ICONIX BRAND GROUP, INC.
Form 10-Q
August 05, 2016

United States

Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-Q

x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarterly Period Ended June 30, 2016

OR

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

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

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

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

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

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

Common Stock, $.001 Par Value- 56,126,593 shares as of August 4, 2016.

Part I. Financial Information

Item 1. Financial Statements

Iconix Brand Group, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(in thousands, except par value)

	June 30, 2016 (unaudited)	December 31, 2015
Assets		
Current Assets:		
Cash and cash equivalents	$129,998	$169,971
Restricted cash	84,807	49,544
Accounts receivable, net	95,842	103,792
Other assets – current	41,854	44,116
Total Current Assets	352,501	367,423
Property and equipment:		
Furniture, fixtures and equipment	24,837	24,138
Less: Accumulated depreciation	(17,434)	(16,639)
	7,403	7,499
Other Assets:		
Other assets	23,258	28,748
Trademarks and other intangibles, net	1,698,190	1,696,524
Investments and joint ventures	128,034	147,312
Goodwill	257,095	257,095
	2,106,577	2,129,679
Total Assets	$2,466,481	$2,504,601
Liabilities, Redeemable Non-Controlling Interest and Stockholders' Equity		
Current Liabilities:		
Accounts payable and accrued expenses	$50,098	$52,062
Deferred revenue	22,106	29,161
Current portion of long-term debt	76,123	61,123
Other liabilities – current	1,641	3,571
Total Current Liabilities	149,968	145,917
Deferred income tax liability	193,324	181,193
Other tax liabilities	5,055	4,865
Long-term debt, less current maturities	1,275,139	1,388,269
Other liabilities	18,604	19,550
Total Liabilities	1,642,090	1,739,794
Redeemable Non-Controlling Interest, net of installment payments due from non-controlling interest holders, redemption value of $88,692	76,621	69,902

and $86,191, respectively		
Commitments and contingencies		
Stockholders' Equity:		
Common stock, $.001 par value shares authorized 150,000; shares issued 84,323 and 80,609, respectively	84	80
Additional paid-in capital	1,000,552	974,264
Retained earnings	542,456	514,761
Accumulated other comprehensive loss	(58,164)	(60,893)
Less: Treasury stock – 32,093 and 32,028 shares at cost, respectively	(837,719)	(837,179)
Total Iconix Brand Group, Inc. Stockholders' Equity	647,209	591,033
Non-Controlling Interest, net of installment payments due from non-controlling interest holders	100,561	103,872
Total Stockholders' Equity	747,770	694,905
Total Liabilities, Redeemable Non-Controlling Interest and Stockholders' Equity	$2,466,481	$2,504,601

See Notes to Unaudited Condensed Consolidated Financial Statements.

Iconix Brand Group, Inc. and Subsidiaries

Unaudited Condensed Consolidated Statements of Income

(in thousands, except earnings per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Licensing revenue	$95,743	$97,398	$190,375	$193,212
Selling, general and administrative expenses	47,138	45,841	98,627	85,529
Depreciation and amortization	1,032	1,196	2,129	2,533
Equity earnings on joint ventures	(1,363)	(1,463)	(2,556)	(2,650)
(Gains) / losses on sale of trademarks	1,125	—	(9,844)	—
Operating income	47,811	51,824	102,019	107,800
Other expenses (income):				
Interest expense	28,382	21,401	49,600	42,697
Interest income	(369)	(1,189)	(906)	(2,155)
Other income	(9)	(790)	(16)	(50,780)
Gain on extinguishment of debt, net	(4,288)	—	(4,288)	—
Foreign currency translation loss (gain)	(671)	1,913	(864)	(8,769)
Other expenses (income) – net	23,045	21,335	43,526	(19,007)
Income before income taxes	24,766	30,489	58,493	126,807
Provision for income taxes	7,692	11,536	18,301	38,807
Net income	17,074	18,953	40,192	88,000
Less: Net income attributable to non-controlling interest	5,492	5,215	9,997	8,902
Net income attributable to Iconix Brand Group, Inc.	$11,582	$13,738	$30,195	$79,098
Earnings per share:				
Basic	$0.24	$0.28	$0.62	$1.64
Diluted	$0.23	$0.28	$0.60	$1.56
Weighted average number of common shares outstanding:				
Basic	49,035	48,243	48,772	48,201
Diluted	50,675	49,595	50,501	50,752

See Notes to Unaudited Condensed Consolidated Financial Statements.

