
United States
Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-Q

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Quarterly Period Ended March 31, 2019

OR

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Transition Period From _____ to _____.

Commission file number 1-10593

ICONIX BRAND GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

1450 Broadway, New York, NY
(Address of principal executive offices)

11-2481903

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

10018
(Zip Code)

(212) 730-0030

(Registrant's telephone number, including area code)

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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 ☐

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 Exchange Act) Yes ☐ No ☒

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

As of May 13, 2019, 10,782,113 shares of the registrant's Common Stock, par value \$.001 were outstanding.

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$.001 par value	ICON	The Nasdaq Global Select Market

Part I. Financial Information

Item 1. Financial Statements

Iconix Brand Group, Inc. and Subsidiaries
Unaudited Condensed Consolidated Balance Sheets
(in thousands, except par value)

	March 31, 2019	December 31, 2018
Assets		
Current Assets:		
Cash and cash equivalents	\$ 55,948	\$ 66,609
Restricted cash	13,490	16,026
Accounts receivable, net	36,498	37,671
Contract asset	4,943	4,802
Other assets – current	28,135	28,057
Total Current Assets	139,014	153,165
Property and equipment:		
Furniture, fixtures and equipment	22,797	22,525
Less: Accumulated depreciation	(18,120)	(17,644)
	4,677	4,881
Other Assets:		
Other assets	5,701	5,979
Contract asset	15,008	14,560
Right-of-use asset	7,798	—
Trademarks and other intangibles, net	336,131	337,700
Investments and joint ventures	88,561	89,691
Goodwill	26,099	26,099
	479,298	474,029
Total Assets	\$ 622,989	\$ 632,075
Liabilities, Redeemable Non-Controlling Interest and Stockholders' Deficit		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 32,470	\$ 44,856
Deferred revenue	7,425	5,405
Current portion of long-term debt	61,391	54,263
Other liabilities – current	12,745	9,788
Total Current Liabilities	114,031	114,312
Deferred income tax liability	4,846	4,566
Long-term debt, less current maturities (includes \$26,307 and \$48,076, respectively, at fair value)	586,667	620,966
Other liabilities	10,063	3,829
Total Liabilities	715,607	743,673
Redeemable Non-Controlling Interest	29,843	34,137
Commitments and contingencies		
Stockholders' Deficit:		
Common stock, \$.001 par value shares authorized 260,000; shares issued 12,207 and 11,162, respectively	12	11
Additional paid-in capital	1,039,474	1,037,372
Accumulated losses	(294,460)	(312,796)
Accumulated other comprehensive loss	(54,792)	(53,068)
Less: Treasury stock – 3,366 and 3,323 shares at cost, respectively	(844,309)	(844,253)
Total Iconix Brand Group, Inc. Stockholders' Deficit	(154,075)	(172,734)
Non-Controlling Interest, net of installment payments due from non-controlling interest holders	31,614	26,999
Total Stockholders' Deficit	(122,461)	(145,735)
Total Liabilities, Redeemable Non-Controlling Interest and Stockholders' Equity	\$ 622,989	\$ 632,075

See Notes to Unaudited Condensed Consolidated Financial Statements.

Iconix Brand Group, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Operations
(in thousands, except earnings per share data)

	Three Months Ended March 31,	
	2019	2018
Licensing revenue	\$ 35,942	\$ 48,548
Selling, general and administrative expenses	18,094	33,599
Depreciation and amortization	492	654
Equity earnings on joint ventures	(1,042)	(96)
Gain on sale of trademarks	—	(1,143)
Operating income	18,398	15,534
Other expenses (income):		
Interest expense	14,504	14,549
Interest income	(72)	(122)
Other income	(19,935)	(26,132)
Gain on extinguishment of debt	—	(4,473)
Foreign currency translation loss (gain)	627	(551)
Other income – net	(4,876)	(16,729)
Income before income taxes	23,274	32,263
Provision for income taxes	1,968	1,650
Net income	21,306	30,613
Less: Net income attributable to non-controlling interest	3,361	2,857
Net income attributable to Iconix Brand Group, Inc.	\$ 17,945	\$ 27,756
Earnings (loss) per share:		
Basic	\$ 2.12	\$ 4.28
Diluted	\$ (0.01)	\$ 1.09
Weighted average number of common shares outstanding:		
Basic	8,465	5,912
Diluted	44,786	8,235

See Notes to Unaudited Condensed Consolidated Financial Statements.

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

	Three Months Ended March 31,	
	2019	2018
Net income	\$ 21,306	\$ 30,613
Other comprehensive (loss) income:		
Foreign currency translation (loss) gain	(1,724)	2,761
Total other comprehensive (loss) income	(1,724)	2,761
Comprehensive income	\$ 19,582	\$ 33,374
Less: comprehensive income attributable to non-controlling interest	3,361	2,857
Comprehensive income attributable to Iconix Brand Group, Inc.	<u>\$ 16,221</u>	<u>\$ 30,517</u>

See Notes to Unaudited Condensed Consolidated Financial Statements.

Iconix Brand Group, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statement of Stockholders' Deficit
(in thousands)

	Common Stock		Additional Paid-In Capital	Accumulated Losses	Accumulated Other Comprehensive Loss	Treasury Stock	Non-Controlling Interest	Total
	Shares	Amount						
Balance at January 1, 2018	9,016	\$ 9	\$ 1,044,599	\$ (223,718)	\$ (51,280)	\$ (844,030)	\$ 23,444	\$ (50,976)
Shares issued on vesting of restricted stock	25	—	—	—	—	—	—	—
Shares issued on conversion of 5.75% Convertible Notes	641	1	8,746	—	—	—	—	8,747
Write-off of equity component of 1.50% Convertible Notes	—	—	(23,250)	—	—	—	—	(23,250)
Cumulative effect of accounting change for adoption of ASC 606	—	—	—	16,540	—	—	1,176	17,716
Cumulative effect of accounting change for adoption of ASU 2016-01	—	—	—	(3,177)	3,177	—	—	—
Shares repurchased on vesting of restricted stock and exercise of stock options	—	—	—	—	—	(25)	—	(25)
Compensation expense in connection with restricted stock and stock options	—	—	1,019	—	—	—	—	1,019
Payments from non-controlling interest holders, net of imputed interest	—	—	—	—	—	—	195	195
Change in redemption value of redeemable non-controlling interest	—	—	—	494	—	—	—	494
Net income	—	—	—	27,756	—	—	2,857	30,613
Tax benefit related to amortization of convertible notes' discount	—	—	35	—	—	—	—	35
Foreign currency translation	—	—	22	—	2,761	—	—	2,783
Distributions to joint ventures	—	—	—	—	—	—	(2,177)	(2,177)
Balance at March 31, 2018	<u>9,682</u>	<u>\$ 10</u>	<u>\$ 1,031,171</u>	<u>\$ (182,105)</u>	<u>\$ (45,342)</u>	<u>\$ (844,055)</u>	<u>\$ 25,495</u>	<u>\$ (14,826)</u>

	Common Stock		Additional	Accumulated	Accumulated Other	Treasury	Non-	
	Shares	Amount	Paid-In Capital	Losses	Comprehensive Loss	Stock	Controlling Interest	Total
Balance at January 1, 2019	11,162	\$ 11	\$1,037,372	\$ (312,796)	\$ (53,068)	\$ (844,253)	\$ 26,999	\$ (145,735)
Shares issued on vesting of restricted stock	87	0	—	—	—	—	—	0
Shares issued on conversion of 5.75% Convertible Notes	958	1	2,000	—	—	—	—	2,001
Shares repurchased on vesting of restricted stock and exercise of stock options	—	—	—	—	—	(56)	—	(56)
Compensation expense in connection with restricted stock and stock options	—	—	140	—	—	—	—	140
Change in redemption value of redeemable non-controlling interest	—	—	—	391	—	—	—	391
Reclass from redeemable NCI	—	—	—	—	—	—	3,903	3,903
Net income	—	—	—	17,945	—	—	3,361	21,306
Foreign currency translation	—	—	(38)	—	(1,724)	—	—	(1,762)
Distributions to joint ventures	—	—	—	—	—	—	(2,649)	(2,649)
Balance at March 31, 2019	<u>12,207</u>	<u>\$ 12</u>	<u>\$1,039,474</u>	<u>\$ (294,460)</u>	<u>\$ (54,792)</u>	<u>\$ (844,309)</u>	<u>\$ 31,614</u>	<u>\$ (122,461)</u>

See Notes to Unaudited Condensed Consolidated Financial Statements.

Iconix Brand Group, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Cash Flows
(in thousands)

	Three Months Ended March 31,	
	2019	2018
Cash flows from operating activities:		
Net income	\$ 21,306	\$ 30,613
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation of property and equipment	465	558
Amortization of trademarks and other intangibles	27	96
Amortization of deferred financing costs and debt discount	2,963	877
Amortization of convertible note discount	—	3,298
Third party fees associated with the issuance of 5.75% Convertible Notes	—	4,959
Stock-based compensation (benefit) expense	140	1,019
Provision for doubtful accounts	452	507
Writeoff of contract assets	448	—
Periodic lease cost	549	—
Earnings on equity investments in joint ventures	(1,042)	(96)
Distributions from equity investments	—	922
Gain on sale of trademarks, net	—	(1,143)
Settlement of note receivable related to formation of Buffalo joint venture	—	1,141
Mark to market adjustment on convertible note	(19,956)	(24,353)
Loss (gain) on debt to equity conversions	188	(821)
Gain on sale of Complex Media	—	(958)
Gain on sale of interest in Ningbo Material Girl	(209)	—
(Gain) loss on extinguishment of debt	—	(4,473)
Income on other equity investment	42	—
Deferred income tax benefit	333	157
Loss on foreign currency translation	627	(551)
Changes in operating assets and liabilities:		
Accounts receivable	362	19,064
Other assets – current	(490)	(928)
Other assets	(746)	(413)
Deferred revenue	2,085	3,129
Accounts payable and accrued expenses	(9,556)	(11,092)
Other tax liabilities	—	(39)
Other liabilities	(473)	(272)
Net cash provided by (used in) operating activities	(2,485)	21,201
Cash flows provided by (used in) investing activities:		
Purchases of property and equipment	(257)	(282)
Acquisition of trademarks from Iconix Southeast Asia	(2,067)	(2,125)
Acquisition of remaining interest in Iconix Canada	—	(2,700)
Acquisition of Badgley Mischka and Sharper Image trademarks in certain international joint ventures	—	(1,164)
Proceeds from sale of interest in Badgley Mischka in certain international joint ventures	—	1,250
Proceeds from sale of interest in Ningbo Material Girl	3,000	—
Proceeds from sale of Complex Media	—	958
Proceeds from note receivable from formation of Buffalo joint venture	—	1,409
Additions to trademarks	(337)	(201)
Net cash provided by (used in) investing activities	339	(2,855)
Cash flows provided by (used in) financing activities:		
Prepaid financing costs	—	(5,491)
Proceeds from long-term debt, net of discount and fees	—	95,700

Payment of long-term debt	(8,366)	(122,380)
Proceeds from sale of trademarks and related notes receivable from consolidated JVs	—	201
Distributions to non-controlling interests	(2,649)	(6,587)
Tax benefit related to amortization of convertible notes' discount	—	35
Cost of shares repurchased on vesting of restricted stock	(56)	(25)
Net cash used in financing activities	(11,071)	(38,547)
Effect of exchange rate changes on cash and restricted cash	20	1,244
Net (decrease) increase in cash and cash equivalents, and restricted cash	(13,197)	(18,957)
Cash, cash equivalents, and restricted cash, beginning of period	82,635	114,693
Cash, cash equivalents, and restricted cash of continuing operations, end of period	<u>\$ 69,438</u>	<u>\$ 95,736</u>

Supplemental disclosure of cash flow information:

	Three Months Ended March 31,	
	2019	2018
Cash paid during the period:		
Income taxes (net of refunds received)	\$ 2,127	\$ 2,619
Interest	\$ 9,969	\$ 10,060
Non-cash investing and financing activities		
Noncash additions to operating lease assets	\$ 10,462	\$ —
Shares issued upon conversion of debt	\$ 2,001	\$ 8,747

See Notes to Unaudited Condensed Consolidated Financial Statements.

Iconix Brand Group, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements
March 31, 2019
(dollars in thousands (unless otherwise noted) except per share data)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management of Iconix Brand Group, Inc. (the “Company,” “we,” “us,” or “our”), all adjustments (consisting primarily of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2019 (“Current Quarter”) are not necessarily indicative of the results that may be expected for a full fiscal year. The interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018.

During the Current Quarter, the Company adopted one new accounting pronouncement. Refer to Note 20 for further details.

Certain reclassifications, which were immaterial, have been made to conform prior year data to the current presentation. During the Current Quarter, the Company made a reclassification between redeemable noncontrolling interest and noncontrolling interest.

