dodger[®]; and interests in Material Girl[®], Ed Hardy[®], Truth or Dare[®], Modern Amusement[®], Buffalo[®], Hydraulic[®], and PONY[®].

The Company looks to monetize the IP related to its brands throughout the world and in all relevant categories primarily by licensing directly with leading retailers, 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). The licensees are generally responsible for designing, manufacturing and distributing the licensed products. The Company supports its brands with advertising and promotional campaigns designed to increase brand awareness. Additionally, the Company provides its licensees with coordinated trend direction to enhance product appeal and help build and maintain brand integrity.

Globally, the Company has over 50 direct-to-retail licenses and more than 400 total licenses. Licensees are selected based upon the Company's belief that such licensees will be able to produce and sell quality products in the categories of their specific expertise and that they are capable of exceeding minimum sales targets and royalties that the Company generally requires for each brand. This licensing strategy is designed to permit the Company to operate its licensing business, leverage its core competencies of marketing and brand management with minimal working capital. 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, 2018, the Company had over \$530 million of aggregate guaranteed royalty revenue over the terms of its existing contracts excluding renewals.

The Company's OP DTR license agreement at Walmart was not renewed upon expiration in June 2017. The Company's Starter DTR license agreement at Walmart was not renewed upon expiration in December 2017. In October 2017, the Company also announced that Starter is now available on Amazon exclusively to Amazon Prime members. Additionally, the Company has learned that its Danskin Now license agreement with Walmart will not be renewed upon its expiration in January 2019 and royalty revenue for the Danskin Now brand at Walmart is estimated to decline approximately \$15.5 million in 2018. The Company's Mossimo DTR license agreement at Target will not be renewed upon expiration in October 2018 and royalty revenue for the Mossimo brand at Target is estimated to decline approximately \$10.0 million in 2018. The Company's Material Girl license agreement with Macy's will not be renewed upon its expiration in January 2020. The Company's Royal Velvet license agreement with JC Penney will not be renewed upon its expiration in January 2019. The Company is actively seeking to place OP, Danskin, Mossimo, Material Girl and Royal Velvet with new or existing licensees. At this time, the Company is uncertain how the terms and conditions of any potential replacement licensing arrangements could affect its future revenues and cash flows.

As discussed in further detail in Note 14 in the Notes to the Consolidated Financial Statements, on December 22, 2017 the United States enacted the Tax Cuts and Jobs Act. The new law, which is also commonly referred to as "U.S. tax reform", significantly changes U.S. corporate income tax laws by, among other changes, imposing a one-time mandatory tax on previously deferred earnings of foreign subsidiaries, reducing the U.S. corporate income tax rate from 35% to 21% starting on January 1, 2018, creating a territorial tax system which generally eliminates U.S. federal income taxes on dividends from foreign subsidiaries, eliminating or limiting the deduction of certain expenses including interest expense, and requiring a minimum tax on earnings generated by foreign subsidiaries, which could have a significant impact on our effective tax rate, cash tax expenses and/or deferred income tax balances.

The Company identifies its operating segments according to how business activities are managed and evaluated. Beginning in October 2016, given a review of the Company's business activities, how they are managed and evaluated, the Company determined that it would reflect four distinct reportable operating segments: men's, women's, home, and international. The Company has disclosed these reportable operating segments for the periods shown below. The Company updated its FY 2015 segment data to conform to the current reportable operating segments. Since the Company does not track, manage and analyze its assets by segments, no disclosure of segmented assets is reported. Additionally, the Company previously owned and operated an Entertainment segment which is included in the Company's consolidated statement of operations as a discontinued operation for FY 2017. As of December 31, 2016, the Company's Entertainment segment was classified as assets held for sale in the Company's consolidated balance sheet pursuant to a definitive agreement dated May 9, 2017 to sell the businesses underlying the Entertainment segment of which the sale was completed on June 30, 2017 (see Note 2 of Notes to Consolidated Financial Statements).

The four reportable operating segments described below represent the Company's activities for which separate financial information is available and which is utilized on a regular basis by the Chief Executive Officer in deciding how to allocate resources and in assessing performance. In identifying the Company's reportable operating segments, the Company considers its management structure and the economic characteristics, customers, sales growth potential and long-term profitability of its operating segments. As such, the Company configured its operations into the following four reportable operating segments:

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

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

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

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

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

The Company's Chief Executive Officer has been identified as the CODM. The Company's measure of segment profitability is licensing revenue and operating income. Refer to Note 16 in Notes to Consolidated Financial Statements for further details. The accounting policies of the Company's reportable operating segments are the same as those described in Note 1 – Summary of Significant Accounting Policies in Notes to the Consolidated Financial Statements.

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

(in 000's)	FY 2017	FY 2016	FY 2015
Licensing revenue by segment:			
Men's	\$39,780	\$48,635	\$55,208
Women's	96,833	106,527	118,038
Home	28,807	38,370	36,473
International	60,413	61,611	61,871
	\$225,833	\$255,143	\$271,590
Operating income (loss):			
Men's	\$(144,779)	\$(132,574)	\$(334,164)
Women's	(215,570)	62,565	101,074
Home	(76,680)	(18,105)	(7,321)
International	(64,826)	(162,986)	(3,503)
Corporate	(62,796)	(21,720)	(55,013)
	\$(564,651)	\$(272,820)	\$(298,927)

Highlights of FY 2017

- Total revenue of \$225.8 million, a 7% decline from prior year, excluding revenue from the Sharper Image brand, Badgley Mischka brand and deconsolidation of the SE Asia joint venture.

Improved financial stability by divesting Entertainment Segment and reducing debt by approximately \$360 million; secured new delayed draw term loan to satisfy 1.50% convertible notes.

- Launched Starter active apparel collection available exclusively on Amazon; Signed a new multi-year, exclusive distribution agreement with Target.

Historic level of new business signed internationally and organic growth across most regions.
FY 2017 Compared to FY 2016

Licensing Revenue. Total licensing revenue for FY 2017 was \$225.8 million, a 11% decrease, as compared to \$255.1 million for FY 2016. Total licensing revenue was negatively impacted primarily by approximately \$9.3 million decrease due to the sale of the Sharper Image intellectual property and related assets, \$0.2 million decrease due to the sale of the Badgley Mischka intellectual property and related assets and a decrease of \$2.6 million due to the deconsolidation of the SE Asia joint venture. Excluding Sharper Image, Badgley Mischka and the SE Asia joint venture impact, revenue for FY 2017 was down approximately 7% as compared to the FY 2016. The women's segment decreased 9% from \$106.5 million in FY 2016 to \$96.8 million in FY 2017 mainly due to a decrease in our Mossimo, Danskin and OP brands. The men's segment decreased 18% from \$48.6 million in FY 2016 to \$39.8 million in FY 2017 mainly due to a decrease in the Starter brand. The home segment decreased 25% from \$38.4 million in FY 2016 to \$28.8 million in FY 2017 mainly due to the sale of the Sharper Image brand. Excluding Sharper Image, the home

segment decreased 1% mainly due to a decrease in the Waverly brand. The international segment decreased 2% from \$61.6 million in FY 2016 to \$60.4 million in FY 2017 mainly due to the deconsolidation of the SE Asia joint venture. Excluding the deconsolidation, the international segment increase by 2% mainly due to an increase in the China, Europe and Brazil regions.