Iconix Brand Group, Inc. and Subsidiaries

Unaudited Condensed Consolidated Statements of Comprehensive Income

(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income	$17,074	$18,953	$40,192	$88,000
Other comprehensive income (loss):				
Foreign currency translation gain (loss)	(7,526)	7,116	4,956	(30,610)
Change in fair value of available for sale securities	(249)	299	(2,227)	299
Total other comprehensive income (loss)	(7,775)	7,415	2,729	(30,311)
Comprehensive income	$9,299	$26,368	$42,921	$57,689
Less: comprehensive income attributable to non-controlling interest	5,492	5,215	9,997	8,902
Comprehensive income attributable to Iconix Brand Group, Inc.	$3,807	$21,153	$32,924	$48,787

See Notes to Unaudited Condensed Consolidated Financial Statements.

Iconix Brand Group, Inc. and Subsidiaries

Unaudited Condensed Consolidated Statement of Stockholders' Equity

Six Months Ended June 30, 2016

(in thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Non-Controlling Interest	Total
Balance at January 1, 2016	80,609	$ 80	$974,264	$514,761	$ (60,893)	$(837,179)	$ 103,872	$694,905
Shares issued on vesting of restricted stock	247	1	—	—	—	—	—	1
Shares repurchased on vesting of restricted stock and exercise of stock options	—	—	—	—	—	(540)	—	(540)
Tax deficiency of stock option exercises and restricted stock vestings	—	—	(1,596)	—	—	—	—	(1,596)
Compensation expense in connection with restricted stock and stock options	—	—	3,489	—	—	—	—	3,489
Payments from non-controlling interest holders, net of imputed interest	—	—	—	—	—	—	336	336
Change in redemption value of	—	—	—	(2,500)	—	—	—	(2,500)

redeemable non-controlling interest								
Change in fair value of available for sale securities	—	—	—	—	(2,227)	—	—	(2,227)
Shares issued on repurchase of convertible notes	3,467	3	24,320	—	—	—	—	24,323
Repurchase of equity portion of convertible notes	—	—	(147)	—	—	—	—	(147)
Net income	—	—	—	30,195	—	—	9,997	40,192
Tax effect of repurchase of convertible notes	—	—	52	—	—	—	—	52
Tax benefit related to amortization of convertible notes' discount	—	—	170	—	—	—	—	170
Foreign currency translation	—	—	—	—	4,956	—	—	4,956
Distributions to joint ventures	—	—	—	—	—	—	(13,644)	(13,644)
Balance at June 30, 2016	84,323	$ 84	$1,000,552	$542,456	$ (58,164)	$(837,719)	$ 100,561	$747,770

See Notes to Unaudited Condensed Consolidated Financial Statements.

5

Iconix Brand Group, Inc. and Subsidiaries

Unaudited Condensed Consolidated Statements of Cash Flows

(in thousands)

	Six Months Ended June 30, 2016	2015
Cash flows from operating activities:		
Net income	$40,192	$88,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property and equipment	834	809
Amortization of trademarks and other intangibles	1,295	1,724
Amortization of deferred financing costs and debt discount	2,881	2,459
Amortization of convertible note discount	15,498	15,069
Stock-based compensation expense	3,489	5,888
Non-cash gain on re-measurement of equity investment	—	(49,990)
Provision for doubtful accounts	8,770	3,918
Earnings on equity investments in joint ventures	(2,556)	(2,650)
Distributions from equity investments	1,680	1,333
Gain on sale of trademarks, net	(9,844)	—
Gain on extinguishment of debt	(4,288)	—
Deferred income tax provision	11,122	21,403
Gain on foreign currency translation	(864)	(8,769)
Changes in operating assets and liabilities, net of business acquisitions:		
Accounts receivable	(362)	(14,713)
Other assets – current	(10,635)	16,746
Other assets	5,712	1,569
Deferred revenue	(7,109)	4,741
Accounts payable and accrued expenses	2,870	7,727
Net cash provided by operating activities	58,685	95,264
Cash flows (used in) provided by investing activities:		
Purchases of property and equipment	(750)	(802)
Acquisition of interest in Iconix China, net of cash acquired	—	(20,400)
Acquisition of interest in Pony	—	(37,000)
Acquisition of interest in Strawberry Shortcake	—	(95,000)
Acquisition of interest in Galore Media	(500)	—
Issuance of note to American Greetings	—	(10,000)
Proceeds received from note due from American Greetings	2,500	1,250
Proceeds received from note due from Buffalo International	4,100	4,986
Proceeds from sale of BBC Ice Cream	3,500	—
Proceeds from sale of Badgley Mischka	14,000	—
Proceeds from sale of interest in TangLi International Holding Ltd.	11,352	—
Proceeds from sale of interest in Mecox Lane Limited	363	—
Proceeds from sale of trademarks and related notes receivable	1,172	3,030
Proceeds from sale of fixed assets	—	225
Additions to trademarks	(199)	(108)
Net cash (used in) provided by investing activities	35,538	(153,819)