Liquidity

These consolidated financial statements are prepared on a going concern basis that contemplates the realization of cash flows from assets and discharge of liabilities, in each case, in the ordinary course of business consistent with the Company’s prior periods. The Company considered, among other things, the Sears Holdings Corporation’s bankruptcy filing on October 15, 2018, and determined that the bankruptcy filing is not expected to have a material adverse impact on the Company’s ability to continue as a going concern. Based on the Company’s financial plans and projections for 2019, which assumes the realization of significant cost savings, among other things, from the successful implementation of the Company’s current strategic initiatives, the Company does not expect the occurrence of any payment defaults on its outstanding debt facilities in the next twelve months, and otherwise expects to generate sufficient cash to meet its operating cash flow needs and maintain compliance with the financial covenants set forth in its various debt facilities during such period. In particular, management believes the allocation of residual royalty collections to a restricted reserve account (as is discussed in Note 9) is not expected to have a material adverse impact on the Company’s ability to meet such cash flow needs.

For additional information, please refer to Note 1 of Notes to Consolidated Financial Statements in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018.

Reverse Stock Split

On March 14, 2019, the Company effected a 1-for-10 reverse stock split (the “Reverse Stock Split”) of its common stock. Unless the context otherwise requires, all share and per share amounts in this quarterly report on Form 10-Q have been adjusted to reflect the Reverse Stock Split. Refer to Note 9 for further details.

2. Revenue Recognition

Licensing Revenue

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 national retailer for a broad range 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 retailers within an approved distribution channel.

The Company's license agreements 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.

Licensing revenue is comprised of revenue related to the Company's entry into various trade name license agreements that provide revenues based on minimum royalties and advertising/marketing fees and additional revenues based on a percentage of defined sales. In accordance with ASC Topic 606 – *Revenue from Contracts with Customers* ("Topic 606"), the Company recognizes the minimum royalty revenue on a straight-line basis over the entire contract term and royalties exceeding the defined minimum amounts in a specific contract year (sales-based royalties), as defined in each license agreement, are recognized only in the subsequent periods to when the minimum guarantee for the contract year has been achieved and when the later of the following events occur: (i) the subsequent sale occurs, or (ii) the performance obligation to which some or all of the sales-based royalty has been allocated has been satisfied (or partially satisfied).

Within the Company's International segment, the Umbro business purchases replica soccer jerseys for resale to certain licensees. The Company generally does this as an accommodation to its licensees to consolidate ordering from the manufacturers. The revenue associated with such activity is included in licensing revenue and was approximately \$0.4 million and \$2.0 million in the Current Quarter and the three months ended March 31, 2018 (the "Prior Year Quarter"), respectively. The associated cost of goods sold is included in selling general and administrative expenses and was approximately \$0.3 million and \$1.9 million in the Current Quarter and Prior Year Quarter, respectively. Revenue for these sales are recognized upon the transfer of control of the promised product to the customer or licensee in an amount that reflects the consideration that we expect to receive in exchange for these products.

The following table presents our revenues disaggregated by license type:

	Three Months Ended March 31,	
	2019	2018
<u>Licensing revenue by license type:</u>		
Direct-to-retail license	\$ 9,753	\$ 21,213
Wholesale licenses	25,806	25,138
Other licenses ⁽¹⁾	383	2,197
	<u>\$ 35,942</u>	<u>\$ 48,548</u>

- (1) Included in Other licenses for the Current Quarter and Prior Year Quarter is \$0.4 million and \$2.0 million, respectively, of revenue associated with the Umbro business purchases discussed above.

The following table represents our revenues disaggregated by geography:

	Three Months Ended March 31,	
	2019	2018
<u>Total licensing revenue by geographic region:</u>		
United States	\$ 22,619	\$ 32,877
Other ⁽¹⁾	13,323	15,671
	<u>\$ 35,942</u>	<u>\$ 48,548</u>

- (1) No single country outside of the United States represented 10% or more of the Company's revenues in the periods presented.

Remaining Performance Obligation

We enter into long-term license agreements with our licensees across all operating segments. Revenues are recognized on a straight line basis consistent with the nature, timing and extent of our services, which primarily relate to the ongoing brand management and maintenance of the intellectual property. As of April 1, 2019, the Company and its joint ventures had a contractual right to receive over \$395 million of aggregate minimum licensing revenue over the balance and the terms of their current licenses, excluding any renewals.

As of March 31, 2019, future minimum license revenue to be recognized is as follows: \$81.9 million, \$86.5 million, \$58.1 million, \$48.9 million, \$42.7 million and \$81.7 million for the remainder of FY 2019, FY 2020, FY 2021, FY 2022, FY 2023 and thereafter, respectively.

Contract Balances

Timing of revenue recognition may differ from the timing of invoicing to licensees. We record a receivable when amounts are contractually due or when revenue is recognized prior to invoicing. Deferred revenue is recorded when amounts are contractually due prior to satisfying the performance obligations of the contracts. For multi-year license agreements, as the performance obligation is providing the licensee with the right of access to the Company's intellectual property for the contractual term, the Company uses a time-lapse measure of progress and straight lines the guaranteed minimum royalties over the contract term.

Contract Asset

We record contract assets when revenue is recognized in advance of cash payment being due from our licensees. As of March 31, 2019, our contract assets – current and long term contract assets were \$4.9 million and \$15.0 million, respectively, as compared to our contract assets – current and long term contract assets as of December 31, 2018 which were \$4.8 million and \$14.6 million, respectively. For the Current Quarter, the Company incurred an impairment loss of its contract assets of \$0.4 million as a result of certain contract modifications as compared to none for the Prior Year Quarter.

Deferred Revenue

We record deferred revenue when cash payment is received or due in advance of our performance, including amounts which are refundable. Advanced royalty payments are recognized ratably over the period indicated by the terms of the license and are reflected in the Company's consolidated balance sheet in deferred revenue at the time the payment is received. The increase in deferred revenues for the Current Quarter is primarily driven by cash payments received or due in advance of satisfying our performance obligations, offset by \$3.2 million of revenues recognized that were included in the deferred revenue balance at the beginning of the period.

3. Goodwill and Trademarks and Other Intangibles, net

Goodwill

There were no changes and no impairment of the Company's goodwill during the Current Quarter or Prior Year Quarter. The annual evaluation of the Company's goodwill, by segment, is typically performed as of October 1, the beginning of the Company's fourth fiscal quarter.

Trademarks and Other Intangibles, net

Trademarks and other intangibles, net, consist of the following:

	Estimated Lives in Years	March 31, 2019		December 31, 2018	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Indefinite-lived trademarks	Indefinite	\$ 336,089	\$ —	\$ 337,631	\$ —
Definite-lived trademarks	10-15	8,958	8,958	8,958	8,958
Licensing contracts	1-9	964	922	978	909
		\$ 346,011	\$ 9,880	\$ 347,567	\$ 9,867
Trademarks and other intangibles, net			<u>\$ 336,131</u>		<u>\$ 337,700</u>

The trademarks of Candie's, Bongo, Joe Boxer, Rampage, Mudd, London Fog, Mossimo, Ocean Pacific, Danskin, Rocawear, Cannon, Royal Velvet, Fieldcrest, Charisma, Starter, Waverly, Ecko, Zoo York, Ed Hardy, Umbro, Modern Amusement, Buffalo, Lee Cooper, Hydraulic and Pony have been determined to have an indefinite useful life. Each of these intangible assets are tested for impairment annually and as needed on an individual basis and territorial basis as separate single units of accounting, with any related impairment charge recorded to the income statement at the time of determining such impairment. The annual evaluation of the Company's indefinite-lived trademarks is typically performed as of October 1, the beginning of the Company's fourth fiscal quarter, or as deemed necessary due to the identification of a triggering event.

In accordance with ASC 350, there was no impairment of the indefinite-lived trademarks during the Current Quarter or Prior Year Quarter. Further, in accordance with ASC 360, there were no impairment charges to the Company's definite-lived trademarks during the Current Quarter or Prior Year Quarter.

During the Prior Year Quarter, the Company completed the sale of the Badgley Mischka and Sharper Image intellectual property and related assets from the Iconix Southeast Asia, Iconix MENA, Iconix Europe and Iconix Australia joint ventures. Refer to Note 6 for further details.

Other amortizable intangibles represents licensing contracts, which are amortized on a straight-line basis over their estimated useful lives of 1 to 9 years. Certain trademarks are amortized using estimated useful lives of 10 to 15 years with no residual values.

Amortization expense for intangible assets for the Current Quarter was less than \$0.1 million as compared to amortization expense for intangible assets of approximately \$0.1 million for the Prior Year Quarter.

4. Joint Ventures and Investments

Joint Ventures

As of March 31, 2019, the following joint ventures are consolidated with the Company:

Entity Name	Date of Original Formation / Investment	Iconix's Ownership % as of March 31, 2019	Joint Venture Partner	Put / Call Options, as applicable ⁽²⁾
Lee Cooper China Limited	June 2018	100%	POS Lee Cooper HK Co. Ltd.	—
Starter China Limited	March 2018	100%	Photosynthesis Holdings Co. Ltd.	—
Danskin China Limited	October 2016	100%	Li-Ning (China) Sports Goods Co. Ltd.	—
Umbro China Limited	July 2016	95%	Hong Kong MH Umbro International Co. Ltd.	Call Options
US Pony Holdings, LLC	February 2015	75%	Anthony L&S Athletics, LLC	—
Iconix MENA Ltd. ⁽¹⁾	December 2014	55%	Global Brands Group Asia Limited	Put / Call Options
Iconix Israel, LLC ⁽¹⁾	November 2013	50%	MGS	—
Iconix Europe LLC ⁽¹⁾⁽³⁾	December 2009	51%	Global Brands Group Asia Limited	Put / Call Options
Iconix Australia ⁽¹⁾	September 2013	55%	Pac Brands USA, Inc.	Put / Call Options
Diamond Icon ⁽¹⁾	March 2013	51%	Albion Agencies Ltd.	—
Buffalo brand joint venture ⁽¹⁾	February 2013	51%	Buffalo International	—
Icon Modern Amusement, LLC ⁽¹⁾	December 2012	51%	Dirty Bird Productions	—
Hardy Way, LLC	May 2009	85%	Donald Edward Hardy	—

- (1) The Company determined, in accordance with ASC 810, based on the corporate structure, voting rights and contributions of the Company and its respective joint venture partner, the entity is a variable interest entity (VIE) and, as the Company has been determined to be the primary beneficiary, is subject to consolidation. The Company has consolidated this joint venture within its consolidated financial statements since inception. The liabilities of the VIE are not material and none of the VIE assets are encumbered by any obligation of the VIE or other entity.
- (2) Refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2018 for material terms of the put and call options associated with certain of the Company's joint ventures.
- (3) In March 2019, the Company entered into amendment to the Iconix Europe LLC Operating Agreement to extend the five-year put/call options from the six month period commencing January 13, 2019 (as stipulated in the agreement) to a period commencing January 13, 2019 and ending on September 30, 2019.

Investments

Equity Method Investments

Entity Name	Date of Original Formation / Investment	Partner	Put / Call Options, as applicable(2)
Iconix India joint venture(1)	June 2012	Reliance Brands Ltd.	—
Iconix SE Asia, Ltd.(1)(3)	October 2013	Global Brands Group Asia Limited	Put / Call Options
MG Icon(1)	March 2010	Purim LLC	—

- (1) The Company determined, in accordance with ASC 810, based on the corporate structure, voting rights and contributions of the Company and its respective joint venture partner, that the joint venture is not a VIE and not subject to consolidation. The Company records its investment under the equity method of accounting.
- (2) Refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2018 for material terms of the put and call options associated with the Company's joint venture.
- (3) In March 2019, the Company entered into amendment to the Iconix SE Asia, Ltd. Operating Agreement to extend the five-year put/call options from the six month period commencing October 1, 2018 (as stipulated in the agreement) to a period commencing October 1, 2018 and ending on September 30, 2019.

Additionally, through its ownership of Iconix China Holdings Limited, the Company has equity interests in the following private companies which are accounted for as equity method investments:

Brands Placed	Partner	Ownership by Iconix China	Value of Investment as of	
			March 31, 2019	December 31, 2018
Candie's	Candies Shanghai Fashion Co. Ltd.	20%	\$ 10,578	\$ 10,529
Marc Ecko	Shanghai MuXiang Apparel & Accessory Co. Limited	15%	2,270	2,270
Material Girl	Ningbo Material Girl Fashion Co. Ltd.(1)	20%	—	2,129
Ecko Unltd	Ai Xi Enterprise (Shanghai) Co. Limited	20%	10,355	10,400
			<u>\$ 23,203</u>	<u>\$ 25,328</u>

- (1) In March 2019, the Company sold its 20% interest in Ningbo Material Girl Fashion Co. Ltd. ("Material Girl China") to Ningbo Peacebird Fashion & Accessories Co. Ltd. for \$3.0 million in cash. Pursuant to the agreement, the sale price is further reduced by the initial cash investment of \$0.2 million as well as \$0.6 million on brand management expenses incurred since the inception of the Material Girl China entity, to total net proceeds of \$2.2 million. Additionally, Purim LLC, our MG Icon partner, is entitled to 33.3% of the net proceeds (or approximately \$0.7 million) resulting in the Company's portion of the net proceeds from the transaction to be approximately \$1.5 million. As a result of this transaction, the Company recognized a gain of \$0.2 million which has been recorded within Other Income in the Company's condensed consolidated statement of operations for the Current Quarter.