Selling, General and Administrative Expenses. Total selling, general and administrative expenses (“SG&A”) was \$114.6 million for FY 2017 as compared to \$128.8 million for the FY 2016, a decrease of \$14.2 million or 11%. SG&A from the women’s segment decreased 23% from \$14.7 million in FY 2016 to \$11.3 million in FY 2017 mainly due to a \$2.4 million decrease in accounts receivables reserves and write-offs. SG&A from the men’s segment increased 16% from \$17.4 million in FY 2016 to \$20.2 million in FY 2017 primarily due to a \$2.5 million increase in advertising expense. SG&A from the home segment decreased 45% from \$6.5 million in FY 2016 to \$3.5 million in FY 2017 mainly due to a \$1.3 million decrease in compensation costs. SG&A from the international segment decreased 4% from \$31.8 million in FY 2016 to \$30.5 million in FY 2017 mainly due to a \$3.8 million decrease in accounts receivable reserves and write-offs somewhat offset by a \$1.6 million increase in advertising costs. Corporate SG&A decreased 16% from \$58.4 million in FY 2016 to \$49.1 million mainly driven by a decrease of \$4.2 million in compensation costs and a \$3.6 million decrease in professional fees.

Loss on Termination of Licenses. Loss on the termination of licenses was a \$28.4 million for FY 2017 as compared to zero in FY 2016. The charge was mostly related to licensee terminations associated with the transition of a new license in FY 2017 primarily related to the Umbro brand.

Depreciation and Amortization. Depreciation and amortization was \$2.5 million for FY 2017, compared to \$2.8 million in FY 2016, a decrease of \$0.3 million or 12%. The decrease was mostly a result of lower amortization costs related to the Artful Dodger brand.

Equity Loss (Earnings) on Joint Ventures. Equity Earnings (Loss) on Joint Ventures was \$3.3 million in expense in FY 2017, as compared to \$3.6 million in income from the FY 2016. The decrease primarily came from asset impairment charges within the Australia joint venture and SE Asia joint venture.

Gain on Deconsolidation of Joint Venture. Gain on deconsolidation of joint venture was \$3.8 million for FY 2017, compared to zero for FY 2016 due to the deconsolidation of Southeast Asia joint venture.

Gain on Sale of Trademarks. Gain on Sale of Trademarks was a \$0.9 million gain for FY 2017, compared to \$38.1 million in the FY 2016. The gain in FY 2017 was mainly due to small gains in the Sharper Image and Badgley Mischka brands while the gain in FY 2016 was mainly due to (i) a gain of \$28.1 million realized on the sale of the Sharper Image brand, (ii) a gain of \$12.0 million realized on the sale of the Badgley Mischka brand and (iii) a loss of \$2.0 million realized on the sale of the Ed Hardy brand in China.

Trademark, Goodwill & Investment Impairment. Trademark, Goodwill & Investment Impairment loss for FY 2017 was approximately \$646.5 million as compared to \$438.1 million in FY 2016. The Trademark Impairment in FY 2017 was approximately \$525.7 million primarily related to a write-down in the women's segment and men's segment while the Trademark Impairment in FY 2016 was \$419.8 million and primarily related to the international and men's segments. The Goodwill Impairment in FY 2017 was \$103.9 million primarily related to a write-down in our women's segment and men's segment primarily due to declines in net sales in certain brands within the segments and an inability to secure additional license agreements with guaranteed minimum royalties in future periods for these brands. The Goodwill Impairment in FY 2016 was \$18.3 million and primarily related to a write-down in our men's business segment. The Investment Impairment in FY 2017 was approximately \$16.8 million primarily related to a write-down in MG Icon investment.

Operating (Loss) Income. Total operating loss for FY 2017 was \$564.7 million as compared to a loss of \$272.8 million in FY 2016. Excluding the trademark, goodwill & investment impairment, loss on termination of licenses, gain on sale of trademarks, gain on deconsolidation of joint ventures and income from divested brands, operating income in FY 2017 was \$113.1 million or 50% of revenue as compared to income of \$119.6 million or 49% of revenue in FY 2016. Operating loss from the women's segment was \$215.6 million in FY 2017 as compared to income of \$62.6 million in FY 2016. Excluding trademark & goodwill impairment and the loss on the termination of licenses, women's operating income in FY 2017 was \$87.9 million as compared to operating income of \$94.0 million in FY 2016. Operating loss from the men's segment was \$144.8 million in FY 2017 as compared to a loss of \$132.6 million in FY 2016. Excluding trademark & goodwill impairment and the loss on the termination of licenses, men's operating income in FY 2017 was \$19.0 million as compared to income of \$30.3 million in FY 2016. Operating loss from the home segment was \$76.7 million in FY 2017 as compared to a loss of \$18.1 million in FY 2016. Excluding trademark & goodwill impairment and income from Sharper Image, home operating income was \$25.3 million in FY 2017 as compared to income of \$23.9 million in FY 2016. Operating loss from the international segment was \$64.8 million in FY 2017 as compared to a loss of \$163.0 million in FY 2016. Excluding trademark & goodwill impairment, international operating income was \$31.4 million in FY 2017 as compared to income of \$30.7 million in FY 2016. Corporate operating loss was \$62.8 million in FY 2017 as compared to a loss of \$21.7 million in FY 2016. Excluding investment impairment, gains on sale of trademarks and gain on deconsolidation of joint venture, corporate operating

loss was \$50.6 million in FY 2017 as compared to a loss of \$59.8 million in FY 2016.

Other Expenses-Net. Other expenses- net were approximately \$88.8 million for FY 2017 as compared to \$63.1 million for the FY 2016, an increase of \$25.7 million. The increase was primarily related to the following: (i) a \$15.0 million increase in FY 2017 in the loss on extinguishment of debt, (ii) a \$7.3 million gain in FY 2016 on the clawback of compensation related to previous employees of which there was no comparable income in FY 2017 (iii) a \$7.4 million decrease in the gain on the sale of the investment in Complex Media, and (iv) a \$4.4 million increase in foreign currency translation loss.

Provision for Income Taxes. The effective tax rate from continuing operations in FY 2017 was 14.7% resulting in a \$96.0 million tax benefit as compared to the effective tax rate from continuing operations in FY 2016 of 23.3% resulting in a \$78.1 million tax benefit. The decrease in the effective tax rate for FY 2017 as compared to FY 2016 is primarily a result of the establishment of a valuation allowance on the deferred tax assets and by the reduction of US federal tax rate, the valuation allowance charge had the effect of reducing the tax benefit on the pretax loss which lowers the effective tax rate, similar to the charge resulting from the remeasurement of the Company's net deferred income tax assets and liabilities at the reduced U.S. corporate income tax rate.

Net (Loss) Income from Continuing Operations. Our net loss from continuing operations was approximately \$557.5 million for FY 2017, compared to net loss from continuing operations of approximately \$257.8 million for FY 2016, as a result of the factors discussed above.

Discontinued Operations. In the first quarter of FY 2017, our Board of Directors approved a plan to sell the businesses underlying the Entertainment segment. As a result, we have classified the results of our Entertainment segment as discontinued operations in our condensed consolidated statement of operations for all periods presented. Additionally, the related assets and liabilities associated with the discontinued operations are classified as held for sale in our condensed consolidated balance sheet as of December 31, 2016. On May 9, 2017, we signed a definitive agreement to sell these businesses and completed the sale on June 30, 2017. See Note 2 of Notes to Consolidated Financial Statements.

Highlights of FY 2016

- Total revenue of \$255.1 million, a 4% decline from prior year, excluding revenue from the Badgley Mischka brand.
- Divested Sharper Image and Badgley Mischka brands, consistent with new portfolio approach to brand ownership.
- Improved financial stability: secured new term loan to satisfy 2016 convertible notes, pro-actively retired over \$100 million principal amount of 2018 convertible notes, and used proceeds from sale of Sharper Image plus additional cash to pay down an incremental \$112 million of debt.

- Hired John Haugh as new President and CEO.