Cash flows (used in) provided by financing activities:		
Shares repurchased on the open market	—	(12,391)
Proceeds from Variable Funding Notes	—	100,000
Prepaid financing costs	(35,754)	—
Proceeds from long term debt	300,000	—
Payment of long-term debt	(190,397)	(30,562)
Repurchase of convertible notes	(161,132)	—
Payment to Purim	(2,000)	(2,000)
Proceeds from sale of trademarks and related notes receivable from consolidated JVs	4,770	10,317
Distributions to non-controlling interests	(13,644)	(9,016)
Tax deficiency from share-based payment arrangements	(1,596)	—
Tax benefit related to amortization of convertible notes' discount	170	54
Cost of shares repurchased on vesting of restricted stock and exercise of stock options	(540)	(3,156)
Restricted cash	(35,263)	(5,363)
Net cash provided by (used in) financing activities	(135,386)	47,883
Effect of exchange rate changes on cash	1,190	576
Net increase (decrease) in cash and cash equivalents	(39,973)	(10,096)
Cash and cash equivalents, beginning of period	169,971	128,039
Cash and cash equivalents, end of period	$129,998	$117,943

Supplemental disclosure of cash flow information:

	Six Months Ended June 30,	
	2016	2015
Cash paid during the period:		
Income taxes (net of refunds received)	$5,479	$(6,284)
Interest	$31,911	$23,736
Non-cash investing and financing activities:		
Issuance of shares in connection with repurchase of convertible notes	$24,324	$—
Issuance of shares in connection with purchase of Iconix China	$—	$15,703
Note receivable in connection with Strawberry Shortcake acquisition	$—	$8,370
Shares repurchased on vesting of restricted stock included in accrued expenses	$—	$11,436

See Notes to Unaudited Condensed Consolidated Financial Statements.

Iconix Brand Group, Inc. and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements

June 30, 2016

(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 ("Current Quarter") and the six months ("Current Six Months") ended June 30, 2016 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 our Annual Report on Form 10-K for the year ended December 31, 2015, as amended.

During the Current Six Months, the Company adopted five new accounting pronouncements. Refer to Note 16 for further details.

Certain reclassifications, which were immaterial, have been made to conform prior year data to the current presentation.

Summary of Significant Accounting Policies

Non-controlling Interests / Redeemable Non-controlling Interests

Certain of the Company's consolidated joint ventures have put options which, if exercised by the Company's joint venture partner, would require the Company to purchase all or a portion of the joint venture partner's equity interest in the joint venture. The Company has determined that these put options are not derivatives under the guidelines prescribed in Accounting Standards Codification ("ASC") 815. As such, and in accordance with ASC 480-10-S99, as the potential exercise of the put options is outside the control of the Company, the Company has recorded the portion of the non-controlling interest's equity that may be put to the Company in mezzanine equity in the Company's consolidated balance sheets as "redeemable non-controlling interest". The initial value of the redeemable non-controlling interest represents the fair value of the put option at inception. This amount recorded at inception is accreted, over a period determined by when the put option becomes exercisable, to what the Company would be obligated to pay to the non-controlling interest holder if the put option was exercised. This accretion is recorded as a credit to redeemable non-controlling interest and a debit to retained earnings resulting in an impact to the consolidated balance sheet only. For each reporting period, the Company revisits the estimates used to determine the redemption value of the put option when it becomes exercisable and may adjust the remaining put option value and associated accretion accordingly through redeemable non-controlling interest and retained earnings, as necessary. The terms of each of the outstanding put options are included in the individual discussions of each joint venture, as applicable. For the Company's consolidated joint ventures that do not have put options, the non-controlling interest is recorded within equity on the Company's consolidated balance sheet.