Other Equity Investments

Entity Name	Date of Original Formation / Investment
China Outfitters Holdings Ltd.(2)	September 2008
Marcy Media Holdings, LLC(1)	July 2013

- (1) In accordance with ASC 825, given that these investments do not have readily determinable fair values and the Company does not have significant influence over the entity, the Company assesses these investments for potential impairment on a quarterly basis. As of March 31, 2019, there were no indicators of impairment for these investments.
- (2) As part of the 2015 purchase of our joint venture partners' interest in Iconix China, the Company acquired an equity investment in China Outfitters Holdings Ltd. As of March 31, 2019 and December 31, 2018, the fair value of this investment was approximately \$1.0 million and \$1.0 million, respectively, with the decrease in fair value of less than \$0.1 million recorded within Other Income on the Company's condensed consolidated statement of operations.

5. Gains on Sale of Trademarks, Net

The following table details transactions comprising gains on sale of trademarks, net in the condensed consolidated statement of operations:

	Three Months Ended March 31,	
	2019	2018
Interest in Sharper Image trademark in Iconix Southeast Asia ⁽¹⁾	\$ —	\$ 236
Interest in Sharper Image trademark in Iconix Europe ⁽¹⁾	—	352
Interest in Sharper Image trademark in Iconix MENA ⁽¹⁾	—	250
Interest in Badgley Mischka trademark in Iconix Southeast Asia ⁽²⁾	—	478
Interest in Badgley Mischka trademark in Iconix Europe ⁽²⁾	—	(244)
Interest in Badgley Mischka trademark in Iconix MENA ⁽²⁾	—	71
Net gains on sale of trademarks	\$ —	\$ 1,143

- (1) In December 2016, the Company sold its rights to the Sharper Image intellectual property and related assets to 360 Holdings, Inc. The Sharper Image intellectual property and related assets within other foreign territories, which was owned by certain of the Company's joint venture entities, required the Company to negotiate and finalize the sale of the intellectual property with its respective joint venture partners. As a result, in the Prior Year Quarter, the Company recognized an additional combined gain of approximately \$0.8 million upon final execution of the agreement for the sale of the Sharper Image intellectual property and related assets which were previously owned by the Iconix Southeast Asia, Iconix Europe, Iconix MENA and Iconix Australia joint ventures.
- (2) In February 2016, the Company sold its rights to the Badgley Mischka intellectual property and related assets to Titan Industries, Inc. in partnership with the founders, Mark Badgley and James Mischka, and the apparel license MJCLK LLC. The Badgley Mischka intellectual property and related assets within other foreign territories, which was owned by certain of the Company's joint venture entities, required the Company to negotiate and finalize the sale of the intellectual property with its respective joint venture partners. As a result, in the Prior Year Quarter, the Company recognized an additional combined net gain of approximately \$0.3 million upon final execution of the agreement for the sale of the Badgley Mischka intellectual property and related assets which were previously owned by the Iconix Southeast Asia, Iconix Europe and Iconix MENA joint ventures.

6. Fair Value Measurements

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

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

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

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

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

- (A) Market approach - Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities
- (B) Income approach - Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about those future amounts, including present value techniques, option-pricing models and excess earnings method
- (C) Cost approach - Based on the amount that would currently be required to replace the service capacity of an asset (replacement cost)

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

Financial Instruments

As of March 31, 2019 and December 31, 2018, the fair values of cash, receivables and accounts payable approximated their carrying values due to the short-term nature of these instruments. The fair value of notes receivable and notes payable from and to our joint venture partners approximate their carrying values. The fair value of our other equity investments is not readily determinable, and it is not practical to obtain the information needed to determine the value. However, there has been no indication of an impairment of these other equity investments as of March 31, 2019 or December 31, 2018. The estimated fair values of other financial instruments subject to fair value disclosures, determined based on Level One inputs including broker quotes or quoted market prices or rates for the same or similar instruments and the related carrying amounts are as follows:

	March 31, 2019		December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt, including current portion ⁽¹⁾	\$ 648,058	\$ 554,677	\$ 675,229	\$ 582,370

- (1) Carrying amounts include aggregate unamortized debt discount and debt issuance costs.

Additionally, the fair value of the other equity investments acquired as part of the 2015 purchase of our joint venture partners' interest in Iconix China was approximately \$1.0 million as of March 31, 2019 with the changes in the fair value of the investment recorded in Other Income in the Company's condensed consolidated statement of operations.

Financial instruments expose the Company to counterparty credit risk for nonperformance and to market risk for changes in interest. The Company manages exposure to counterparty credit risk through specific minimum credit standards, diversification of counterparties and procedures to monitor the amount of credit exposure. The Company's financial instrument counterparties are investment or commercial banks with significant experience with such instruments as well as certain of our joint venture partners – see Note 5.

Non-Financial Assets and Liabilities

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

7. Fair Value Option

The Company accounts for its 5.75% Convertible Notes under the fair value option. The fair value carrying amount of the 5.75% Convertible Notes as of March 31, 2019 and December 31, 2018 is \$26.3 million and \$48.1 million, respectively, as compared to the contractual principal outstanding balance which is \$105.7 million and \$109.7 million as of March 31, 2019 and December 31, 2018, respectively. The change of \$20.0 million and \$24.3 million in the fair value of the 5.75% Convertible Notes accounted for

under the fair value option are included in the Company's condensed consolidated statement of operations for the Current Quarter and Prior Year Quarter, respectively, within Other Income.

The primary reason for electing the fair value option is for simplification and cost-benefit considerations of accounting for the 5.75% Convertible Notes (the hybrid financial instrument) at fair value in its entirety versus bifurcation of the embedded derivatives. The 5.75% Convertible Notes contain bifurcable embedded derivatives and do not require settlement by physical delivery of non-financial assets.

The significant inputs to the valuation of the 5.75% Convertible Notes at fair value are Level 1 inputs as they are based on the quoted prices of the notes in the active market.

8. Debt Arrangements

The Company's debt obligations consist of the following:

	March 31, 2019	December 31, 2018
Senior Secured Notes	\$ 358,079	\$ 365,481
Variable Funding Note, net of original issue discount	96,298	95,273
Senior Secured Term Loan, net of original issue discount	171,355	171,137
5.75% Convertible Notes ⁽¹⁾	26,307	48,076
Unamortized debt issuance costs	(3,981)	(4,738)
Total debt	648,058	675,229
Less current maturities	61,391	54,263
Total long-term debt	\$ 586,667	\$ 620,966

- (1) Reflects the debt carrying amount which is accounted for under the Fair Value Option in the condensed consolidated balance sheet as of March 31, 2019 and December 31, 2018. The actual principal outstanding balance of the 5.75% Convertible Notes is \$105.7 million and \$109.7 million as of March 31, 2019 and December 31, 2018, respectively.

Senior Secured Notes and Variable Funding Note

On November 29, 2012, Icon Brand Holdings, Icon DE Intermediate Holdings LLC, Icon DE Holdings LLC and Icon NY Holdings LLC, each a limited-purpose, bankruptcy remote, wholly-owned direct or indirect subsidiary of the Company, (collectively, the "Co-Issuers") issued \$600.0 million aggregate principal amount of Series 2012-1 4.229% Senior Secured Notes, Class A-2 (the "2012 Senior Secured Notes") in an offering exempt from registration under the Securities Act of 1933, as amended (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 allowed 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 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 are governed, in part, by the Variable Funding Note Purchase Agreement and by certain generally applicable terms contained in the Securitization Notes Indenture. Interest on the Variable Funding Notes is payable at per annum rates equal to the CP Rate, Base Rate or Eurodollar Rate, each as defined in the Variable Funding Note Purchase Agreement. In February 2015, the Company fully drew down the \$100.0 million of available funding under the Variable Funding Notes, which remains outstanding as of March 31, 2019.

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 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 Securitization Notes Indenture allows the Co-Issuers to issue additional series of notes in the future subject to certain conditions.

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 2012 Senior Secured Notes and the 2013 Senior Secured Notes, in each case, on a quarterly basis. Initially, principal payments in the amount of \$10.5 million and \$4.8 million were required to be made on the 2012 Senior Secured Notes and 2013 Senior Secured Notes, respectively, on a quarterly basis. The amount of quarterly principal payments has since changed in subsequent periods due to the prepayments made under the Securitization Notes Indenture. See below for further discussion.

The legal final maturity date of the Securitization Notes is in January of 2043. If the Co-Issuers have not repaid or refinanced the Securitization Notes prior to January 2020 (the “anticipated repayment date”), additional interest will accrue on amounts outstanding under the Securitization Notes at a rate equal to (A) in respect of the Variable Funding Notes, 5% per annum, (B) in respect of the 2012 Senior Secured Notes and the 2013 Senior Secured Notes, the greater of (1) 5% per annum and (2) a per annum interest rate equal to the excess, if any, by which the sum of (x) 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 (y) 5% per annum plus (z) with respect to the 2012 Senior Secured Notes, 3.4% per annum, or with respect to the 2013 Senior Secured Notes, 3.14% per annum, exceeds the original interest rate. Pursuant to the Securitization Notes Indenture, such additional interest is not due to be paid by the Company until January 2043 (the legal maturity date) and does not compound annually. The Securitization Notes rank *pari passu* with each other.

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 certain of the assets of the Co-Issuers (the “Securitized Assets”), which includes, among other things, (i) intellectual property assets, including the U.S. and Canadian registered and applied for trademarks for the following brands and other related IP assets: Candie’s, Bongo, Joe Boxer (excluding Canadian trademarks, none of which are owned by Iconix), Rampage, Mudd, London Fog (other than the trademark for outerwear products sold in the United States), Mossimo, Ocean Pacific and OP, Danskin and Danskin Now, Rocawear, Starter, Waverly, Fieldcrest, Royal Velvet, Cannon, and Charisma; (ii) the rights (including the rights to receive payments) and obligations under all license agreements for use of those trademarks in such territories; (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, and a 100% interest in ZY Holdings LLC which owns the Zoo York brand; and (iv) certain cash accounts established under the Securitization Notes Indenture. The Securitized Assets do not include revenue generating assets of (x) the Iconix subsidiaries that own the Ecko Unltd trademarks, the Mark Ecko trademarks, the Artful Dodger trademarks, the Umbro trademarks, and the Lee Cooper trademarks, (y) the Iconix subsidiaries that own Iconix’s other brands outside of the United States and Canada or (z) the joint ventures in which Iconix and certain of its subsidiaries have investments and which own the Modern Amusement trademarks and the Buffalo trademarks, the Pony trademarks, and the Hydraulic trademarks.

If the Company contributes an Additional IP Holder 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 Indenture pursuant to which such Additional IP Holder will guarantee the obligations of the Co-Issuers in respect of any Securitization Notes issued under the Securitization Notes 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. As of March 31, 2019, the Company is in compliance with all covenants under the Securitization Notes.

The Company's Securitization Notes include a financial test, known as the debt service coverage ratio ("DSCR") that measures the amount of principal and interest required to be paid on the Co-Issuers' debt to the approximate cash flow available to pay such principal and interest. As a result of a decline in royalty collections during the twelve months ended March 31, 2019, the DSCR fell below 1.10x as of March 31, 2019. Beginning April 1, 2019, the Senior Secured Notes are in a Rapid Amortization Event pursuant to the Securitization Notes Indenture. In rapid amortization, the residual will immediately be used to pay down the principal.

The Securitization Notes are also subject to customary rapid amortization events provided for in the Securitization Notes Indenture, including events tied to (i) the failure to maintain a stated DSCR, (ii) certain manager termination events, (iii) the occurrence of an event of default and (iv) the failure to repay or refinance the Securitization Notes on the anticipated repayment date. If a rapid amortization event were to occur, including as a result of not paying or redeeming the Securitization Notes in full prior to the anticipated repayment date, the management fee payable to the Company would remain payable pursuant to the priority of payments set forth under the Securitization Indenture, but no residual amounts would be payable to the Company thereafter.

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.

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. The Company wrote off a pro-rata portion of the Senior Secured Notes' deferred financing costs of \$0.5 million. As a result of this transaction, 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. The Company wrote off a pro-rata portion of the Senior Secured Notes' deferred financing costs of \$2.0 million as well as paid a prepayment penalty of \$0.3 million. As a result of this transaction, 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 March 31, 2019 and December 31, 2018, the total outstanding principal balance of the Securitization Notes was \$458.1 million and \$465.5 million, respectively, of which \$46.0 million is included in the current portion of long-term debt on the consolidated balance sheet. As of March 31, 2019 and December 31, 2018, \$12.5 million and \$15.2 million, respectively, is included in restricted cash on the consolidated balance sheet and represents short-term restricted cash consisting of collections on behalf of the Securitized Assets, restricted to the payment of principal, interest and other fees on a quarterly basis under the Senior Secured Notes.

For Current Quarter and Prior Year Quarter, cash interest expense relating to the Senior Secured Notes was approximately \$5.4 million and \$5.6 million, respectively.

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 "Senior Secured Term Loan"), 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 Senior Secured Term Loan, the lenders provided to IBG Borrower a senior secured term loan (the "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").

On August 2, 2017, the net cash proceeds of the Senior Secured Term Loan were deposited into an escrow account and 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 (as defined below). 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.

Prior to the First Amendment (as discussed below), borrowings under the 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 Senior Secured Term Loan).

IBG Borrower's obligations under the 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 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.