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

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

FY 2016 Compared to FY 2015

Licensing Revenue. Total licensing revenue for FY 2016 was \$255.1 million, a 6% decrease, as compared to \$271.6 million for FY 2015. Total licensing revenue was negatively impacted primarily by approximately \$4.6 million decrease due to the sale of the Badgley Mischka intellectual property and related assets. Excluding Badgley Mischka revenue for FY 2016 was down approximately 4% as compared to the FY 2015. The women's segment decreased 10% from \$118.0 million in FY 2015 to \$106.5 million in FY 2016 mainly due to the sale of the Badgley Mischka intellectual property and related assets. Excluding Badgley Mischka, the women's segment decreased 6%, mostly related to decreases in our Bongo and Candie's brands. The men's segment decreased 12% from \$55.2 million in FY 2015 to \$48.6 million in FY 2016 mainly due to a decrease in royalties earned by our Starter brand. The home segment increased 5% from \$36.5 million in FY 2015 to \$38.4 million in FY 2016 mainly driven by an increase in our Sharper Image and Waverly brands. The international segment decreased slightly from \$61.9 million in FY 2015 to \$61.6 million in FY 2016.

Selling, General and Administrative Expenses. Total selling, general and administrative expenses ("SG&A") was \$128.8 million for FY 2016 as compared to \$134.0 million for the FY 2015, a decrease of \$5.2 million or 4%. SG&A from the women's segment decreased 3% from \$15.1 million in FY 2015 to \$14.7 million in FY 2016 mainly due to a \$2.2 million decrease in compensation costs somewhat offset by a \$1.6 million increase in accounts receivables reserves and write-offs. SG&A from the men's segment decreased 35% from \$26.9 million in FY 2015 to \$17.4 million in FY 2016 primarily due to a \$9.3 million decrease in accounts receivables reserves and write-offs. SG&A from the home segment increased 11% from \$5.8 million in FY 2015 to \$6.5 million in FY 2016 mainly due to a \$0.6 million increase in compensation costs. SG&A from the international segment increased 2% from \$31.2 million in FY 2015 to \$31.8 million in FY 2016 mainly due to \$1.0 million increase in advertising costs. Corporate SG&A increased 6% from \$55.0 million in FY 2015 to \$58.4 million mainly driven by an increase of \$6.8 million in professional fees slightly offset by a decrease of \$1.2 million in compensation costs.

Depreciation and Amortization. Depreciation and amortization was \$2.8 million for FY 2016, compared to \$4.3 million in FY 2015, a decrease of \$1.5 million or 35%. The decrease was mostly a result of lower amortization costs related to the Artful Dodger brand.

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

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

Goodwill & Asset Impairment. Goodwill & Asset Impairment loss for FY 2016 was approximately \$438.1 million in FY 2016 as compared to \$437.5 million in FY 2015. The Asset Impairment was approximately \$419.8 million in FY 2016 primarily related to a write-down in the international segment and the men's segment. The Goodwill Impairment was \$18.3 million in FY 2016 as compared to \$35.1 million in FY 2015. The Goodwill Impairment in FY 2016 and FY 2015 primarily related to a write-down in our men's business segment.

Operating Income (Loss). Total operating loss for FY 2016 was \$272.8 million as compared to a loss of \$298.9 million in FY 2015. Excluding the trademark & goodwill impairment and gain on sale of trademarks, operating income in FY 2016 was \$127.2 million or 50% of revenue as compared to income of \$138.6 million or 51% of revenue in FY 2015. Operating income from the women's segment was \$62.6 million in FY 2016 compared to \$101.1 million in FY 2015. Excluding trademark & goodwill impairment, operating income from the womens segment was \$94.0 million in FY 2016 and \$103.3 million in FY 2015. Operating loss from the men's segment was \$132.6 million in FY 2016 compared to a loss of \$334.2 million in FY 2015. Excluding trademark & goodwill impairment, operating income from the men's segment was \$30.3 million in FY 2016 and \$25.6 million in FY 2015. Operating loss from the home segment was \$18.1 million in FY 2016 compared to a loss of \$7.3 million in FY 2015. Excluding trademark & goodwill impairment, operating income from the home segment was \$31.9 million in FY 2016 and \$30.5 million in FY 2015. Operating loss from the international segment was \$163.0 million in FY 2016 compared to a loss of \$3.5 million in the FY 2015. Excluding trademark & goodwill impairment, operating income from the international segment was \$30.7 million in FY 2016 and \$34.2 million in FY 2015. Corporate operating loss was \$21.7 million in FY 2016 compared to an operating loss of \$55.0 million in FY 2015. Excluding gain on sale of trademarks, operating loss on from the corporate segment was \$59.8 million in FY 2016.

Other Expenses-Net. Other expenses- net were approximately \$63.1 million for FY 2016 as compared to \$15.1 million for the FY 2015, an increase of \$48.1 million, The increase was primarily related to the following:(i) a \$5.9 million loss on the extinguishment of debt, (ii) a \$10.2 million gain on the sale of the investment in Complex Media, (iii) a \$7.3 million gain on the clawback of compensation related to previous employees, (iv) an \$8.8 million decrease in foreign currency translation gains and (v) a \$50.0 million gain in FY 2015 related to the fair value re-measurement of our original 50% interest in Iconix China for which there is no comparable gain in FY 2016.

Provision for Income Taxes. The effective income tax rate for FY 2016 is approximately 23.3% resulting in a \$78.1 million income tax benefit, as compared to an effective income tax rate of 33.1% in FY 2015 which resulted in a \$103.9 million income tax benefit. The decrease in our effective tax rate primarily relates to the Goodwill & Impairment charge, which included a substantial amount of expense in FY 2016 in a lower tax jurisdiction as compared to the Goodwill & Impairment charge in FY 2015 which was recorded with an effective tax rate of approximately 35%.

Net Income (loss). Our net loss was approximately \$257.8 million in FY 2016, compared to a net loss of approximately \$210.0 million in FY 2015, as a result of the factors discussed above.

Discontinued Operations. In the first quarter of FY 2017, our Board of Directors approved a plan to sell the businesses underlying the Entertainment segment. As a result, we have classified the results of our Entertainment segment as discontinued operations in our condensed consolidated statement of operations for all periods presented. Additionally, the related assets and liabilities associated with the discontinued operations are classified as held for sale in our condensed consolidated balance sheet as of December 31, 2016. On May 9, 2017, we signed a definitive agreement to sell these businesses and completed the sale on June 30, 2017. See Note 2 of Notes to

Consolidated Financial Statements.

Liquidity and Capital Resources

Liquidity

Historically, our principal capital requirements have been to fund acquisitions, working capital needs, share repurchases and, to a lesser extent, capital expenditures. Since FY 2016, our principal capital requirements have been to refinance or extinguish existing indebtedness and working capital needs. We have historically relied on internally generated funds to finance our operations and our primary source of capital needs for acquisition has been the issuance of debt and equity securities. Since FY 2016, we have relied on asset sales and issuance of indebtedness to refinance existing indebtedness. At December 31, 2017 and December 31, 2016, our cash totaled \$65.9 million and \$137.1 million, respectively, not including short-term restricted cash of \$48.7 million and \$177.3 million, respectively. Our short term restricted cash primarily consists of collection and investment accounts related to our Senior Secured Notes and 2017 Senior Secured Term Loan. In addition, as of December 31, 2017, approximately \$12.7 million, or 10%, of our total

cash (including restricted cash) was held in foreign subsidiaries. Our investments in these foreign subsidiaries are considered indefinitely reinvested and unavailable for the payment of any U.S. based expenditures, including debt obligations. Cash held in these foreign subsidiaries is otherwise considered unrestricted and available for use outside the U.S.

In June 2017, the Company made a one-time cash distribution of approximately \$72.5 million from its foreign subsidiaries to its U.S. parent. The cash was utilized to repay a portion of the outstanding principal balance of the Company's Senior Secured Term Loan and the corresponding prepayment premium as discussed in Note 7. The Company has accrued no additional taxes associated with this distribution as it currently believes the distribution will be non-taxable for U.S. tax purposes as a return of capital.