The Company may enter into joint venture agreements with joint venture partners in which the Company allows the joint venture partner to pay a portion of the purchase price in cash at the time of the formation of the joint venture with the remaining cash consideration paid over a specified period of time following the closing of such transaction. The Company records the amounts due from such joint venture partners as (a) a reduction of Non-controlling Interests, net of installment payments, or (b) if installment payments result from the issuance of shares classified as mezzanine equity, as a reduction in Redeemable Non-controlling Interests, net of installment payments (i.e. mezzanine equity), as applicable, in the Company's consolidated balance sheet accordance with ASC 505-10-45, "Classification of a Receivable from a Shareholder." The Company accretes the present value discount on these installment payments through interest income on its consolidated statements of operations.

Refer to the Company's 2015 Annual Report on Form 10-K filed with the SEC on March 30, 2016, as amended, for the Company's other significant accounting policies.

SEC Comment Letter Process

As disclosed in our Form 10-K for the year ended December 31, 2015, the Company has been engaged in a comment letter process with the Staff of the U.S. Securities and Exchange Commission relating to an ongoing review of the Company's Form 10-K for the year ended December 31, 2014. The Company has responded to the Staff with a Confirming Letter on the questions the Staff raised, and remains in a dialogue with the SEC Staff relating to those and certain other comments related to the Company's future disclosures.

2. Goodwill and Trademarks and Other Intangibles, net

Goodwill

There were no changes in goodwill during the Current Quarter. The annual evaluation of the Company's goodwill, by segment, is performed as of October 1, the beginning of the Company's fourth fiscal quarter. In connection with the preparation of the Company's consolidated financial statements for the fourth quarter of fiscal year 2015, the Company recorded a non-cash goodwill impairment charge of $35.1 million in its men's segment. No goodwill impairment was recognized for the other segments of the Company during the fourth quarter of fiscal 2015. There was no impairment of the Company's goodwill during the Current Quarter, Current Six Months or for the three months (the "Prior Year Quarter") or six months (the "Prior Year Six Months") ended June 30, 2015.

Trademarks and Other Intangibles, net

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

	Estimated Lives in Years	June 30, 2016 Gross Carrying Amount	Accumulated Amortization	December 31, 2015 Gross Carrying Amount	Accumulated Amortization
Indefinite-lived trademarks and copyrights	Indefinite	$1,695,746	$—	$1,691,411	$—
Definite-lived trademarks	10-15	9,843	9,226	14,626	12,082
Non-compete agreements	2-15	940	803	940	686
Licensing contracts	1-9	4,856	3,166	4,844	2,529
		$1,711,385	$ 13,195	$1,711,821	$ 15,297
Trademarks and other intangibles, net			$ 1,698,190		$ 1,696,524

The trademarks of Candie's, Bongo, Joe Boxer, Rampage, Mudd, London Fog, Mossimo, Ocean Pacific, Danskin, Rocawear, Cannon, Royal Velvet, Fieldcrest, Charisma, Starter, Waverly, Ecko, Zoo York, Peanuts, Ed Hardy, Sharper Image, Umbro, Modern Amusement, Buffalo, Lee Cooper, Hydraulic, Nick Graham, Strawberry Shortcake 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 as separate single units of accounting, with any related impairment charge recorded to the statement of operations at the time of determining such impairment. The annual evaluation of the Company's indefinite-lived trademarks is performed as of October 1, the beginning of the Company's fourth fiscal quarter.