In connection with the Senior Secured Term Loan, 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 Senior Secured Term Loan 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 Senior Secured Term Loan 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 Senior Secured Term Loan

First Amendment

On October 27, 2017, the Company entered into the First Amendment to the Senior Secured Term Loan (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.

The First Amendment also provided for, among other things, (a) a reduction in the existing \$300 million term loan to the then-current term loan balance of approximately \$57.8 million, (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 (the "First Delayed Draw Term Loan"), and (ii) a \$140.7 million Second Delayed Draw Term Loan (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 permitted under the Senior Secured Term Loan 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 Senior Secured Term Loan; (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 prepay borrowings under the Senior Secured Term Loan from the first \$100 million of net proceeds resulting from Permitted Capital Raising Transactions (as defined in the Senior Secured Term Loan) effected prior to March 15, 2018, and (ii) eliminate the requirement that the Company pay a Prepayment Premium (as defined in the Senior Secured Term Loan) on any payments or prepayments made prior to December 31, 2018. Indebtedness issued under the Delayed Draw Term Loan Facility was issued with original issue discount.

As a result of the First Amendment, on October 27, 2017, the Company repaid \$231.0 million on the Senior Secured Term Loan which represented \$240.7 million of outstanding principal balance. As this transaction was accounted for as a debt modification in accordance ASC 470-50-40, and based on the Company's accounting policy for debt modifications, the Company wrote-off a pro-rata portion of the original issue discount and deferred financing costs of \$9.3 million and \$5.4 million, respectively. As a result of this transaction, the Company's outstanding principal balance of the Senior Secured Term Loan was reduced to \$57.8 million at that time.

On November 2, 2017, the Company drew down the full amount of \$25.0 million on the First Delayed Draw Term Loan, of which the Company received \$24.0 million in cash, net of the \$1.0 million of original issue discount.

Second Amendment

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 Senior Secured Term Loan, as amended, on November 24, 2017, the Company entered into the Second Amendment to the Senior Secured Term Loan. Pursuant to the Second Amendment, among other things, the lenders under the Senior Secured Term Loan agreed, subject to the Company's compliance with the requirements set forth in the Second Amendment, to waive until December 22, 2017, certain potential defaults and events of default arising under the Senior Secured Term Loan.

In connection with the Second Amendment, Deutsche Bank was granted additional pricing flex in the form of price protection upon syndication of the Senior Secured Term Loan ("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 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 Senior Secured Term Loan. After giving effect to the additional Flex provided in the Second Amendment, the Company estimated that it could be responsible for payments on account of Flex in an aggregate total amount of up to \$12.0 million. As of March 31, 2019, the Company has paid a total of approximately \$5.0 million in Flex. The Company has recorded this amount against the outstanding principal balance of Senior Secured Term Loan on the Company's consolidated balance sheet and is being amortized over the remaining term of Senior Secured Term Loan.

Third Amendment

On February 12, 2018, the Company, through IBG Borrower, entered into the Third Amendment to the Senior Secured Term Loan. The Third Amendment provides for, among other things, amendments to certain restrictive covenants and other terms set forth in the Senior Secured Term Loan, as amended, to permit (i) IBG Borrower to enter into the 5.75% Notes Indenture (as defined below) and a related intercreditor agreement that was executed and (ii) the Note Exchange (as defined below). In connection with the Third Amendment, Deutsche Bank was granted additional pricing flex in the form of price protection upon syndication of the loan ("Third Amendment Flex"). After giving effect to the additional Third Amendment Flex, the Company estimates that it could be responsible for payments on account of the Third Amendment Flex in an aggregate total amount of up to \$6.1 million.

Fourth Amendment

The Company, through IBG Borrower, entered into the Fourth Amendment to the Senior Secured Term Loan on March 12, 2018. The Fourth Amendment provided, among other things, that the funding date for the Second Delayed Draw Term Loan would be March 14, 2018 instead of March 15, 2018. The conditions to the availability of the Second Delayed Draw Term Loan were satisfied as of March 14, 2018 due, in part, to the transactions contemplated by the Note Exchange, and the Company was able to draw on the Second Delayed Draw Term Loan. 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 Senior Secured Term Loan, as amended, contains customary negative covenants and events of default. The Senior Secured Term Loan 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 Senior Secured Term Loan. Such restrictions, failure to comply with which may result in an event of default under the terms of the Senior Secured Term Loan, are subject to certain customary and specifically negotiated exceptions, as set forth in the Senior Secured Term Loan.

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 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 Senior Secured Term Loan); 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 Senior Secured Term Loan, 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.

As of March 31, 2019 and December 31, 2018, the outstanding principal balance of the Senior Secured Term Loan was \$171.4 million (which is net of \$17.1 million of original issue discount) and \$171.1 million (which is net of \$18.3 million of original issue discount), respectively, of which \$15.4 million and \$11.6 million is recorded in current portion of long term debt on the Company's consolidated balance sheet, respectively.

The Company recorded cash interest expense of approximately \$4.5 relating to the Senior Secured Term Loan in the Current Quarter as compared to \$2.2 million in the Prior Year Quarter.

The Company recorded an expense for the amortization of original issue discount and deferred financing fees of approximately \$1.3 million relating to the Senior Secured Term Loan, included in interest expense on the consolidated statement of operations, during the Current Quarter as compared to \$0.5 million during the Prior Year Quarter.

5.75% Convertible Notes

On February 22, 2018, the Company consummated an exchange (the “Note Exchange”) of approximately \$125 million previously outstanding 1.50% Convertible Senior Subordinated Notes due 2018 (the “1.50% Convertible Notes”), pursuant to which it issued approximately \$125 million of new 5.75% Convertible Notes due 2023 (the 5.75% Convertible Notes”). The 5.75% Convertible Notes were issued pursuant to an indenture, dated February 22, 2018, by and among the Company, each of the guarantors thereto and The Bank of New York Mellon Trust Company, N.A., as trustee and collateral agent (the “Indenture”).

The 5.75% Convertible Notes mature on August 15, 2023. 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. 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 Senior Secured Term Loan and (ii) guaranteed by IBG Borrower and same guarantors as those under the Senior Secured Term Loan, other than the Company.

Subject to certain conditions and limitations, the Company may cause all or part of the 5.75% Convertible Notes to be automatically converted into common stock of the Company. The 5.75% Convertible Notes are convertible into shares of the Company’s common stock based on a conversion rate of 52.1919 shares of the Company’s common stock, per \$1,000 principal amount of the 5.75% Convertible Notes (which is equal to an initial conversion price of approximately \$19.16 per share), subject to adjustment from time to time pursuant to the 5.75% Convertible Note Indenture.

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 Conversion Make-Whole Payment (as defined in the Indenture) 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).

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 Senior Secured Term Loan, from and after the February 22, 2019, 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 (which would occur if the Company experiences a change of control or is delisted from NASDAQ) 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 is 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.

During the Current Quarter, certain noteholders converted an aggregate outstanding principal balance of \$4.0 million of their 5.75% Convertible Notes into approximately 0.2 million shares of the Company’s common stock. Pursuant to the Indenture, the Company also made Conversion Make-Whole Payments of approximately 0.8 million shares of the Company’s common stock to those converting noteholders. As a result of the difference in the fair market value versus the carrying value of the 5.75% Convertible Notes that were converted during the Current Quarter, an aggregate \$0.2 million loss was recorded within Other Income in the Company’s condensed consolidated statement of operations in the Current Quarter.

The Company has elected to account for the 5.75% Convertible Notes based on the Fair Value Option accounting as outlined in ASC 825. Refer to Note 8 for further details. As of March 31, 2019 and December 31, 2018, while the debt balance recorded at fair value on the Company's consolidated balance sheet is \$26.3 million and \$48.1 million, respectively, the actual outstanding principal balance of the 5.75% Convertible Notes is \$105.7 million and \$109.7 million, respectively.

The Company recorded interest expense of approximately \$1.5 million relating to the 5.75% Convertible Notes in the Current Quarter as compared to \$0.7 million in the Prior Year Quarter.

1.50% Convertible Notes

On March 18, 2013, the Company completed the issuance of \$400.0 million principal amount of the Company's 1.50% Convertible 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 with net proceeds of approximately \$390.6 million.

During FY 2016, the Company repurchased \$104.9 million par value of the 1.50% Convertible Notes with a combination of \$36.7 million in cash (including interest and trading fees) and the issuance of approximately 0.7 million shares of the Company's common stock. During FY 2017, the Company repurchased \$58.9 million par value of the 1.50% Convertible Notes for \$59.3 million in cash (including interest and trading fees).

On February 22, 2018, the Company completed the Note Exchange. On March 15, 2018, the Company repaid the remaining outstanding principal balance of \$111.2 million of the 1.50% Convertible Notes with the proceeds of the Second Delayed Draw Term Loan of \$110 million plus cash on hand, and no further 1.50% Convertible Notes remained outstanding. The exchange of the 1.50% Convertible Notes for the 5.75% Convertible Notes was accounted for as a debt extinguishment in accordance with ASC 470 and resulted in the Company recording a gain on extinguishment of debt of \$4.5 million, which is recorded in the Company's condensed consolidated statement of operations in the Prior Year Quarter.

For the Prior Year Quarter, the Company recorded additional non-cash interest expense of approximately \$2.4 million representing the difference between the stated interest rate on the 1.50% Convertible Notes and the rate for a similar instrument that does not have a conversion feature. For the Prior Year Quarter, the Company recorded cash interest expense relating to the 1.50% Convertible Notes of approximately \$0.7 million.

Debt Maturities

As of March 31, 2019, the Company's debt maturities on a calendar year basis are as follows:

		April 1 through December 31,						
	Total	2019	2020	2021	2022	2023	Thereafter	
Senior Secured Notes	\$ 358,079	\$ 35,291	\$ 42,693	\$ 42,693	\$ 42,693	\$ 42,693	\$ 152,016	
Variable Funding Notes ⁽¹⁾	\$ 96,298	—	—	—	—	—	96,298	
Senior Secured Term Loan ⁽²⁾	\$ 171,355	10,606	19,284	19,284	122,181	—	—	
5.75% Convertible Notes ⁽³⁾	\$ 26,307	—	—	—	—	26,307	—	
Total	\$ 652,039	\$ 45,897	\$ 61,977	\$ 61,977	\$ 164,874	\$ 69,000	\$ 248,314	

- (1) Reflects the net debt carrying amount, effected by the outstanding balance of the original issue discount, in the unaudited condensed consolidated balance sheet as of March 31, 2019. The actual principal outstanding balance of the Variable Funding Notes is \$100.0 million as of March 31, 2019.
- (2) Reflects the net debt carrying amount, effected by the outstanding balance of the original issue discount, in the unaudited condensed consolidated balance sheet as of March 31, 2019. The actual principal outstanding balance of the Senior Secured Term Loan is \$188.5 million as of March 31, 2019.
- (3) Reflects the debt carrying amount which is accounted for under the Fair Value Option in the unaudited condensed consolidated balance sheet as of March 31, 2019. The actual principal outstanding balance of the 5.75% Convertible Notes is \$105.7 million as of March 31, 2019.

9. Stockholders' Equity

2016 Omnibus Incentive Plan

On November 4, 2016, the Company's stockholders approved the Company's 2016 Omnibus Incentive Plan ("2016 Plan"). The 2016 Plan replaced and superseded the Amended and Restated 2009 Plan. Under the 2016 Plan, all employees, directors, officers, consultants and advisors of the Company, including those of the Company's subsidiaries, are eligible to be granted common stock, options or other stock-based awards. At inception, there were 0.2 million shares of the Company's common stock available for issuance under the 2016 Plan. The 2016 Plan was amended at the 2017 Annual Meeting of Stockholders to increase the number of shares available under the plan by 0.19 million shares.

Shares Reserved for Issuance

As of March 31, 2019, there were approximately 0.6 million common shares available for issuance under the 2016 Plan.

Reverse Stock Split

On March 14, 2019, the Company effected a 1-for-10 reverse stock split (the "Reverse Stock Split") of its common stock. No fractional shares were issued in connection with the Reverse Stock Split. Stockholders who otherwise would have been entitled to receive fractional shares of common stock had their holdings rounded up to the next whole share. Proportional adjustments were made to the Company's outstanding stock options and other equity securities and to the Company's incentive plans, and the conversion ratio of the 5.75% Convertible Notes, to reflect the Reverse Stock Split, in each case, in accordance with the terms thereof. Unless the context otherwise requires, all share and per share amounts in this quarterly report on Form 10-Q have been adjusted to reflect the Reverse Stock Split.

Stock Options

Stock options outstanding and exercisable as of March 31, 2019 were issued under previous equity incentive plans of the Company. There was no grants of stock options or warrants and no compensation expense related to stock option grants or warrant grants during the Current Quarter or Prior Year Quarter as all prior awards have been fully expensed.

As of March 31, 2019, there was a total of 1,500 stock options outstanding and exercisable at a weighted average exercise price of \$171.60. During the Current Quarter, there were no canceled, exercised or expired/forfeited stock options. The weighted average contractual term (in years) of options outstanding and exercisable as of March 31, 2019 was 0.48.