Due to certain developments, including the recent decision by Target not to renew the existing Mossimo license agreement and by Walmart, Inc. not to renew the existing Danskin Now license agreement with us and our revised forecasted future earnings, we forecasted that we would be unlikely to be in compliance with certain of our financial debt covenants in 2018 and that we may face possible liquidity challenges in 2018. These factors raised substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is dependent on our ability to raise additional capital and implement our business plan.

As a result, we engaged in discussions with our lenders to provide relief under our financial debt covenants. On October 27, 2017, we entered into a Limited Waiver and Amendment No. 1 to our senior secured term loan facility with Deutsche Bank (the "First Amendment") pursuant to which, among other things, the remaining escrow balance of approximately \$231 million (after taking into account approximately \$59.2 million that was used to buy back 1.50% Convertible Notes in open market purchases in the third quarter of 2017) was returned to the lenders under such facility.

The First Amendment also provides for, among other things, (a) a reduction in the existing \$300 million term loan by approximately \$75 million, (b) a senior secured delayed draw term loan facility in the aggregate amount of up to \$165.7 million, consisting of (i) a \$25 million First Delayed Draw Term Loan to be drawn on or prior to March 15, 2018 (the "First Delayed Draw Term Loan"), which was drawn on October 27, 2017 and (ii) a \$140.7 million Second Delayed Draw Term Loan to be drawn on March 15, 2018 (the "Second Delayed Draw Term Loan" and together with the First Delayed Draw Term Loan, the "Delayed Draw Term Loan Facility") for the purpose of repaying the 1.50% Convertible Notes; (c) an increase of the Total Leverage Ratio from 4.75:1.00 to 5:75:1.00; (d) a reduction in the debt service coverage ratio multiplier in the Company's asset coverage ratio; (e) an increase in the existing amortization rate from 2 percent per annum to 10 percent per annum commencing July 2019; and (f) amendments to the mandatory prepayment provisions to (i) permit the Company not to repay borrowings under the credit facility from the first \$100 million of net proceeds resulting from Permitted Capital Raising Transactions (as defined in the credit facility) effected prior to March 15, 2018, and (ii) eliminate the requirement that the Company pay a Prepayment Premium (as defined in the credit facility) on any payments or prepayments made prior to December 31, 2018. Indebtedness issued under the Delayed Draw Term Loan Facility will be issued with original issue discount.

Conditions to the availability of the Second Delayed Draw Term Loan include (i) us raising additional funds through various sources (and/or achieving a reduction in the outstanding principal amount of the 1.50% Convertible Notes) in an aggregate amount of at least \$100 million to repay the 1.50% Convertible Notes at maturity in March 2018 (ii) us being in financial covenant compliance, on a pro forma basis as of the time of the requested borrowing and on a projected basis for the succeeding 12 months, and (iii) there not existing a Default or Event of Default as of the time of the borrowing.

Given that the Company was unable to timely file its quarterly financial statements for the quarter ended September 30, 2017 with the SEC by November 14, 2017 and became in default under the terms of the DB Credit Agreement, as

amended by the First Amendment, on November 24, 2017, the Company entered into a Second Amendment, Consent and Limited Waiver (the “Second Amendment”) to the DB Credit Agreement. Pursuant to the Second Amendment, among other things, the lenders under the DB Credit Agreement agreed, subject to the Company’s compliance with the requirements set forth in the Second Amendment, to waive until December 22, 2017, the potential defaults and events of default arising under the DB Credit Agreement (a) from the failure to furnish to the Administrative Agent for the DB Credit Agreement (i) the financial statements, reports and other documents as required under Section 6.01(b) of the DB Credit Agreement with respect to the fiscal quarter of the Company ended September 30, 2017 and (ii) the related deliverables required under Sections 6.02(b), 6.02(c) and 6.02(e) of the DB Credit Agreement or (b) relating to certain other affirmative covenants that may have been breached by such failure to make such timely deliveries.

In connection with the Second Amendment, Deutsche Bank was granted additional pricing flex in the form of price protection upon syndication of the DB Credit Agreement (“Second Amendment Flex”) and ticking fees on the unfunded portion of the loan. The Second Amendment allows, among other things, for cash payments on account of the Second Amendment Flex and ticking fees to be paid from the proceeds of the First Delayed Draw Term Loan, which was previously fully funded in accordance with the terms of the DB Credit Agreement. After giving effect to the additional Second Amendment Flex, the Company estimates that it could be responsible for payments on account of the Second Amendment Flex in an aggregate total amount of up to \$12.0 million.

On February 12, 2018, the Company, through IBG Borrower, entered into a Third Amendment, Consent and Limited Waiver to Credit Agreement and Other Loan Documents (the “Third Amendment”) to the DB Credit Agreement, which provides for, among other things, amendments to certain restrictive covenants and other terms set forth in the DB Credit Agreement, as amended, to permit the Company to effect the exchange of approximately \$125 million aggregate principal amount of 1.50% Convertible Notes for 5.75% Convertible Notes (the “Note Exchange”). As a consequence of consummating the Note Exchange pursuant to which approximately \$125 million aggregate principal amount of 1.50% Convertible Notes were exchanged for approximately \$125 million aggregate principal amount of 5.75% Convertible Notes, a principal condition to the availability of the Second Delayed Draw Term Loan (described above) was satisfied. The Company, through IBG Borrower, entered into a Fourth Amendment and Consent to the DB Credit Agreement (the “Fourth Amendment”) as of March 12, 2018. The Fourth Amendment provides, among other things, that the funding date for the Second Delayed Draw Term Loan is March 14, 2018 instead of March 15, 2018. On March 14, 2018, the Company drew down \$110 million under the Second Delayed Draw Term Loan and used those proceeds, along with cash on hand, to make a payment to the trustee under the indenture governing the 1.50% Convertible Notes to repay the remaining 1.50% Convertible Notes at maturity on March 15, 2018.

The Company has revised its financial plan for 2018, 2019 and 2020, which includes a substantial reduction in discretionary spending which is expected to increase the Company’s liquidity. The Company does not expect payment defaults on any of its outstanding debt facilities in the next twelve months as the financial plan demonstrates sufficient cash to meet all operating and financing cash needs. Additionally, the Company expects to be in compliance with all of its debt covenants for all outstanding debt facilities in the next twelve months.

Holders of the 5.75% Convertible Notes may convert their notes into shares of our common stock at any time. In the event that the Company issues its shares of common stock up to the maximum amount permitted to be issued under its charter, noteholders will be limited in their ability to convert their 5.75% Convertible Notes until April 15, 2019. After April 15, 2019, any note conversions will be required to be satisfied by the Company in cash unless the Company obtains shareholder approval to increase the authorized number of shares of its common stock that it is permitted to issue under its charter prior to such date. The Company has agreed with the holders of the 5.75% Convertible Notes to seek shareholder approval to increase the number of authorized shares of its common stock it is permitted to issue in an amount sufficient to satisfy conversions of 5.75% Convertible Notes in shares of the Company’s common stock. The Company has engaged a proxy solicitor and expects to call a special vote of shareholders to approve such an amendment in early May 2018. In the event that the Company obtains shareholder approval, the Company will be able to settle conversions of the 5.75% Convertible Notes after April 15, 2019 in shares of common stock and would not be required to settle any such conversions in cash.

While conditions and events exist that may raise substantial doubt about the Company’s ability to continue as a going concern for the next twelve months, management believes, based on the analysis above, that (i) its plans alleviate this substantial doubt, and (ii) the Company will continue as a going concern for the next twelve months.

Changes in Working Capital

At December 31, 2017 and December 31, 2016, the working capital ratio (current assets to current liabilities) was 2.07 to 1 and 2.75 to 1, respectively.