In connection with the preparation of the Company's financial statements for the fourth quarter of fiscal year 2015 and in accordance with ASC 350, the Company recorded non-cash impairment charges for indefinite-lived intangible assets (consisting of trademarks) of $362 million and $40 million in the men's segment and home segment, respectively. There was no impairment of the indefinite-lived trademarks during the Current Quarter, Prior Year Quarter, Current Six Months or Prior Year Six Months. Further, in accordance with ASC 360, there were no impairment charges to the Company's definite-lived trademarks during the Current Quarter, Current Six Months, Prior Year Quarter or Prior Year Six Months.

In June 2016, the Company sold the rights to the London Fog intellectual property in the South Korea territory. As a result of this transaction, the Company's indefinite-lived trademarks decreased by $0.4 million. Refer to Note 4 for further details.

In February 2016, the Company sold its rights to the Badgley Mischka intellectual property and related assets. At the time of this transaction, the definite-lived trademarks for Badgley Mischka were fully amortized in the Company's consolidated balance sheet. Refer to Note 4 for further details.

Other amortizable intangibles primarily include non-compete agreements and contracts and are amortized on a straight-line basis over their estimated useful lives of 1 to 15 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 and the Prior Year Quarter was $0.6 million and $0.8 million, respectively. Amortization expense for intangible assets for the Current Six Months and Prior Year Six Months was $1.3 million and $1.7 million, respectively.

3. Acquisitions, Joint Ventures and Investments

Acquisitions

The following recent acquisitions are wholly owned subsidiaries of the Company:

Entity Name	Date of Original Formation / Investment
Iconix China Holdings Limited[1][2]	September 2008
Shortcake IP Holdings, LLC	March 2015
Scion, LLC[2]	March 2009

[1] Through our ownership of Iconix China Holdings Limited, we have 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 June 30, 2016
Candie's	Candies Shanghai Fashion Co. Ltd.	20%	$ 10,855
Marc Ecko	Shanghai MuXiang Apparel & Accessory Co. Limited	15%	2,284
Royal Velvet	Bai Shi Kou International (Qingdao) Home Products Co. Ltd.	20%	383
Material Girl	Ningo Material Girl Fashion Co. Ltd.	20%	3,398
Ecko Unltd	Ai Xi Enterprise (Shanghai) Co. Limited	20%	11,080
			$ 28,000

Additionally, as part of the Iconix China Holdings Limited acquisition, the Company acquired other assets which consist primarily of securities of a company publicly traded on the Hong Kong Stock Exchange. These assets are being accounted for as available-for-sale securities. As such, any increase or decrease in fair value is recorded within accumulated other comprehensive income and is not included on the Company's consolidated statement of operations. Refer to Note 5 for further details.

[2] During the year ended December 31, 2015, the Company purchased the remaining 50% interest in the entity, effectively increasing the Company's ownership interest to 100%.

Joint Ventures

The following joint ventures are consolidated with the Company:

Entity Name	Date of Original Formation / Investment	Iconix's Ownership %	Joint Venture Partner	Put / Call Options, as applicable[2]
US Pony Holdings, LLC	February 2015	75%	Anthony L&S Athletics, LLC	—
Iconix MENA Ltd.[1]	December 2014	50%	Global Brands Group	Put / Call Options
LC Partners US, LLC[1]	March 2014	50%	Rise Parnters, LLC	Put Option
Iconix Israel, LLC[1][3]	November 2013	50%	MGS	Call Option[3]
Iconix SE Asia, Ltd.[1]	October 2013	50%	Global Brands Group	Put / Call Options
Iconix Canada joint venture[1]	June 2013	50%	Buffalo International	Call Options
Iconix Europe LLC	December 2009	51%	Global Brands Group	Put / Call Options
Hydraulic IP Holdings LLC[1]	December 2014	51%	Top On International	—
NGX, LLC[1]	October 2014	51%	NGO, LLC	—
Buffalo brand joint venture	February 2013	51%	Buffalo International	—
Icon Modern Amusement, LLC	December 2012	51%	Dirty Bird Productions	—
Peanuts Holdings, LLC	June 2010	80%	Beagle Scouts LLC	—
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, 2015, as amended, for material terms of the put and call options associated with certain of the Company's joint ventures.

Regarding Iconix Europe LLC (Iconix Europe), pursuant to the Iconix Europe Operating Agreement, each of Global Brands Group ("GBG") and the Company holds specified put and call rights, respectively, relating to GBG's ownership interest in the joint venture as described below.