Restricted stock

Compensation cost for restricted stock is measured as the excess, if any, of the quoted market price of the Company's stock at the date the common stock is issued over the amount the employee must pay to acquire the stock (which is generally zero). The compensation cost, net of projected forfeitures, is recognized over the period between the issue date and the date any restrictions lapse, with compensation cost for grants with a graded vesting schedule recognized on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards. The restrictions do not affect voting and dividend rights.

The following table summarizes information about unvested restricted stock transactions:

	Shares	Weighted Average Grant Date Fair Value
Non-vested, January 1, 2019	315,396	\$ 108.60
Granted	175,000	1.50
Vested	(86,975)	8.65
Forfeited/Canceled	(296)	75.20
Non-vested, March 31, 2019	403,125	\$ 87.45

The Company has awarded time-based restricted shares of common stock to certain employees. The awards have restriction periods tied to employment and vest over a maximum period of approximately 3 years. The cost of the time-based restricted stock awards, which is the fair market value on the date of grant net of estimated forfeitures, is expensed ratably over the vesting period.

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

Compensation expense related to restricted stock grants (inclusive of the restricted stock grants awarded as part of the long-term incentive plans discussed below) for the Current Quarter and Prior Year Quarter was approximately \$0.2 million and \$0.5 million, respectively.

An additional amount of \$0.7 million of expense of compensation expense related to restricted stock grants (inclusive of the restricted stock grants awarded as part of the long-term incentive plans discussed below) is expected to be expensed evenly over a period of approximately two years.

For both the Current Quarter and Prior Year Quarter, the Company repurchased shares valued at less than \$0.1 million of its common stock in connection with net share settlement of restricted stock grants and option exercises.

Retention Stock

On January 7, 2016, the Company awarded to certain employees a retention stock grant of approximately 1.3 million shares in the aggregate with a then current value of approximately \$7.5 million. The awards cliff vest in three years based on the Company's total shareholder return measured against a peer group, as described in the Company's Form 10-K/A filed on April 29, 2016. The grant date fair value of the awards issued on January 7, 2016 was \$42.50. As of December 31, 2018, pursuant to the terms of the awards and based upon the Company's performance over the vesting period, no shares were issued upon expiration of the grant.

Mr. John Haugh, the Company's former Chief Executive Officer, was issued an Employment Inducement Award pursuant to his employment agreement. The terms of the Employment Inducement Award are similar to the retention stock awards provided to all other employees as described above. The grant date fair value of Mr. Haugh's award issued on February 23, 2016 was \$57.50. As of June 15, 2018, Mr. Haugh, the Company's former Chief Executive Officer and President, was no longer an employee of the Company or member of the Company's board of directors. As of Mr. Haugh's termination date, given that the retention stock awards were not earning out, the vesting of shares associated with Mr. Haugh's awards resulted in zero shares issuable.

On October 15, 2018, the Company hired Robert C. Galvin as its Chief Executive Officer and President and was appointed to the Company's board of directors. Mr. Galvin was issued an Employment Inducement Award pursuant to his employment agreement. The terms of the Employment Inducement Award are similar to the retention stock awards provided to other employees as described above. The grant date fair value of Mr. Galvin's award issued on October 15, 2018 was \$1.80.

Compensation expense related to the retention stock awards was approximately \$0.1 million and \$0.2 million for the Current Quarter and Prior Year Quarter, respectively. An additional amount of \$0.4 million of expense of compensation expense related to Mr. Galvin's retention stock awards is expected to be expensed evenly over a period of approximately 2.5 years.

Long-Term Incentive Compensation

On March 31, 2016, the Company approved a new grant for long-term incentive compensation (the "2016 LTIP") for key employees and granted equity awards under the 2016 LTIP in the aggregate amount of approximately 0.1 million shares at a weighted average share price of \$73.10 with a then current value of approximately \$5.2 million. The awards granted were a combination of restricted stock units ("RSUs") and target level performance stock units ("PSUs"). The RSUs for each grantee vest in three equal installments annually over a three-year period. Other than for Mr. Haugh, the PSUs cliff vest over three years based on the achievement of an aggregate adjusted operating income performance target established by the Compensation Committee. Subject to his continued employment, one-third of Mr. Haugh's PSUs were to be converted to time-based awards on December 31, 2016, December 31, 2017 and December 31, 2018, based on the achievement of aggregate adjusted operating income performance targets established by the Compensation Committee, and such time-based awards shall vest and be settled on December 31, 2018. As noted above, as of Mr. Haugh's termination date, approximately 18 thousand shares of this award vested and were issued on December 31, 2018 and the Company accelerated approximately \$0.3 million of stock compensation expense for these awards. Additionally, given Mr. Haugh's termination date, the one-third of awards that would have converted to time-based awards on December 31, 2018 were forfeited and the Company reversed approximately \$0.6 million of stock compensation expense for this tranche. For the Current Quarter, no shares were forfeited in respect of the 2016 LTIP. As of March 31, 2019, less than 0.1 million vested, but were issued in April 2019 and thus have been included in the Company's weighted average diluted shares count.

On March 7, 2017, the Company approved a new grant for long-term incentive compensation (the “2017 LTIP”) for certain employees and granted equity awards under the 2017 LTIP in the aggregate amount of approximately 0.1 million shares at a weighted average share price of \$75.20 with a then current value of \$6.6 million. The awards granted were a combination of RSUs and target level PSUs. The material terms of the PSUs and RSUs are substantially similar to those set forth in the 2016 LTIP. Specifically, the RSUs vest one third annually on each of March 30, 2018, March 30, 2019 and March 30, 2020. The PSUs vest based on performance metrics approved by the Compensation Committee, which, for the performance period commencing January 1, 2017 and ending on December 31, 2019, are based on the Company’s achievement of an aggregate adjusted operating income performance target as set forth in the applicable award agreements, and continued employment through December 31, 2019. For the Current Quarter, less than 0.1 million shares were forfeited in respect of the 2017 LTIP. The weighted average remaining contractual term (in years) of the PSUs is one year.

On March 15, 2018, the Company approved a new grant for long-term incentive compensation (the “2018 LTIP”) for certain employees which consisted of (i) equity awards in the aggregate amount of approximately 0.2 million shares at a weighted average share price of \$13.80 with a then current value of \$3.1 million and (ii) cash awards in the aggregate amount of approximately \$3.1 million. The awards granted were a combination of PSUs and cash (the “Cash Grant”). The Cash Grants comprising the 2018 LTIP vest in 48 equal semi-monthly installments on the 15th and last days of each month, beginning March 31, 2018 and ending March 15, 2020, subject in each case to continued employment through the applicable vesting date. Each installment is paid within 15 days of the applicable vesting date. Upon the end of an employee’s employment with the Company, any remaining unpaid portion of the Cash Grant is forfeited. The PSUs vest based on performance metrics approved by the Compensation Committee over three separate performance periods, commencing on January 1 of each of 2018, 2019 and 2020 and ending on December 31 of each of 2018, 2019 and 2020, which, for each such performance period, are based on the Company’s achievement of an aggregated adjusted operating income performance target to be set by the Compensation Committee prior to March 30 of each applicable performance period, and continued employment through the settlement date. For the Current Quarter, less than 0.1 million shares were forfeited in respect of the 2018 LTIP. The weighted average remaining contractual term (in years) of the PSUs is two years.

On March 15, 2019, the Company approved a new grant for long-term incentive compensation (the “2019 LTIP”) for certain employees which consisted of (i) equity awards in the aggregate amount of approximately 0.4 million shares at a weighted average share price of \$2.02 with a then current value of \$0.8 million and (ii) cash awards in the aggregate amount of approximately \$1.0 million. The awards granted were a combination of PSUs and cash (the “Cash Grant”). As part of the 2019 LTIP, pursuant to his employment agreement, the Company’s Chief Executive Officer and President, is entitled to receive a number of shares of the Company’s common stock with an aggregate fair market value of \$0.3 million and which will be granted in the second quarter of 2019 upon final execution of the RSU agreement. The Cash Grant and the PSUs vest based on performance metrics approved by the Compensation Committee over two separate performance periods, commencing on January 1 of each of 2019 and 2020 and ending on December 31 of each of 2019 and 2020, which, for each such performance period, are based on the Company’s achievement of an aggregated adjusted EBITDA performance target to be set by the Compensation Committee prior to March 30 of each applicable performance period, and continued employment through the settlement date. The weighted average remaining contractual term (in years) of the PSUs is two years.

In the Current Quarter, the Company recognized a compensation benefit related to the PSUs granted as part of the long-term incentive plans of \$0.1 million as compared to compensation expense of \$0.3 million in the Prior Year Quarter. An additional amount of \$0.7 million of expense of compensation expense related to the PSUs granted is expected to be expensed evenly over a period two years.

10. Earnings Per Share

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

For the Current Quarter, of the total potentially dilutive shares related to restricted stock-based awards and stock options, approximately 0.3 million shares were anti-dilutive, as compared to approximately 0.6 million shares that were anti-dilutive for the Prior Year Quarter.

For the Current Quarter, none of the performance related restricted stock-based awards issued to the Company's named executive officers were anti-dilutive as compared to all (or approximately 0.8 million) of the performance related restricted stock-based awards issued to the Company's named executive officers were anti-dilutive in the Prior Year Quarter.

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

(in thousands)	For the Three Months Ended March 31,	
	2019	2018
Basic	8,465	5,912
Effect of convertible notes subject to conversion	36,269	2,324
Effect of assumed vesting of dilutive shares	52	—
Diluted	44,786	8,235

In accordance with ASC 480, the Company considers its redeemable non-controlling interest in its computation of both basic and diluted earnings per share. In addition, in accordance with ASC 260, the Company considers its 5.75% Convertible Notes in its computation of diluted earnings per share. For the Current Quarter and Prior Year Quarter, adjustments to the Company's redeemable non-controlling interest and effects of potential conversion on the 5.75% Convertible Notes had impacts on the Company's earnings per share calculations as follows:

	Three Months Ended March 31,	
	2019	2018
<i>For earnings (loss) per share - basic:</i>		
Net income attributable to Iconix Brand Group, Inc.	\$ 17,945	\$ 27,756
Accretion of redeemable non-controlling interest	28	(2,483)
Net income attributable to Iconix Brand Group, Inc. after the effect of accretion of redeemable non-controlling interest for basic earnings (loss) per share	\$ 17,973	\$ 25,273
<i>For earnings (loss) per share - diluted:</i>		
Net income attributable to Iconix Brand Group, Inc.	\$ 17,945	\$ 27,756
Effect of potential conversion of 5.75% Convertible Notes	(18,244)	(16,280)
Accretion of redeemable non-controlling interest	28	(2,483)
Net income attributable to Iconix Brand Group, Inc. after the effect of potential conversion of 5.75% Convertible Notes and accretion of redeemable non-controlling interest for diluted earnings (loss) per share	\$ (271)	\$ 8,993
Earnings (loss) per share:		
Basic	\$ 2.12	\$ 4.28
Diluted	\$ (0.01)	\$ 1.09
Weighted average number of common shares outstanding:		
Basic	8,465	5,912
Diluted	44,786	8,235

11. Contingencies

In May 2016, Supply Company, LLC, referred to as Supply, a former licensee of the Ed Hardy trademark, commenced the action against the Company and its affiliate, Hardy Way, LLC, referred to as Hardy Way (the Company and Hardy Way are collectively referred to as the Iconix Defendants) seeking damages of \$50 million, including punitive damages, attorneys' fees and costs. Supply alleges that Hardy Way breached the parties' license agreement by failing to reimburse Supply for markdown reimbursement requests that Supply received from a certain retailer. Supply also alleges that the Company is liable for fraud because it made purported misstatements about the Company's financials and the viability of the Ed Hardy trademark in order to induce Supply to enter into the license agreement and to induce Supply to enter into a separate agreement with a certain retailer. The Iconix

Defendants are vigorously defending against the claims, and have filed a motion to dismiss the Complaint, which is awaiting Court decision. At this time, the Company is unable to estimate the ultimate outcome of this matter.

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), filed a second amended complaint against 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., IP Holdings Unltd, LLC and Neil Cole, Case No. 16-cv-08795-GBD-RWL in the United States District Court for the Southern District of New York. Plaintiffs asserted claims for breach of contract, tortious interference with contract and business relations, unjust enrichment, trade libel, unfair competition 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, unfair competition and prima facie tort claims. Plaintiffs filed a Third Amended Complaint on June 11, 2018, in which no new claims were asserted, and the only additional allegations are related to the allegedly "inconsistent" exclusive license of New Rise Brand Holdings, LLC. On April 24, 2019, the parties entered into a definitive settlement agreement resolving all claims against Iconix in this action, as well as in respect of the Gerszberg action referenced below.

On November 1, 2017, Seth Gerszberg, referred to as Gerszberg, and EGRHC, LLC, referred to as EGRHC (Gerszberg and EGRHC collectively referred to as Plaintiffs) (with EGRHC suing in its capacity as 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 v. Iconix Brand Group, Inc., IP Holdings Unltd, LLC and Neil Cole, Case No. 17-cv-08421-GBD-RWL in the United States District Court for the Southern District of New York. Plaintiffs asserted claims against the Company, IPHU, and Neil Cole (collectively referred to as the Iconix Parties) for 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 and unjust enrichment regarding that buyout agreement; and also asserted claims for fraudulent inducement regarding the fourth amendment of the Global License Agreement between 3TAC, LLC and IPHU concerning the intellectual property rights in and to the Marc Ecko brands. On May 7, 2018, Judge Katherine B. Forrest dismissed the breach of fiduciary duty, breach of the IPHU Operating Agreement, and unjust enrichment claims; and limited the fraudulent inducement claim to the Fourth Amendment of the Global License Agreement and limited the breach of the Buyout Agreement claim to the warranty as to no governmental investigation. On April 24, 2019, the parties entered into a definitive settlement agreement resolving all claims against Iconix in this action, as well as in the 3TAC action referenced above.