Operating Activities

Net cash provided by operating activities decreased approximately \$120.1 million, from \$122.2 million in FY 2016 to \$2.1 million in FY 2017 primarily due to an increase in net loss from continuing operations from \$257.8 million in FY 2016 to \$557.5 million in FY 2017 as well as adjustments for income from discontinued operations of \$8.3 million in FY 2016 and income from discontinued operations of \$49.0 million in FY 2017. The change in the non-cash

adjustments is primarily as a result of (i) an increase in the impairment of trademarks and goodwill and impairment of our equity method investment in MG Icon, (ii) an increase in the net loss on extinguishment of debt related to the principal prepayments made on our Senior Secured Notes and our Senior Secured Term Loan as well as our convertible debt buybacks, (iii) an increase in the loss on foreign currency translation period over period, and (iv) an increase in our stock compensation. These non-cash adjustments are offset by cash provided by working capital items of \$51.8 million in FY 2016 as compared to cash used in working capital items of \$29.6 million in FY 2017.

Investing Activities

Net cash provided by investing activities increased approximately \$160.4 million, from cash provided by investing activities of \$170.2 million in FY 2016 to cash provided by investing activities of \$330.5 million in FY 2017. This increase in FY 2017 is primarily due to our sale of the Entertainment segment, net of our cash sold of \$336.7 million as compared to FY 2016 in which we sold the following: (i) the Sharper Image brand for \$98.3 million in cash, (ii) our interest in Complex Media for \$35.3 million in cash, (iii) the Badgley Mischka brand for \$14.0 million in cash, (iv) our interest in TangLi International Holdings, Ltd. for \$11.4 million in cash, (v) our interest in BBC Ice Cream for \$3.5 million in cash, and (vi) our minority interest in Umbro trademarks in the Greater China territory for \$2.5 million in cash.

Financing Activities

Net cash used in financing activities increased approximately \$109.0 million, from cash used in financing activities of \$309.9 million in FY 2016 to cash used in financing activities of \$418.9 million in FY 2017. The increase in cash used in financing activities period over period is primarily due to the payment of long term debt of \$824.9 million in FY 2017 (mainly due to the principal prepayments on our Senior Secured Term Loan and Senior Secured Notes) and \$58.8 million for the repurchase of a portion of our 1.50% Convertible Notes as well as a decrease in our restricted cash balance period over period of \$128.5 million as compared to payment of long term debt of \$253.5 million and \$179.0 million for the purchase of a portion of our 1.50% Convertible Notes in FY 2016 as well as an increase in our restricted cash balance of \$127.7 million.

Obligations and commitments

Senior Secured Notes

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

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

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

The Senior Secured Notes and the Variable Funding Notes are referred to collectively as the “Securitization Notes.” The Securitization Notes were issued in securitization transactions pursuant to which substantially all of Iconix’s United States and Canadian revenue-generating assets (the “Securitized Assets”), consisting principally of its IP and license agreements for the use of its IP, were transferred to and are currently held by the Co-Issuers. The Securitized Assets do not include revenue generating assets of (x) the Iconix subsidiaries that own the Ecko Unltd trademark, the Mark Ecko trademark, the Umbro trademark and the Lee Cooper trademark, (y) the Iconix subsidiaries that own assets relating to Iconix’s other brands outside of the United States and Canada or (z) the joint ventures in which Iconix and certain of its subsidiaries have investments and which own the Artful Dodger trademark, the Modern Amusement trademark, the Buffalo trademark, the Pony trademarks or the Hydraulic trademarks.

The Securitization Notes were issued under a base indenture (the “Securitization Notes Base Indenture”) and related supplemental indentures (the “Securitization Notes Supplemental Indentures” and, collectively with the Securitization Notes Base Indenture, the “Securitization Notes Indenture”) among the Co-Issuers and Citibank, N.A., as trustee and securities intermediary. The Indenture allows the Co-Issuers to issue additional series of notes in the future subject to certain conditions.

In February 2015, the Company received \$100 million proceeds from the Variable Funding Notes. There is a commitment fee on the unused portion of the Variable Funding Notes facility of 0.5% per annum. It was anticipated that any outstanding principal of and interest on the Variable Funding Notes would be repaid in full on or prior to January 2018 prior to the amendment entered into on August 18, 2017 as described below. Following the anticipated repayment date in January 2020, additional interest will accrue on the Variable Funding Notes equal to 5% per annum. The Variable Funding Notes and other credit instruments issued under the Variable Funding Note Purchase Agreement are secured by the collateral described below.

On August 18, 2017, the Company entered into an amendment to the Securitization Notes Supplemental Indenture to, among other things, (i) extend the anticipated repayment date for the Variable Funding Notes from January 2018 to January 2020, (ii) decrease the L/C Commitment and the Swingline Commitment (as such terms are defined in the amendment) available under the Variable Funding Notes to \$0 as of the closing date, (iii) replace Barclays Bank PLC with Guggenheim Securities Credit Partners, LLC, as provider of letters of credit, as swingline lender and as administrative agent under the purchase agreement and (iv) provide that, upon the disposition of intellectual property assets by the Co-Issuers as permitted by the Securitization Notes Base Indenture, (x) the holders of the Variable Funding Notes will receive a mandatory prepayment, pro rata based on the amount of Variable Funding Notes held by such holder, and (y) the maximum commitment will be permanently reduced by the amount of the mandatory prepayment.

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

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

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

Pursuant to the Securitization Notes Indenture, the Securitization Notes are the joint and several obligations of the Co-Issuers only. The Securitization Notes are secured under the Securitization Notes Indenture by a security interest in substantially all of the assets of the Co-Issuers (the “Collateral”), which includes, among other things, (i) IP assets, including the U.S. and Canadian registered and applied for trademarks for the following brands and other related IP assets: Candie’s, Bongo, Joe Boxer (excluding Canadian trademarks, none of which are owned by Iconix), Rampage, Mudd, London Fog (other than the trademark for outerwear products sold in the United States), Mossimo, Ocean Pacific and OP, Danskin and Danskin Now, Rocawear, Starter, Waverly, Fieldcrest, Royal Velvet, Cannon, and

Charisma; (ii) the rights (including the rights to receive payments) and obligations under all license agreements for use of those trademarks; (iii) the following equity interests in the following joint ventures: an 85% interest in Hardy Way LLC which owns the Ed Hardy brand, a 50% interest in MG Icon LLC which owns the Material Girl and Truth or Dare brands, a 100% interest in ZY Holdings LLC which owns the Zoo York brand, and an 80% interest in Peanuts Holdings LLC which owns the Peanuts brand and characters; and (iv) certain cash accounts established under the Securitization Notes Indenture.

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

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

The Securitization Notes are subject to a series of covenants and restrictions customary for transactions of this type, including (i) that the Co-Issuers maintain specified reserve accounts to be used to make required payments in respect of the Securitization Notes, (ii) provisions relating to optional and mandatory prepayments, including mandatory prepayments in the event of a change of control (as defined in the Securitization Notes Supplemental Indentures) and the related payment of specified amounts, including specified make-whole payments in the case of the Senior Secured Notes under certain circumstances, (iii) certain indemnification payments in the event, among other things, the transfers of the assets pledged as collateral for the Securitization Notes are in stated ways defective or ineffective and (iv) covenants relating to recordkeeping, access to information and similar matters. The Company was in compliance with all covenants under the Securitization Notes during FY 2017 and FY 2016.