Five-Year and Eight-Year Put/Call Options: At any time during the six month period commencing January 13, 2019, and again at any time during the six month period commencing January 13, 2022, GBG may deliver a put notice to the Company, and the Company may deliver a call notice to GBG, in each case, for the Company's purchase of all equity in the joint venture held by GBG. In the event of the exercise of such put or call rights, the purchase price for GBG's equity in Iconix Europe is an amount equal to (x) the Agreed Value (in the event of GBG's put) or (y) 120% of Agreed Value (in the event of an Iconix call). The purchase price is payable in cash.

Agreed Value-Five-Year Put/Call: (i) (x) percentage of Iconix Europe owned by GBG, multiplied by (y) 5.5, multiplied by (z) the greater of aggregate royalty generated by Iconix Europe for the year ended December 31, 2013 and the year ended December 31, 2018; plus (ii) percentage of Iconix Europe owned by GBG multiplied by the aggregate amount of cash in Iconix Europe which is available for distribution to the members.

Agreed Value-Eight-Year Put/Call: (i) (x) percentage of Iconix Europe owned by GBG, multiplied by (y) 5.5, multiplied by (z) the greater of aggregate royalty generated by Iconix Europe for the year ended December 31, 2013 and the year ended December 31, 2021; plus (ii) percentage of Iconix Europe owned by GBG multiplied by the aggregate amount of cash in Iconix Europe which is available for distribution to the members.

(3) The call option associated with Iconix Israel expired on May 14, 2016.

As part of the formation of certain joint ventures, the Company entered into arrangements whereby the joint venture partner paid for its investment in the joint venture entity through payment of a portion of the purchase price in cash at closing and the remainder due over a pre-determined period of time.

As of June 30, 2016, the following amounts due from such joint venture partners remain recorded on the Company's consolidated balance sheet:

Entity	Joint Venture Partner	Amount	Recorded in[1]
Iconix MENA Ltd.	Global Brands Group	$ 6,178	Redeemable Non-controlling interest
LC Partners US, LLC	Rise Partners	$ 2,000	Redeemable Non-controlling interest
Iconix Israel, LLC	MGS	$ 391	Non-controlling interest
Iconix SE Asia, Ltd.	Global Brands Group	$ 3,893	Redeemable Non-controlling interest
Iconix Canada joint venture	Buffalo International	$ 5,765	Non-controlling interest
Iconix India joint venture	Reliance Brands Ltd.	$ 962	Other Assets - Current
Buffalo brand joint venture	Buffalo International	$ 5,412	Other Assets - Current

(1) In accordance with ASC 480-10-S99 for consolidated joint ventures, installment payments are netted against redeemable non-controlling interest for specified joint ventures, as the joint venture agreement has put options

which are exercisable by the joint venture partner at a future date. The Company recorded the put option at fair value at the date of inception within Redeemable Non-controlling Interest on the Company's consolidated balance sheet. The amount recorded at inception is accreted, over the period when the put option becomes exercisable, to what the Company would be obligated to pay to the non-controlling interest holder if the put option was exercised. In the absence of put options, the installment payments are recorded against non-controlling interest of the respective joint venture partner. In respect of the Iconix India joint venture, the installment payment is recorded within Other Assets – Current and Other Assets – Noncurrent given the Company records its investment in Iconix India as an equity method investment as noted below. In respect of the Buffalo Brand joint venture, the note receivable due from Buffalo International is included in Other Assets – Current as the receivable has no relation to its ownership interest in the joint venture.

Investments

Equity Method Investments

Entity Name	Date of Original Formation / Investment	JV Partner	Put / Call Options, as applicable[3]
Iconix Australia, LLC[1]	September 2013	Pac Brands USA, Inc.	Put / Call Options
Iconix India joint venture[1]	June 2012	Reliance Brands Ltd.	—
MG Icon[1]	March 2010	Purim LLC	—
Galore Media, Inc.[1][2]	April 2016	Various minority interest holders	—

(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 has recorded its investment under the equity method of accounting since inception.