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.

The Company continues to cooperate in the previously disclosed SEC investigation.

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.

12. Related Party Transactions

The Company has entered into certain license agreements in which the core licensee is also one of our joint venture partners. In the case of Sports Direct International plc (“Sports Direct”), the Company maintains license agreements with Sports Direct, but in addition, during the Prior Year Quarter, the Company entered into a cooperation agreement with Sports Direct that allowed Sports Direct to appoint two members to the Company’s Board of Directors. For the Current Quarter and Prior Year Quarter, the Company recognized the following royalty revenue amounts:

	Three Months Ended March 31,	
	2019	2018
Joint Venture Partner		
Global Brands Group Asia Limited	\$ 6,878	\$ 5,629
Rise Partners, LLC / Top On International Group Limited	—	242
M.G.S. Sports Trading Limited	116	153
Pac Brands USA, Inc.	28	100
Albion Equity Partners LLC / GL Damek	594	585
Anthony L&S	—	17
MHMC	7	732
Sports Direct International plc	126	—
	<u>\$ 7,749</u>	<u>\$ 7,458</u>

13. Income Taxes

The Company computes its expected annual effective income tax rate in accordance with ASC 740 and makes changes on a quarterly basis, as necessary, based on certain factors such as changes in forecasted annual pre-tax income; changes to actual or forecasted permanent book to tax differences; impacts from tax audits with state, federal or foreign tax authorities; impacts from tax law changes; or change in judgment as to the realizability of deferred tax assets. The Company identifies items which are unusual and non-recurring in nature and treats these as discrete events. The tax effect of discrete items is recorded in the quarter in which the discrete events occur. Due to the volatility of these factors, the Company’s consolidated effective income tax rate can change significantly on a quarterly basis.

With the exception of the Buffalo brand joint venture, Iconix Middle East joint venture, Diamond Icon joint venture and Umbro China joint venture, the Company is not responsible for the income taxes related to the non-controlling interest’s share of the joint venture’s earnings. Therefore, the tax liability associated with the non-controlling interest share of the joint venture’s earnings is not reported in the Company’s income tax expense, despite the joint venture’s entire income being consolidated in the Company’s reported income before income tax expense. As such, the joint venture’s earnings have the effect of lowering our effective tax rate. This effect is more pronounced in periods in which joint venture earnings are higher relative to our other earnings. Since the Buffalo brand joint venture is a taxable entity in Canada, the Iconix Middle East joint venture and Diamond Icon joint venture are taxable entities in the United Kingdom, the Company is required to report its tax liability, including taxes attributable to the non-controlling interest, in its statement of operations. All other consolidated joint ventures are partnerships and treated as pass-through entities not subject to taxation in their local tax jurisdiction, and therefore the Company includes only the tax attributable to its proportionate share of income from the joint venture in income tax expense.

The Company files income tax returns in the U.S. federal and various state and local jurisdictions. For federal income tax purposes, during the fourth quarter of 2016, the Internal Revenue Service initiated an audit of the 2014 federal tax return which is ongoing. The State of California is currently auditing tax years 2013 through 2014. The Company also files returns in numerous foreign jurisdictions that have varied years remaining open for examination, but generally the statute of limitations is three to four years from when the return is filed.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some or all the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent on the generation of future taxable income in the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based on these items and the three consecutive years of pretax losses (resulting from impairment), management has determined that enough uncertainty exists relative to the realization of the deferred income tax asset balances to warrant the application of a full valuation allowance for all taxing jurisdictions as of December 31, 2018. In addition, the Company continues to have deferred tax liabilities related to indefinite lived intangibles on the condensed consolidated balance sheet a portion of which cannot be considered to be a source of taxable income to offset deferred tax assets.

The Company's consolidated effective tax rate from continuing operations for the Current Quarter was 8.5% which resulted in a \$2.0 million income tax expense as compared to the consolidated effective tax rate from continuing operations for the Prior Year Quarter of 5.1% which resulted in a \$1.7 million income tax provision. The increase in the effective tax rate resulted from a decrease in pretax income resulting from mark to market adjustments for the Current Quarter, for which there is no tax expense. The Company's tax expense and effective tax rate is also impacted by taxes based on sources other than pretax income which remained consistent with the prior year.

Management has not recorded a tax provision for current ongoing tax examinations; however, the outcome of tax audits cannot be predicted with certainty. If any issues addressed in the Company's tax audits are resolved in a manner not consistent with management's expectations, the Company could be required to adjust its provision for income tax in the period such resolution occurs.

The Company has net operating loss ("NOL") carryforwards for federal and state income tax purposes which, generally, can be used to reduce future taxable income. Use of the NOL carryforwards is limited under Section 382 of the Internal Revenue Code, as we have had a change in ownership of more than 50% of our capital stock over a three-year period as measured under Section 382 of the Internal Revenue Code. These complex changes of ownership rules generally focus on ownership changes involving shareholders owning directly or indirectly 5% or more of our stock, including certain public "groups" of shareholders as set forth under Section 382 of the Internal Revenue Code, including those arising from new stock issuances and other equity transactions. Some of these NOL carryforwards will expire if they are not used within certain periods. At this time, we consider it more likely than not that we will not have sufficient taxable income in the future that will allow us to realize these NOL carryforwards.

14. Accumulated Other Comprehensive Income

The following table sets forth the activity in accumulated other comprehensive income for the Current Quarter and Prior Year Quarter:

	Foreign currency translation adjustments	Unrealized losses of available for sale securities	Total
Balance at December 31, 2018	\$ (53,068)	\$ —	\$ (53,068)
Changes before reclassifications	(1,724)	—	(1,724)
Current period other comprehensive income	(1,724)	—	(1,724)
Balance at March 31, 2019	\$ (54,792)	\$ —	\$ (54,792)

	Foreign currency translation adjustments	Unrealized losses of available for sale securities	Total
Balance at December 31, 2017	\$ (48,103)	\$ (3,177)	\$ (51,280)
Changes before reclassifications	2,761	—	2,761
Cumulative adjustment for adoption of ASU 2016-01	—	3,177	3,177
Current period other comprehensive income	2,761	3,177	5,938
Balance at March 31, 2018	\$ (45,342)	\$ —	\$ (45,342)

15. Segment and Geographic Data

The Company identifies its operating segments for which separate financial information is available and for which segment results are evaluated regularly by the Chief Executive Officer, the Company's chief operating decision maker, in deciding how to allocate resources and in assessing performance. The Company has disclosed the following operating segments: men's, women's, home, and international. Since the Company does not track, manage and analyze its assets by segments, no disclosure of segmented assets is reported.

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

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

	Three Months Ended March 31,	
	2019	2018
<u>Licensing revenue:</u>		
Women's	\$ 8,367	\$ 16,598
Men's	10,935	9,945
Home	3,490	6,512
International	13,150	15,493
	<u>\$ 35,942</u>	<u>\$ 48,548</u>
<u>Operating income (loss):</u>		
Women's	\$ 7,627	\$ 14,628
Men's	7,546	5,874
Home	3,006	5,743
International	8,423	6,486
Corporate	(8,204)	(17,197)
	<u>\$ 18,398</u>	<u>\$ 15,534</u>

16. Other Assets- Current and Long-Term

Other Assets - Current

	March 31, 2019	December 31, 2018
<i>Other assets - current consisted of the following:</i>		
US federal tax receivables	\$ 15,855	\$ 16,757
Prepaid advertising	923	1,100
Prepaid expenses	2,549	2,451
Deferred charges	—	—
Prepaid taxes	3,094	1,755
Prepaid insurance	1,279	1,446
Due from related parties	3,889	3,903
Other current assets	546	645
Other current assets	<u>\$ 28,135</u>	<u>\$ 28,057</u>
	March 31, 2019	December 31, 2018
<i>Other noncurrent assets consisted of the following:</i>		
Prepaid Interest	\$ 5,219	\$ 5,496
Deposits	482	482
Other noncurrent assets	—	1
Other noncurrent assets	<u>\$ 5,701</u>	<u>\$ 5,979</u>

17. Leases

The Company is a lessee in several noncancelable operating leases, primarily for its corporate office, additional office space and certain office equipment. Beginning January 1, 2019, the Company accounts for leases in accordance with ASC Topic 842, *Leases*. Refer to Note 20. The Company determines if an arrangement is or contains a lease at contract inception. The Company recognizes a right of use (ROU) asset and a lease liability at the lease commencement date.

For operating leases, the ROU asset is initially measured at the initial measurement amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the lease incentive received. For operating leases, the ROU asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense is recognized on a straight-line basis over the lease term.

Variable lease payments associated with the Company's leases are recognized in the period in which the obligation for those payments is incurred. Variable lease payments are presented as operating expense in the Company's condensed consolidated statement of operations in the same line item as expense arising from fixed lease payments.

Operating lease ROU assets are presented as operating lease right of use assets within non-current assets on the consolidated balance sheet. The current portion of operating lease liabilities is included in other current liabilities and the long-term portion is included in other liabilities on the consolidated balance sheet.

The Company has elected not to recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The Company recognizes the lease payments associated with its short-term leases of office space and office equipment as an expense on a straight-line basis over the lease term. The Company's leases may include nonlease components such as common area maintenance. The Company has elected the practical expedient to account for the lease and nonlease components as a single lease component, therefore, for all of our operating leases, the lease payments used to measure the lease liability include all of the fixed consideration in the contract.

The Company's operating leases expire over the next five years. The Company's operating leases may contain renewal options however, because the Company is not reasonably certain to exercise these renewal options, the options are not included in the lease term and associated potential option payments are excluded from lease payments. Payments due under the lease contracts include fixed payments and in certain of the Company's leases, variable payments. Variable lease payments consist of the Company's proportionate share of the building's property taxes, insurance, electricity and other common area maintenance costs.

For the Current Quarter, components of lease cost were as follows:

	Three Months Ended March 31, 2019
Operating lease cost	\$ 549
Short-term lease cost	127
Variable lease cost	159
	<u>\$ 835</u>

For the Prior Year Quarter, minimum rental payments under operating leases are recognized on a straight-line basis over the term of the lease including any periods of free rent. Rental expense for operating leases during the Prior Year Quarter amounted to \$0.9 million.

As of March 31, 2019, the operating lease ROU assets and operating lease liabilities were \$7.8 million and \$10.1 million, respectively.

For the Current Quarter, cash paid for lease liabilities for operating leases was \$0.6 million. Additionally, for the Current Quarter, the Company obtained a ROU asset of \$0.1 million exchanged for operating lease obligations of \$0.1 million. In the Current Quarter, there were no reductions to ROU assets resulting from reductions to lease obligations.

Because we generally do not have access to the rate implicit in the lease, the Company utilizes our incremental borrowing rate as the discount rate. As of March 31, 2019, the weighted average remaining operating lease term is 4.88 years and the weighted average discount rate for the operating leases is 8.61%.

Maturities of lease liabilities under non-cancellable leases for the Current Quarter are as follows:

	Operating Leases
Remainder of 2019	\$ 1,889
2020	2,603
2021	2,456
2022	2,166
2023	2,109
Thereafter	1,078
Total undiscounted lease payments	\$ 12,301
Less: Imputed interest	2,246
Total lease liabilities	<u>\$ 10,055</u>

As previously disclosed in our 2018 Annual Report on Form 10-K and under the previous lease accounting standard, future minimum lease payments under non-cancellable leases were as follows:

	<u>Operating Leases</u>
2019	2,650
2020	2,726
2021	2,583
2022	2,191
2023	2,109
Thereafter	1,078
	<u>\$ 13,337</u>

18. Other Liabilities – Current

As of March 31, 2019, other current liabilities of \$12.7 million relates to amounts due to certain joint ventures that are not consolidated with the Company as well as the current portion of the lease liabilities (refer to Note 17 for further details) as compared to \$9.8 million as of December 31, 2018 which relates solely to amounts due to certain joint ventures that are not consolidated with the Company.

19. Foreign Currency Translation

The functional currency of Iconix Luxembourg and Red Diamond Holdings, which are wholly owned subsidiaries of the Company located in Luxembourg, is the Euro. However, the companies have certain dollar denominated assets, in particular cash and notes receivable, that are maintained in U.S. Dollars, which are required to be revalued each quarter. Due to fluctuations in currency in the Current Quarter and the Prior Year Quarter, the Company recorded a \$0.6 million currency translation loss and a \$0.6 million currency translation gain, respectively, that is included in the condensed consolidated statement of operations.