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

The Company used approximately \$150.4 million of the proceeds received from the issuance of the 2012 Senior Secured Notes to repay amounts outstanding under its revolving credit facility (see below) and approximately \$20.9 million to pay the costs associated with the 2012 Senior Secured Notes financing transaction. In addition, approximately \$218.3 million of the proceeds from the 2012 Senior Secured Notes were used for the Company's purchase of the Umbro brand. The Company used approximately \$7.2 million of the proceeds received from the issuance of the 2013 Senior Secured Notes to pay the costs associated with the 2013 Senior Secured Notes securitized financing transaction.

In January 2017, in connection with the sale of the Sharper Image intellectual property and related assets, the Company made a mandatory principal prepayment on its Senior Secured Notes of \$36.7 million. Additionally, the quarterly principal payments on the 2012 Senior Secured Notes and 2013 Senior Secured Notes were reduced to \$9.9 million and \$4.5 million, respectively.

In July 2017, in connection with the sale of the businesses underlying the Entertainment segment, the Company made a mandatory principal prepayment on its Senior Secured Notes of \$152.2 million. Additionally, the quarterly principal payments on the 2012 Senior Secured Notes and 2013 Senior Secured Notes were reduced to \$7.3 million and \$3.4 million, respectively.

As of December 31, 2017, the total net debt carrying value of the Securitization Notes is \$499.5 million, which reflects the net debt carrying value after taking into effect the unamortized original issue discount on the Variable Funding Note from the amendment entered into in August 2017 as discussed above. However, the total principal balance is \$508.2 million, of which \$42.7 million is included in the current portion of long-term debt on the consolidated balance sheet. As of December 31, 2017 and December 31, 2016, \$29.9 million and \$112.4 million, respectively is included in restricted cash on the consolidated balance sheet and represents short-term restricted cash consisting of collections on behalf of the Securitized Assets, restricted to the payment of principal, interest and other fees on a quarterly basis under the Senior Secured Notes.

1.50% Convertible Notes

On March 18, 2013, the Company completed the issuance of \$400.0 million principal amount of the 1.50% Convertible Notes issued pursuant to that certain Indenture, dated as of March 15, 2013, by and between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee (the “1.50% Notes Indenture”), in a private offering to certain institutional investors. The net proceeds received by the Company from the offering, excluding the net cost of hedges and sale of warrants (described below) and including transaction fees, were approximately \$390.6 million. At December 31, 2017, the net balance of the 1.50% Convertible Notes was \$233.9 million, which reflects the net debt carrying value in accordance with accounting for convertible debt instruments that may be settled in cash upon conversion. However, the principal amount owed to the 1.50% Convertible Note holders is \$236.2 million after taking into effect the \$163.8 million of repurchases of the 1.50% Convertible Notes as discussed in Note 7 in the Notes to Consolidated Financial Statements.

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

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

On February 22, 2018, the Company consummated the Note Exchange, pursuant to which the Company exchanged approximately \$125 million aggregate principal amount of 1.50% Convertible Notes for 5.75% Convertible Notes issued by the Company in an aggregate principal amount of approximately \$125 million.

On March 14, 2018, the Company drew down \$110 million under the Second Delayed Draw Term Loan and used those proceeds, along with cash on hand, to make a payment to the trustee under the indenture governing the 1.50% Convertible Notes to repay the remaining 1.50% Convertible Notes at maturity on March 15, 2018.

2.50% Convertible Notes.

In May 2011, the Company completed the issuance of \$300.0 million principal amount of our 2.50% convertible senior subordinated notes due June 2016, herein referred to as our 2.50% Convertible Notes, in a private offering to certain institutional investors from which we received net proceeds, after transaction fees, of approximately \$291.6 million. In April 2016, the Company repurchased \$143.9 million par value of the 2.50% Convertible Notes for \$145.6 million in cash (including interest and trading fees). The remaining outstanding balance of the 2.50% Convertible Notes, in an amount equal to \$156.1 million, was repaid on June 1, 2016 (the maturity date). Refer to Note 7 in the Notes to the Consolidated Financial Statements for further details.

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

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

Senior Secured Term Loan

On March 7, 2016, the Company through its wholly-owned subsidiary, IBG Borrower entered into a \$300 million senior secured term loan (the "Credit Agreement"), whereby the Company and certain wholly-owned subsidiaries of IBG Borrower served as guarantors, Cortland Capital Market Services LLC served as administrative agent and collateral agent and the lenders party thereto from time to time, including CF ICX LLC and Fortress Credit Co LLC. Among other customary conditions, the closing was conditioned on the transfer of specified assets of the Company to be held by IBG Borrower and the execution of customary account control agreements. Refer to Note 7 in the Notes to Consolidated Financial Statements for further details.

The net cash proceeds of the Senior Secured Term Loan, which were approximately \$264.2 million (after deducting financing, investment banking and legal fees), were, pursuant to the terms of the Credit Agreement, deposited by the lenders into an escrow account on April 4, 2016. IBG Borrower deposited into the escrow account certain additional funds, so that the total amount of cash on deposit in the escrow account was sufficient to pay all outstanding

obligations, plus accrued interest, under the Company's 2.50% Convertible Notes due June 2016. In accordance with the terms of the Senior Secured Term Loan, the funds in the escrow account were used to pay the 2.50% Convertible Notes on or before their maturity, with any remaining funds going forward general corporate purposes permitted under the terms of the Credit Agreement.

In connection with the Credit Agreement, IBG Borrower, the Company and the other Guarantors made customary representation and warranties. In addition to adhering with certain customary affirmative covenants, IBG Borrower established a lock-box account, and IBG Borrower, the Company and the other Guarantors entered into account control agreements on certain deposit accounts. The Credit Agreement also mandated that IBG Borrower, the Company and the other Guarantors maintain and allow appraisals of their intellectual property, perform under the terms of certain licenses and other agreements scheduled in the Credit Agreement and report significant changes to or terminations of licenses generating guaranteed minimum royalties of more than \$5 million. IBG Borrower was required to satisfy a minimum asset coverage ratio of 1.25:1.00 and maintain a leverage ratio of no greater than 4.50:1.00. The Company was compliant with all covenants under the Senior Secured Term Loan from inception through June 30, 2017 (the date the remaining outstanding principal balance was repaid). Refer to Note 7 of Notes to Consolidated Financial Statements for further details.

In December 2016, in conjunction with the sale of the Sharper Image brand and in accordance with the Credit Agreement, the Company made a mandatory principal prepayment of \$28.7 million. Additionally, in January 2017, the Company made an additional mandatory prepayment of \$23.5 million and a voluntary prepayment of \$23.0 million.

On June 30, 2017, in connection with the sale of the Entertainment segment, the Company made a mandatory prepayment of \$140.0 million and a voluntary prepayment of \$66.0 million. As a result of these prepayments, the Company's outstanding principal balance of the Senior Secured Term Loan was zero as of June 30, 2017 and the Credit Agreement has since been terminated.

Refer to Note 7 in the Notes to the Consolidated Financial Statements for further details.

2017 Senior Secured Term Loan

On August 2, 2017, the Company entered into a credit agreement (as amended or otherwise modified, unless context provides otherwise the "DB Credit Agreement"), among IBG Borrower, the Company's wholly-owned direct subsidiary, as borrower, the Company and certain wholly-owned subsidiaries of IBG Borrower, as guarantors (the "Guarantors"), Cortland Capital Market Services LLC, as administrative agent and collateral agent ("Cortland") and the lenders party thereto from time to time, including Deutsche Bank AG, New York Branch. Pursuant to the DB Credit Agreement, the lenders provided to IBG Borrower a senior secured term loan (the "2017 Senior Secured Term Loan"), scheduled to mature on August 2, 2022 in an aggregate principal amount of \$300 million and bearing interest at LIBOR plus an applicable margin of 7% per annum (the "Interest Rate").

Pursuant to the terms of the DB Credit Agreement, the net proceeds of the 2017 Senior Secured Term Loan were to be used to repay the Company's 1.50% Convertible Notes on or before their maturity (with any remaining funds going toward general corporate purposes).