(2) In April 2016, the Company entered into agreements with Galore Media, Inc. (Galore), a marketing company formed in FY 2015 and still in a development stage. Under the agreements the Company purchased 50,050 shares of Series A Preferred Stock of Galore for $0.5 million as well as entering into arrangements pursuant to which the Company agreed to purchase up to an aggregate $0.5 million of marketing services from Galore in FY 2016. In connection with the marketing services arrangement, the Company received warrants that, as the Company purchases specified levels of marketing services, may be exercised for additional shares of Galore's Series A Preferred Stock at a nominal exercise price. The Series A Preferred Stock carries voting rights, and the holders of the Series A Preferred Stock have the collective right to appoint one of five members of the Board of Directors as long as there are at least 48,000 Series A Preferred Shares outstanding. Given these arrangements, the Company has an investment of approximately 11% of the equity of Galore.

(3) Refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2015, as amended, for material terms of the put and call options associated with certain of the Company's joint ventures.

Cost Method Investments

Entity Name	Date of Original Formation / Investment
Marcy Media Holdings, LLC[1]	July 2013
Complex Media[1][2]	September 2013
iBrands International, LLC[1]	April 2014

(1) As the Company does not have significant influence over the entity, its investment has been recorded under the cost method of accounting.

(2) In April 2016, Hearst Corporation and Verizon Communications, Inc. entered into an agreement to jointly acquire Complex Media. Refer to Note 18 for additional information.

4. Gains on Sale of Trademarks, Net

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

	Three Months Ended June 30, 2016	2015	Six Months Ended June 30, 2016	2015
Interest in BBC and Ice Cream brands[1]	$—	$ —	$(593)	$ —
Badgley Mischka intellectual property and related assets[2]	250	—	11,812	—
Interest in Ed Hardy China trademark (TangLi International Ltd.)[3]	(1,950)	—	(1,950)	—
London Fog Korea trademark[4]	575	—	575	—
Net gains on sale of trademarks	$(1,125)	$ —	$9,844	$ —

(1) In January 2016, the Company sold its interest in the BBC and Ice Cream brands for $3.5 million in cash. The Company recognized a loss of $0.6 million as a result of this transaction.

(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 licensee MJCLK LLC for

12

$13.8 million in cash. The Company recognized a gain of $11.6 million as a result of this transaction. The $11.6 million gain represented the sale of the Badgley Mischka intellectual property and related assets within the United States, Greater China, Israel and Latin American territories. The Badgley Mischka intellectual property and related assets within other foreign territories is owned by certain of the Company's joint venture entities and required the Company to negotiate and finalize the sale of the intellectual property with its respective joint venture partners. As a result, in June 2016, the Company recognized an additional gain of approximately $0.3 million associated with the sale of the Badgley Mischka intellectual property and related assets which was previously owned by the Iconix Australia joint venture resulting in an aggregate gain on sale of the brand of $11.8 million.

(3) In April 2016, the Company sold its interest in TangLi International, Ltd. (Ed Hardy China) for $11.4 million in cash. The Company recognized a loss of $1.9 million as a result of this transaction.

(4) In June 2016, the Company sold its rights to the London Fog intellectual property in the South Korea territory to NS International Limited for 1.1 billion Korean Won (approximately $1.0 million) in cash. The Company recognized a gain of approximately $0.6 million as a result of this transaction.

There were no gains on sale of trademarks in the Prior Year Quarter or Prior Year Six Months.

5. 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.

Hedge Instruments

From time to time, the Company may purchase hedge instruments to mitigate income statement risk and cash flow risk of revenue and receivables. As of June 30, 2016, the Company had no hedge instruments other than the 1.50% Convertible Note Hedges (see Note 6).

Financial Instruments

As of June 30, 2016 and December 31, 2015, 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 cost method investments is not readily determinable and it is not practical to obtain the information needed to determine the value. However, there has been no indication of an impairment of these cost method investments as of June 30, 2016 and December 31, 2015. 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:

	June 30, 2016		December 31, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt, including current portion[1]	$1,351,262	$1,315,926	$1,449,392	$1,240,244

[1] Carrying amounts include aggregate unamortized debt discount and debt issuance costs.

Additionally, the fair value of the available-for-sale securities acquired as part of the 2015 Buy-out of Iconix China (refer to Note 3 for further details) were $1.7 million and $3.9 million as of June 30, 2016 and December 31, 2015, respectively, with the change in fair value of $2.2 million recorded in accumulated other comprehensive income on the Company's condensed consolidated balance sheet during the Current Six Months.