Comprehensive income includes certain gains and losses that, under U.S. GAAP, are excluded from net income as such amounts are recorded directly as an adjustment to stockholders' equity. The Company's comprehensive income is primarily comprised of net income and foreign currency translation gain or loss. During the Current Quarter and the Prior Year Quarter, the Company recognized as a component of its comprehensive income, a foreign currency translation loss of \$1.7 million and foreign currency translation gain of \$2.8 million, respectively, due to changes in foreign exchange rates during the Current Quarter and the Prior Year Quarter, respectively.

20. Accounting Pronouncements

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement.

Additionally, FASB issued ASU No. 2018-11, *Targeted Improvements*, which allows companies to adopt Topic 842 without revising comparative period reporting or disclosures. ASU 2016-02 and ASU 2018-11 are effective for the Company and the Company adopted the new standard on January 1, 2019. The Company adopted ASU 2016-02 using the optional transition approach as of the effective date. As a result, the Company was not required to adjust its comparative period financial information for effects of the standard or make the new required lease disclosures for periods before the date of adoption (ie. January 1, 2019). The Company has elected to adopt the package of transition practical expedients and therefore, has not reassessed (1) whether existing or expired contracts contain a lease, (2) lease classification of existing or expired leases or (3) the accounting for initial direct costs that were previously capitalized. The Company did not elect the practical expedient to use hindsight for leases existing at the adoption date.

The adoption of ASU 2016-02 had a material impact to the Company's condensed consolidated balance sheet, but did not materially impact the consolidated statement of operations. The most significant changes to the condensed consolidated balance sheet relate to the recognition of new ROU assets and lease liabilities for operating leases. The adoption of ASU 2016-02 also had no material impact on operating, investing or financing cash flows in the consolidated statement of cash flows. See Note 17 for further details.

As a result of adopting ASU 2016-02, the Company recognized operating lease liabilities of \$10.4 million (of which \$1.7 million was current and \$8.7 million was noncurrent) with corresponding ROU assets of \$8.0 million as of January 1, 2019.

In February 2017, the FASB issued ASU 2017-04, “Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment”, which simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test and eliminated the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment. The ASU is effective for public business entities for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. This ASU should be applied prospectively. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We will adopt this accounting guidance in future periods.

21. Other Matters

During the Current Quarter and the Prior Year Quarter, the Company included in its selling, general and administrative expenses approximately \$2.8 million and \$2.7 million, respectively, of charges related to professional fees associated with the continuing correspondence with the Staff of the SEC, the SEC and related SDNY investigations and the class action and derivative litigations.

22. Subsequent Events

In April 2019, certain noteholders converted an aggregate outstanding principal balance of \$9.2 million of their 5.75% Convertible Notes into approximately 0.5 million shares of the Company’s common stock. Pursuant to the Indenture, the Company also made Conversion Make-Whole Payments of approximately 1.4 million shares of the Company’s common stock to those converting noteholders.

As of April 30, 2019, there were 10,268,718 shares of the Company’s common stock outstanding.

As previously disclosed, on November 27, 2018, the Company received a written notice from Nasdaq that the Company’s common stock would be delisted from the Nasdaq Global Select Market, due to lack of compliance with Nasdaq Listing Rule 5450(a)(1) (the “Minimum Bid Price Rule”). Also on November 27, 2018, the Company received written notice from the Listing Qualifications Department of Nasdaq notifying the Company that the Staff of Nasdaq has determined that the Company did not meet the minimum market value of publicly held shares requirement set forth in Nasdaq Listing Rule 5450(b)(3)(c) (the “Minimum Market Value Rule”) as of such date. In accordance with Nasdaq’s procedures, the Company appealed the Nasdaq’s determination by requesting a hearing (the “Hearing”) before a Nasdaq Hearings Panel (the “Panel”) to seek continued listing, which stated the delisting of the Company’s common stock. On January 15, 2019, the Panel granted the Company’s request for continued listing of the Company’s common stock on The Nasdaq Global Select Market pursuant to an extension through May 27, 2019, subject to the condition that the Company regain compliance with its Nasdaq listing rules by such date and provide the Panel with certain interim progress reports. On April 18, 2019, the Nasdaq informed the Company it has regained compliance with the Minimum Bid Price Rule and it has indicated that this matter relating to the Minimum Bid Price Rule is now closed. The Company remains in a grace period for non-compliance with the Minimum Market Value Rule until May 29, 2019.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Executive Summary. Iconix Brand Group is a brand management company and owner of a diversified portfolio of approximately 30 global consumer brands across women's, men's, home and international industry 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 March 31, 2019, 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®, Artful Dodger®, Cannon®, Royal Velvet®, Fieldcrest®, Charisma®, Starter®, Waverly®, Ecko Unltd®/Mark Ecko Cut & Sew®, Zoo York®, Umbro® and Lee Cooper®; and interests in Material Girl®, Ed Hardy®, Truth or Dare®, Modern Amusement®, Buffalo®, Hydraulic® and Pony®.

The Company principally looks to monetize the Intellectual Property (herein referred to as "IP") related to its brands throughout the world and in all relevant categories by licensing directly with leading retailers (herein referred to as "direct to retail" or "DTR"), through a 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. The licensees are generally 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 DTR 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, and generally without inventory, production or distribution costs or risks, and maintain high margins. The vast majority of the Company's licensing agreements include minimum guaranteed royalty revenue which provides the Company with greater visibility into future cash flows. As of April 1, 2019, the Company and its joint ventures had a contractual right to receive over \$395 million of minimum licensing revenue over the balance and the terms of their current licenses, excluding any 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 Danskin Now license agreement with Walmart was not renewed upon its expiration in January 2019. The Company's Mossimo DTR license agreement at Target was not renewed upon expiration in October 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 was not 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.

A key initiative in the Company's global brand expansion plans has been the formation of international joint ventures. The strategy in forming international joint ventures is to partner with best-in-class, local partners to bring the Company's brands to market more quickly and efficiently, generating greater short- and long-term value from its IP, than the Company believes is possible if it were to build-out wholly-owned operations ourselves across a multitude of regional or local offices. Since September 2008, the Company has established the following international joint ventures: Iconix China, Iconix Latin America, Iconix Europe, Iconix India, Iconix Canada, Iconix Australia, Iconix Southeast Asia, Iconix Israel, Iconix Middle East, Umbro China, Danskin China, Starter China and Lee Cooper China.

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

The Company identifies its operating segments according to how business activities are managed and evaluated and, for which separate financial information is available and utilized on a regular basis by the Chief Executive Officer in deciding how to allocate resources and in assessing performance.

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

	Three Months Ended March 31,	
	2019	2018
<u>Licensing revenue:</u>		
Women's	\$ 8,367	\$ 16,598
Men's	10,935	9,945
Home	3,490	6,512
International	13,150	15,493
	<u>\$ 35,942</u>	<u>\$ 48,548</u>
<u>Operating income (loss):</u>		
Women's	\$ 7,627	\$ 14,628
Men's	7,546	5,874
Home	3,006	5,743
International	8,423	6,486
Corporate	(8,204)	(17,197)
	<u>\$ 18,398</u>	<u>\$ 15,534</u>

Results of Operations

Current Quarter compared to Prior Year Quarter

Licensing Revenue. Total revenue for the Current Quarter was \$35.9 million, a 26% decrease as compared to \$48.5 million for the Prior Year Quarter. The women's segment decreased 50% from \$16.6 million in the Prior Year Quarter to \$8.4 million in the Current Quarter primarily due to a decrease in licensing revenue from our Joe Boxer brand as a result of the bankruptcy of Sears Holdings Corporation (the "Sears Bankruptcy") as well as our Mossimo and Danskinn brands as they transition from their historical DTR relationships. The men's segment increased 10% from \$9.9 million in the Prior Year Quarter to \$10.9 million in the Current Quarter mainly due to strength in our Starter and Buffalo brands. The home segment decreased 46% from \$6.5 million in the Prior Year Quarter to \$3.5 million in the Current Quarter mainly due to weakness in our Cannon brand as a result of the Sears Bankruptcy and our Royal Velvet brand as it transitions from its historical DTR relationship. The international segment decreased 15% from \$15.5 million in the Prior Year Quarter to \$13.2 million in the Current Quarter, mainly due to a \$1.7 million decrease of replica jersey sales from our Diamond Icon joint venture in the Prior Year Quarter.

Selling, General and Administrative Expenses. Total selling, general and administrative expenses ("SG&A") were \$18.1 million for the Current Quarter as compared to \$33.6 million for the Prior Year Quarter, a decrease of \$15.5 million or 46%. SG&A from the women's segment decreased 45% from \$2.4 million in the Prior Year Quarter to \$1.3 million in the Current Quarter mainly due to a \$0.8 million decrease in advertising. SG&A from the men's segment decreased 16% from \$4.0 million in the Prior Year Quarter to \$3.4 million in the Current Quarter primarily due to a \$1.1 million write off of a note receivable in the Prior Year Quarter. SG&A from the home segment decreased 37% from \$0.8 million in the Prior Year Quarter to \$0.5 million in the Current Quarter mainly due to a \$0.2 million decrease in advertising costs. SG&A from the international segment decreased 40% from \$8.6 million in the Prior Year Quarter to \$5.1 million in the Current Quarter mainly due to a \$1.6 million decrease in cost of goods sold due to replica jersey sales by our Diamond Icon joint venture. Corporate SG&A decreased 56% from \$17.9 million in the Prior Year Quarter to \$7.8 million in the Current Quarter primarily due to \$6.1 million decrease in professional fees and a \$3.8 million decrease in compensation costs.

Depreciation and Amortization. Depreciation and amortization was \$0.5 million for the Current Quarter, compared to \$0.7 million in the Prior Year Quarter, a decrease of \$0.2 million primarily as a result of lower depreciation costs.

Equity Earnings on Joint Ventures. Equity earnings on joint ventures was \$1.0 million for the Current Quarter, compared to \$0.1 million for the Prior Year Quarter. The increase was primarily due to a \$0.7 million increase in income in our Iconix SE Asia joint venture.

Gain on Sale of Trademarks. Gain on Sale of Trademarks was zero for the Current Quarter, as compared to \$1.1 million in the Prior Year Quarter. The gain in the Prior Year Quarter was related to the completion of the sale of the Sharper Image and Badgley Mischka trademarks in certain of the Company's international joint ventures.

Operating Income. Total operating income for the Current Quarter increase to \$18.4 million, or approximately 51% of total revenue, compared to approximately \$15.5 million or approximately 32% of total revenue in the Prior Year Quarter. Operating income from the women's segment was \$7.6 million in the Current Quarter compared to \$14.6 million in the Prior Year Quarter. Operating income from the men's operating segment was \$7.5 million in the Current Quarter compared to \$5.9 million in the Prior Year Quarter. Operating income from the home segment was \$3.0 million in the Current Quarter compared to \$5.7 million in the Prior Year Quarter. Operating income from the international segment was \$8.4 million in the Current Quarter compared to \$6.5 million in the Prior Year Quarter. Corporate operating loss was \$8.2 million in the Current Quarter compared to operating loss of \$17.2 million in the Prior Year Quarter. The change in operating income quarter over quarter is related to the changes in the accounts noted above.

Other Expenses (income)-Net. Other expenses (income)- net was approximately income of \$4.9 million for the Current Quarter as compared to income of \$16.7 million for the Prior Year Quarter, a decrease of \$11.9 million. The decrease was primarily related to (i) a gain of \$20.0 million in the Current Quarter as compared to a gain of \$24.3 million in the Prior Year Quarter related to the mark-to-market adjustment from the Company's 5.75% Convertible Notes based on the Company's accounting treatment which requires the fair value of the debt at the end of each period related to the mark-to-market adjustment from the Company's 5.75% Convertible Notes based on the Company's accounting treatment which requires the fair value of the debt at the end of each period and (ii) a one-time gain of \$4.5 million in the Prior Year Quarter on the extinguishment of debt.

Provision for Income Taxes. The effective income tax rate for the Current Quarter is approximately 8.5% resulting in a \$1.9 million income tax expense, as compared to an effective income tax rate of 5.1% in the Prior Year Quarter resulting in a \$1.7 million income tax expense. The increase in the effective tax rate resulted from a decrease in pretax income resulting from mark to market adjustments for the Current Quarter, for which there is no tax expense. The Company's tax expense and effective tax rate are also impacted by taxes based on sources other than pretax income which remained consistent with the prior year.

Net Income. Our net income was approximately \$21.3 million in the Current Quarter, compared to net income of approximately \$30.6 million in the Prior Year Quarter, as a result of the factors discussed above.

Liquidity and Capital Resources

Liquidity

Our principal capital requirements are to refinance or extinguish existing indebtedness and to fund working capital needs. We currently rely primarily on asset sales and the issuance of indebtedness to refinance existing indebtedness. At March 31, 2019 and December 31, 2018, our cash totaled \$56.1 million and \$66.6 million, respectively, not including short-term restricted cash of \$13.4 million and \$16.0 million, respectively. Our short term restricted cash primarily consists of collection and investment accounts related to our Securitization Notes.

The Company's Securitization Notes include a financial test, known as the debt service coverage ratio ("DSCR") that measures the amount of principal and interest required to be paid on the Co-Issuers' debt to the approximate cash flow available to pay such principal and interest. As a result of a decline in royalty collections during the twelve months ended March 31, 2019, the DSCR fell below 1.10x as of March 31, 2019. Beginning April 1, 2019, the Senior Secured Notes are in a Rapid Amortization Event pursuant to the Securitization Notes Indenture. In rapid amortization, the residual will immediately be used to pay down the principal. The Company will continue to receive its management fee from the Securitization Notes and the Company does not believe the loss of our residual, if any, will have a significant impact on our operations.