On the Closing Date the net cash proceeds of the 2017 Senior Secured Term Loan were deposited into an escrow account. Effective as of the Closing Date, the funds in the escrow account were subject to release to IBG Borrower from time to time, subject to the satisfaction of customary conditions precedent upon each withdrawal, to finance repurchases of, or at the maturity date thereof to repay in full, the 1.50% Convertible Notes. The Company had the ability to make these repurchases in the open market or privately negotiated transactions, depending on prevailing market conditions and other factors.

Borrowings under the 2017 Senior Secured Term Loan were to amortize quarterly at 0.5% of principal, commencing on September 30, 2017. IBG Borrower was obligated to make mandatory prepayments annually from excess cash flow and periodically from net proceeds of certain asset dispositions and from net proceeds of certain indebtedness, if incurred (in each case, subject to certain exceptions and limitations provided for in the DB Credit Agreement).

IBG Borrower's obligations under the 2017 Senior Secured Term Loan are guaranteed jointly and severally by the Company and the other Guarantors pursuant to a separate facility guaranty. IBG Borrower's and the Guarantors' obligations under the 2017 Senior Secured Term Loan are secured by first priority liens on and security interests in substantially all assets of IBG Borrower, the Company and the other Guarantors and a pledge of substantially all equity interests of the Company's subsidiaries (subject to certain limits including with respect to foreign subsidiaries) owned by the Company, IBG Borrower or any other Guarantor. However, the security interests will not cover certain intellectual property and licenses owned, directly or indirectly by the Company's subsidiary Iconix Luxembourg Holdings SÀRL or those subject to the Company's securitization facility. In addition, the pledges exclude certain equity interests of Marcy Media Holdings, LLC, and the subsidiaries of Iconix China Holdings Limited and any interest in the proceeds related to the Company's previously announced sale of its equity interest in Complex Media,

Inc.

In connection with the DB Credit Agreement, IBG Borrower, the Company and the other Guarantors made customary representations and warranties and have agreed to adhere to certain customary affirmative covenants. Additionally, the DB Credit Agreement mandates that IBG Borrower, the Company and the other Guarantors enter into account control agreements on certain deposit accounts, maintain and allow appraisals of their intellectual property, perform under the terms of certain licenses and other agreements scheduled in the DB Credit Agreement and report significant changes to or terminations of licenses generating guaranteed minimum royalties of more than \$0.5 million. Prior to the First Amendment (as discussed below), IBG Borrower was required to satisfy a minimum asset coverage ratio of 1.25:1.00 and maintain a leverage ratio of no greater than 4.50:1.00.

Amendments to DB Credit Agreement

On October 27, 2017, the Company entered into the First Amendment to the DB Credit Agreement pursuant to which, among other things, the remaining escrow balance of approximately \$231 million (after taking into account approximately \$59.2 million that was used to buy back 1.50% Convertible Notes in open market purchases in the third quarter of 2017) was returned to the lenders.

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The First Amendment also provides for, among other things, (a) a reduction in the existing \$300 million term loan, (b) a new senior secured delayed draw term loan facility in the aggregate amount of up to \$165.7 million, consisting of (i) a \$25 million First Delayed Draw Term Loan to be drawn on or prior to March 15, 2018, which was drawn on October 27, 2017 and (ii) the Second Delayed Draw Term Loan for the purpose of repaying the 1.50% Convertible Notes; (c) an increase of the Total Leverage Ratio permitted under the DB Credit Agreement from 4:50:1.00 to 5.75:1.00; (d) a reduction in the debt service coverage ratio multiplier in the Company's asset coverage ratio under the DB Credit Agreement; (e) an increase in the existing amortization rate from 2 percent per annum to 10 percent per annum commencing July 2019; and (f) amendments to the mandatory prepayment provisions to (i) permit the Company not to repay borrowings under the DB Credit Agreement from the first \$100 million of net proceeds resulting from Permitted Capital Raising Transactions (as defined in the DB Credit Agreement) effected prior to March 15, 2018, and (ii) eliminate the requirement that the Company pay a Prepayment Premium (as defined in the DB Credit Agreement) on any payments or prepayments made prior to December 31, 2018. Indebtedness issued under the Delayed Draw Term Loan Facility will be issued with original issue discount.

Conditions to the availability of the Second Delayed Draw Term Loan include (i) the Company raising additional funds through various sources (and/or achieving a reduction in the outstanding principal amount of the 2018 Notes) in an aggregate amount of at least \$100 million which will be utilized to repay the 2018 Notes and provide at least \$25 million of additional cash to enhance liquidity and be used for general corporate purposes, (ii) the Company being in financial covenant compliance, on a pro forma basis as of the time of the requested borrowing and on a projected basis for the succeeding 12 months, and (iii) there not existing a default or event of default as of the time of the borrowing. The Company is actively evaluating and pursuing various capital raising transactions, including the sale of selected assets consistent with the Company's ongoing efforts to strengthen its balance sheet, debt and equity financings or any combination of the foregoing, as well as other strategic alternatives, which could include the sale of the Company.

Given that the Company was unable to timely file its quarterly financial statements for the quarter ended September 30, 2017 with the SEC by November 14, 2017 and became in default under the terms of the DB Credit Agreement, as amended, on November 24, 2017, the Company entered into the Second Amendment to the DB Credit Agreement pursuant to which, among other things, the lenders under the DB Credit Agreement agreed, subject to the Company's compliance with the requirements set forth in the Second Amendment, to waive until December 22, 2017, the potential defaults and events of default arising under the DB Credit Agreement (a) from the failure to furnish to the Administrative Agent for the DB Credit Agreement (i) the financial statements, reports and other documents as required under Section 6.01(b) of the DB Credit Agreement with respect to the fiscal quarter of the Company ended September 30, 2017 and (ii) the related deliverables required under Sections 6.02(b), 6.02(c) and 6.02(e) of the DB Credit Agreement or (b) relating to certain other affirmative covenants that may have been abrogated by such failure to make such timely deliveries.

In connection with the Second Amendment, Deutsche Bank was granted the Second Amendment Flex and ticking fees on the unfunded portion of the loan. The Second Amendment allows, among other things, for cash payments on account of the Second Amendment Flex and ticking fees to be paid from the proceeds of the First Delayed Draw Term Loan, which was previously fully funded in accordance with the terms of the DB Credit Agreement. After giving effect to the Second Amendment, the Company estimates that it could be responsible for payments on account of the Second Amendment Flex in an aggregate total amount of up to \$12.0 million.

On February 12, 2018, the Company, through IBG Borrower, entered into the Third Amendment to the DB Credit Agreement, which provides for, among other things, amendments to certain restrictive covenants and other terms set forth in the DB Credit Agreement, as amended, to permit the Company to effect the Note Exchange. The Company, through IBG Borrower, entered into the Fourth Amendment to the DB Credit Agreement as of March 12, 2018, which provides, among other things, that the funding date for the Second Delayed Draw Term Loan is March 14, 2018

instead of March 15, 2018. Accordingly, the conditions to the availability of the Second Delayed Draw Term Loan (described above) were satisfied as of March 14, 2018 due, in part, to the transactions contemplated by the Note Exchange, pursuant to which the Company raised at least \$100 million to repay the 1.50% Convertible Notes. Refer to Note 21 in Notes to Consolidated Financial Statements for further details. On March 14, 2018, the Company drew down \$110 million under the Second Delayed Draw Term Loan and used those proceeds, along with cash on hand, to make a payment to the trustee under the indenture governing the 1.50% Convertible Notes to repay the remaining 1.50% Convertible Notes at maturity on March 15, 2018.

The DB Credit Agreement, as amended, contains customary negative covenants and events of default. The DB Credit Agreement limits the ability of IBG Borrower, the Company and the other Guarantors, with respect to themselves, their subsidiaries and certain joint ventures, from, among other things, incurring and prepaying certain indebtedness, granting liens on certain assets, consummating certain types of acquisitions, making fundamental changes (including mergers and consolidations), engaging in substantially different lines of business than those in which they are currently engaged, making restricted payments and amending or terminating certain licenses scheduled in the DB Credit Agreement. Such restrictions, failure to comply with which may result in an event of default under the terms of the DB Credit Agreement, are subject to certain customary and specifically negotiated exceptions, as set forth in the DB Credit Agreement.

If an event of default occurs, in addition to the Interest Rate increasing by an additional 3% per annum Cortland shall, at the request of lenders holding more than 50% of the then-outstanding principal of the 2017 Senior Secured Term Loan, declare payable all unpaid principal and accrued interest and take action to enforce payment in favor of the lenders. An event of default includes, among other events: a change of control by which a person or group becomes the beneficial owner of 35% of the voting stock of the Company or IBG Borrower; the failure to extend of the Series 2012-1 Class A-1 Senior Notes Renewal Date (as defined in the DB Credit Agreement); the failure of any of Icon Brand Holdings LLC, Icon NY Holdings LLC, Icon DE Intermediate Holdings LLC, Icon DE Holdings LLC and their respective subsidiaries (the "Securitization Entities") to perform certain covenants; and the entry into amendments to the securitization facility that would be materially adverse to the lenders or Cortland without consent. Subject to the terms of the DB Credit Agreement, both voluntary and certain mandatory prepayments will trigger a premium of 5% of the aggregate principal amount during the first year of the loan and a premium of 3% of the aggregate principal amount during the second year of the loan, with no premiums payable in subsequent periods.

5.75% Convertible Notes

On February 12, 2018, the Company entered into separate, privately negotiated exchange agreements (the "Exchange Agreements") with certain holders of the 1.50% Convertible Notes. Pursuant to the terms of these agreements, the Company consummated the Note Exchange.

Interest on the 5.75% Convertible Notes may be paid in cash, shares of the Company's common stock, or a combination of both, at the Company's election, subject to the Aggregate Share Cap (as described below). If the Company elects to pay all or a portion of an interest payment in shares of common stock, the number of shares of common stock payable will be equal to the applicable interest payment divided by the average of the 10 individual volume-weighted average prices for the 10-trading day period ending on and including the trading day immediately preceding the relevant interest payment date.

The 5.75% Convertible Notes are (i) secured by a second lien on the same assets that secure the obligations of IBG Borrower under the DB Credit Agreement and (ii) guaranteed by IBG Borrower and same guarantors as those under the DB Credit Agreement, other than the Company.

Unless and until the Company obtains requisite stockholder approval to increase the number of its authorized shares of common stock (the "Aggregate Share Cap"), upon conversion of the 5.75% Convertible Notes or payment of interest or the Conversion Make-Whole Payment (as described below), the aggregate number of shares of common stock deliverable by the Company will be subject to the Aggregate Share Cap.

The Company will not be obligated to make payments in cash in lieu of shares of common stock until April 15, 2019.

Subject to certain conditions and limitations, the Company may cause all or part of the 5.75% Convertible Notes to be automatically converted.

Holders converting their 5.75% Convertible Notes (including in connection with a mandatory conversion) shall also be entitled to receive a payment from the Company equal to the aggregate amount of interest payments that would have been payable on such converted 5.75% Convertible Notes from the last day through which interest was paid on the 5.75% Convertible Notes (or from the issue date if no interest has been paid on the 5.75% Convertible Notes or from the next succeeding interest payment date if such conversion occurs after a regular record date and on or before the next succeeding interest payment date), through and including the maturity date (determined as if such conversion did not occur) (a "Conversion Make-Whole Payment").

If the Company elects to pay all or a portion of a Conversion Make-Whole Payment in shares of common stock, the number of shares of common stock payable will be equal to the applicable Conversion Make-Whole Payment divided by the average of the 10 individual volume-weighted average prices for the 10-trading day period immediately preceding the applicable conversion date.

Subject to certain limitations pursuant to the DB Credit Agreement, from and after the one-year anniversary of the closing of the Note Exchange, the Company may redeem for cash all or part of the 5.75% Convertible Notes at any time by providing at least 30 days' prior written notice to holders of the 5.75% Convertible Notes.

If the Company undergoes a fundamental change prior to maturity, each holder will have the right, at its option, to require the Company to repurchase for cash all or a portion of such holder's 5.75% Convertible Notes at a fundamental change purchase price equal to 100% of the principal amount of the 5.75% Convertible Notes to be repurchased, together with interest accrued and unpaid to, but excluding, the fundamental change purchase date.

The Company will be subject to certain restrictive covenants pursuant to the 5.75% Convertible Note Indenture, including limitations on (i) liens, (ii) indebtedness, (iii) asset sales, (iv) restricted payments and investments, (v) prepayments of indebtedness and (vi) transactions with affiliates.

Contractual Obligations

The following is a summary of contractual cash obligations, including interest for the periods indicated that existed as of December 31, 2017:

	2018	2019	2020	2021	2022	Thereafter	Total
	(000's omitted)						
Senior Secured Notes	\$42,693	\$42,693	\$42,693	\$42,693	\$42,693	\$ 194,709	\$408,174
1.50% Convertible Notes ⁽¹⁾	236,183	—	—	—	—	—	236,183
Variable Funding Notes	—	—	100,000	—	—	—	100,000
2017 Senior Secured Term Loan	1,657	1,657	1,657	1,657	76,209	—	82,837
Operating leases	2,575	2,455	2,520	2,426	2,063	3,188	15,227
Employment contracts	1,000	152	—	—	—	—	1,152
Interest	29,346	26,659	20,207	17,811	13,247	20,009	127,279
Total contractual cash obligations	\$313,454	\$73,616	\$167,077	\$64,587	\$134,212	\$217,906	\$970,852

⁽¹⁾On February 22, 2018, the Company consummated the Note Exchange, pursuant to which the Company exchanged approximately \$125 million aggregate principal amount of 1.50% Convertible Notes for 5.75% Convertible Notes issued by the Company in an aggregate principal amount of approximately \$125 million. Additionally, on March 14, 2018, the Company drew down \$110 million under the Second Delayed Draw Term Loan and used those proceeds, along with cash on hand, to make a payment to the trustee under the indenture governing the 1.50% Convertible Notes to repay the remaining 1.50% Convertible Notes at maturity on March 15, 2018. In accordance with ASC 470, as the terms of the 5.75% Convertible Notes and the Second Delayed Draw Term Loan are readily determinable and the 5.75% Convertible Notes and the Second Delayed Draw Term Loan are scheduled to mature on August 15, 2023 and August 2, 2022, respectively, the Company has classified the 1.50% Convertible outstanding debt balance (which is net of deferred financing costs and original issue discount) of \$233.9 million as long-term debt on its December 31, 2017 consolidated balance sheet.

Other Factors

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

We market and license our brands outside the United States and many of our licensees are located, and joint ventures operate, outside the United States. As a key component of our business strategy, we intend to expand our international sales, including, without limitation, through joint ventures. Tariffs, trade protection measures, import or export licensing requirements, trade embargoes, sanctions and other trade barriers; less effective and less predictable protection and enforcement of intellectual property; changes in the political or economic condition of a specific country or region; fluctuations in the value of foreign currency versus the U.S. dollar and the cost of currency exchange; and potentially adverse tax consequences, and other factors noted in “Risk Factors,” could adversely affect our licensees’ and International Joint Ventures future operating results.

Effects of Inflation

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

New Accounting Standards

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

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements in conformity with GAAP requires management to exercise its judgment. We exercise co