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

See Note 8 of the Notes to Unaudited Condensed Consolidated Financial Statements for detail on our existing debt arrangements.

Operating Activities

Net cash provided by operating activities decreased \$23.7 million from net cash provided by operating activities of \$21.2 million in the Prior Year Quarter to net cash used in operating activities of \$2.5 million in the Current Quarter. The decrease is primarily due to the decrease in revenues from \$48.5 million in the Prior Year Quarter to \$35.9 million in the Current Quarter.

Investing Activities

Net cash provided by investing activities increased approximately \$3.2 million, from net cash used in investing activities of \$2.9 million in the Prior Year Quarter to net cash provided by investing activities of \$0.3 million in the Current Quarter. The difference between both periods is primarily due \$2.7 million of cash used in the Prior Year Quarter related to the Company's acquisition of the remaining interest in Iconix Canada of which there was no corresponding amount in the Current Quarter, and the Company's receipt of \$3.0 million in cash from the sale of its interest in Ningbo Material Girl.

Financing Activities

Net cash used in financing activities decreased approximately \$27.5 million, from cash used in financing activities of \$38.5 million in the Prior Year Quarter to cash used in financing activities of \$11.1 million in the Current Quarter. The decrease between both periods is primarily due to the debt financings that occurred in the Prior Year Quarter in which the Company exchanged its outstanding principal balance of its 1.50% Convertible Notes for its 5.75% Convertible Notes in the Prior Year Quarter of which there was no similar transaction in the Current Quarter.

Other Matters

Critical Accounting Policies

The Company's consolidated financial statements are based on the accounting policies used. Certain accounting policies require that estimates and assumptions be made by management for use in the preparation of the financial statements. Critical accounting policies are those that are central to the presentation of the Company's financial condition and results and that require subjective or complex estimates by management. There have been no material changes with respect to the Company's critical accounting policies from those disclosed in its 2018 Annual Report on Form 10-K filed with the SEC on March 28, 2019.

Recent Accounting Pronouncements

See Note 20 of the notes to unaudited condensed consolidated financial statements for recent accounting pronouncements.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995. The statements that are not historical facts contained in this Quarterly Report are forward looking statements that involve a number of known and unknown risks, uncertainties and other factors, all of which are difficult or impossible to predict and many of which are beyond our control, which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. These risks are detailed in our Form 10-K for the fiscal year ended December 31, 2018 and other SEC filings. The words "believe," "anticipate," "expect," "confident," "project," "provide," "guidance" and similar expressions 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.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 4. Controls and Procedures

The Company, under the supervision and with the participation of its management, including its principal executive officer and principal financial and accounting officer, evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended, herein referred to as the Exchange Act) as of the end of the period covered by this Quarterly Report. The purpose of disclosure controls is to ensure that information required to be disclosed in our reports filed with or submitted to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls are also designed to ensure that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure. In 2017 and 2018, material weaknesses were identified in certain of the Company's review and other controls, which have been enumerated in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

Addressing the Material Weaknesses

The material weaknesses not remediated at December 31, 2018 were in the areas of financial reporting for the modification of our debt, and implementation of the new revenue recognition standard, ASC 606. During 2018 and continuing in 2019, the Company made changes to its internal controls in these areas which included more robust review procedures and seeking accounting consultation from third party advisors proactively, as well as changes in personnel. No additional internal control issues have been identified in these areas; however, the material weaknesses cannot be considered completely remediated until the applicable additional controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. As a result of the foregoing, the principal executive officer and the principal financial and accounting officer concluded that as of March 31, 2019, certain of the Company's internal controls related to the financial reporting for the modification of our debt, and financial reporting for the new revenue recognition standard, ASC 606, were not effective.

Notwithstanding the discussion above, our principal executive officer and principal financial and accounting officer have concluded that the financial statements included in this Quarterly Report present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with accounting principles generally accepted in the United States.

The principal executive officer and principal financial officer also conducted an evaluation of internal control over financial reporting, herein referred to as internal control, to determine whether any changes in internal control occurred during the three months ended March 31, 2019, that may have materially affected, or which are reasonably likely to materially affect internal control. Based on that evaluation, there has been no change in the Company's internal control during the three months ended March 31, 2019 that has materially affected, or is reasonably likely to materially affect, the Company's internal control, except for the matters discussed above.

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

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

PART II. Other Information

Item 1. Legal Proceedings.

In May 2016, Supply Company, LLC, referred to as Supply, a former licensee of the Ed Hardy trademark, commenced the above-referenced action against the Company and its affiliate, Hardy Way, LLC, referred to as Hardy Way (the Company and Hardy Way are collectively referred to as the Iconix Defendants) seeking damages of \$50 million, including punitive damages, attorneys' fees and costs. Supply alleges that Hardy Way breached the parties' license agreement by failing to reimburse Supply for markdown reimbursement requests that Supply received from a certain retailer. Supply also alleges that the Company is liable for fraud because it made purported misstatements about the Company's financials and the viability of the Ed Hardy trademark in order to induce Supply to enter into the license agreement and to induce Supply to enter into a separate agreement with a certain retailer. The Iconix Defendants are vigorously defending against the claims, and have filed a motion to dismiss the Complaint, which is awaiting Court decision. At this time, the Company is unable to estimate the ultimate outcome of this matter.

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), filed a second amended complaint against 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., IP Holdings Unltd, LLC and Neil Cole, Case No. 16-cv-08795-GBD-RWL in the United States District Court for the Southern District of New York. Plaintiffs asserted claims for breach of contract, tortious interference with contract and business relations, unjust enrichment, trade libel, unfair competition 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, unfair competition and prima facie tort claims. Plaintiffs filed a Third Amended Complaint on June 11, 2018, in which no new claims were asserted, and the only additional allegations are related to the allegedly "inconsistent" exclusive license of New Rise Brand Holdings, LLC. On April 24, 2019, the parties entered into a definitive settlement agreement resolving all claims against Iconix in this action, as well as in respect of the Gerszberg action referenced below.

On November 1, 2017, Seth Gerszberg, referred to as Gerszberg, and EGRHC, LLC, referred to as EGRHC (Gerszberg and EGRHC collectively referred to as Plaintiffs) (with EGRHC suing in its capacity as 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 v. Iconix Brand Group, Inc., IP Holdings Unltd, LLC and Neil Cole, Case No. 17-cv-08421-GBD-RWL in the United States District Court for the Southern District of New York. Plaintiffs asserted claims against the Company, IPHU, and Neil Cole (collectively referred to as the Iconix Parties) for 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 and unjust enrichment regarding that buyout agreement; and also asserted claims for fraudulent inducement regarding the fourth amendment of the Global License Agreement between 3TAC, LLC and IPHU concerning the intellectual property rights in and to the Marc Ecko brands. On May 7, 2018, Judge Katherine B. Forrest dismissed the breach of fiduciary duty, breach of the IPHU Operating Agreement, and unjust enrichment claims; and limited the fraudulent inducement claim to the Fourth Amendment of the Global License Agreement and limited the breach of the Buyout Agreement claim to the warranty as to no governmental investigation. On April 24, 2019, the parties entered into a definitive settlement agreement resolving all claims against Iconix in this action, as well as in the 3TAC action referenced above.

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.

The Company continues to cooperate in the previously disclosed SEC and U.S. Attorney for the Southern District of New York ("SDNY") investigations.

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.

Item 1A. Risk Factors.

In addition to the risk factors disclosed in Part 1, Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2018, set forth below are certain factors that have affected, and in the future could affect, our operations or financial condition. We operate in a changing environment that involves numerous known and unknown risks and uncertainties that could impact our operations. The risks described below and in our Annual Report on Form 10-K for the year ended December 31, 2018, are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our financial condition and/or operating results.

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 March 31, 2019, the Company's consolidated balance sheet reflects debt of approximately \$648.1 million (which is net of \$4.0 million of debt issuance costs), including (i) securitization debt of \$454.4 million (net of original issue discount of \$3.7 million) under our Series 2012-1 4.229% Senior Secured Notes, Class A-2, Series 2013-1 4.352% Senior Secured Notes, Class A-2 (collectively, the "Senior Secured Notes"), and the Variable Funding Notes, (ii) senior secured debt of \$171.4 million (net of original issue discount of \$17.1 million) under our Senior Secured Term Loan, and (iii) subordinated secured debt of \$105.7 million (which is recorded in our consolidated balance sheet as of March 31, 2019 at a fair value of \$26.3 million) under our 5.75% convertible senior subordinated secured second lien notes due 2023 (the "5.75% Convertible Notes"). We may also assume or incur additional debt, including secured debt, in the future in connection with, or to fund, future acquisitions or refinance our existing debt obligations. Our 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;
- 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 the event that we fail to make any required payment under any current or future 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.

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 Kohls and Global Brands Group represent, each in the aggregate, our two largest licensees during the three-month period ended March 31, 2019, representing approximately 13% and 19%, 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, Starter and Danskin Now DTR license agreements with Walmart, (ii) the Mossimo DTR license agreement with Target, (iii) the Royal Velvet license agreement with J.C. Penney's and (iv) the Material Girl DTR license agreement with Macy's. Also, Kmart/Sears filed for Chapter 11 bankruptcy in October 2018 and subsequently rejected the existing license agreements for Joe Boxer, Cannon and Bongo. While the Company is actively working to place these brands with other licensees, and is in negotiations with Kmart/Sears related to its existing license agreements, 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 March 31, 2019, goodwill represented approximately \$26.1 million, or approximately 4% of the Company's total consolidated assets, and trademarks and other intangible assets represented approximately \$336.1 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.

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.

The risks described herein and in the Company's Annual Report on Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company, or that are currently deemed to be immaterial, also may materially adversely affect the Company's business, financial condition and/or future operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There have been no sales of unregistered equity securities in the Current Quarter.

The following table presents information with respect to purchases of common stock made by the Company during the Current Quarter:

Month of purchase	Total number of shares purchased*	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number (or approximate dollar value) of shares that may yet be purchased under the plans or programs
January 1 - January 31	7	\$ 1.10	—	\$ —
February 1 - February 28	26	\$ 1.53	—	\$ —
March 1 - March 31	10	\$ 2.06	—	\$ —
Total	43	\$ 1.58	—	\$ —

* Amounts purchased represent shares surrendered to the Company to pay withholding taxes due upon the vesting of restricted stock.

Item 6. Exhibits

EXHIBIT NO.	DESCRIPTION OF EXHIBIT
Exhibit 31.1	<u>Certification of Chief Executive Officer Pursuant To Rule 13a-14 or 15d-14 of The Securities Exchange Act of 1934, As Adopted Pursuant To Section 302 Of The Sarbanes-Oxley Act of 2002*</u>
Exhibit 31.2	<u>Certification of Chief Financial Officer Pursuant To Rule 13a-14 or 15d-14 of The Securities Exchange Act of 1934, As Adopted Pursuant To Section 302 Of The Sarbanes-Oxley Act of 2002*</u>
Exhibit 32.1	<u>Certification of Chief Executive Officer Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 of The Sarbanes-Oxley Act of 2002**</u>
Exhibit 32.2	<u>Certification of Chief Financial Officer Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 of The Sarbanes-Oxley Act of 2002**</u>
Exhibit 101.INS	XBRL Instance Document*
Exhibit 101.SCH	XBRL Schema Document*
Exhibit 101.CAL	XBRL Calculation Linkbase Document*
Exhibit 101.DEF	XBRL Definition Linkbase Document*
Exhibit 101.LAB	XBRL Label Linkbase Document*
Exhibit 101.PRE	XBRL Presentation Linkbase Document*

* Filed herewith.

** Furnished herewith.

Signatures

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

Iconix Brand Group, Inc.
(Registrant)

Date: May 15, 2019

/s/ Robert C. Galvin

Robert Galvin
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 15, 2019

/s/ John T. McClain

John T. McClain
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

ICONIX BRAND GROUP, INC.
CERTIFICATION PURSUANT TO RULE 13a-14 OR 15d-14 OF
THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert C. Galvin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2019 of Iconix Brand Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2019

/s/ Robert C. Galvin

Robert C. Galvin
President and Chief Executive Officer

ICONIX BRAND GROUP, INC.
CERTIFICATION PURSUANT TO RULE 13a-14 OR 15d-14 OF
THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John T. McClain, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2019 of Iconix Brand Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2019

/s/ John T. McClain

John T. McClain

Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

ICONIX BRAND GROUP, INC.
CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Iconix Brand Group, Inc. (the “Company”) on Form 10-Q for the period ended March 31, 2019 (the “Report”), I, Robert C. Galvin, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

/s/ Robert C. Galvin
Robert C. Galvin
President and Chief Executive Officer

Date: May 15, 2019

ICONIX BRAND GROUP, INC.
CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Iconix Brand Group, Inc. (the “Company”) on Form 10-Q for the period ended March 31, 2019 (the “Report”), I, John T. McClain, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

/s/ John T McClain

John T. McClain

Executive Vice President and Chief Financial Officer

Date: May 15, 2019