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

Non-Financial Assets and Liabilities

The Company accounts for non-recurring adjustments to the fair values of its non-financial assets and liabilities under ASC 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 Six Months and Prior Year Six Months.

6. Debt Arrangements

The Company's debt obligations consist of the following:

	June 30, 2016	December 31, 2015
Senior Secured Notes	$682,345	$712,907
1.50% Convertible Notes[1]	319,256	357,453
2.50% Convertible Notes[2]	—	294,048
Variable Funding Note	100,000	100,000
Senior Secured Term Loan, net of original issue discount	273,551	—
Unamortized debt issuance costs[3]	(23,890)	(15,016)
Total debt	1,351,262	1,449,392
Less current maturities	76,123	61,123
Total long-term debt	$1,275,139	$1,388,269

(1) In June 2016, the Company repurchased $51.7 million par value of the 1.50% Convertible Notes. See below for further details.

(2) In April 2016, the Company repurchased $143.9 million par value of the 2.50% Convertible Notes. Upon maturity of the notes on June 1, 2016, the Company repaid the remaining outstanding balance of $156.1 million in cash. See below for further details.

(3) During the first quarter of the year ending December 31, 2016, the Company retrospectively adopted ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs". Refer to Note 16 for further details.

14

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.

Simultaneously with the issuance of the 2012 Senior Secured Notes, the Co-Issuers also entered into a revolving financing facility of Series 2012-1 Variable Funding Senior Notes, Class A-1 (the "Variable Funding Notes"), which allows for the funding of up to $100 million of Variable Funding Notes and certain other credit instruments, including letters of credit. The Variable Funding Notes were issued under the Indenture and allow for drawings on a revolving basis. Interest on the Variable Funding Notes will be payable at per annum rates equal to the CP Rate, Base Rate or Eurodollar Rate, as defined in the Variable Funding Note Purchase Agreement.

In February 2015, the Company received $100.0 million proceeds from the Variable Funding Notes. There is a commitment fee on the unused portion of the Variable Funding Notes facility of 0.5% per annum. It is anticipated that any outstanding principal of and interest on the Variable Funding Notes will be repaid in full on or prior to January 2018. Following the anticipated repayment date, additional interest will accrue on the Variable Funding Notes equal to 5% per annum. The Variable Funding Notes and other credit instruments issued under the Variable Funding Note Purchase Agreement are secured by the collateral described below.

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

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

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

The legal final maturity date of the Senior Secured Notes is in January of 2043, but it is anticipated that, unless earlier prepaid to the extent permitted under the Indenture, the Senior Secured Notes will be repaid in January of 2020.

Pursuant to the Indenture, the Notes are the joint and several obligations of the Co-Issuers only.

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

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

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

As of June 30, 2016 and December 31, 2015, the total principal balance of the Notes was $782.3 million and $812.9 million, respectively, of which $61.1 million was included in the current portion of long-term debt on the Company's (unaudited for June 30, 2016) condensed consolidated balance sheet for each period. As of June 30, 2016 and December 31, 2015, $56.6 million and $48.7 million, respectively, is included in restricted cash on the unaudited condensed consolidated balance sheet and represents short-term restricted cash consisting of collections on behalf of the Securitized Assets, restricted to the payment of principal, interest and other fees on a quarterly basis under the Senior Secured Notes.

For each of the Current Quarter and Prior Year Quarter, cash interest expense relating to the Notes was approximately $8.5 million and $8.9 million, respectively.

For each of the Current Six Months and Prior Year Six Months, cash interest expense relating to the Notes was approximately $17.1 million and $17.2 million, respectively.

1.50% Convertible Notes

On March 18, 2013, the Company completed the issuance of $400.0 million principal amount of the Company's 1.50% convertible senior subordinated notes due March 15, 2018 ("1.50% Convertible Notes") in a private offering to certain institutional investors. The net proceeds received by the Company from the offering, excluding the net cost of hedges and sale of warrants (described below) and including transaction fees, were approximately $390.6 million.

The 1.50% Convertible Notes bear interest at an annual rate of 1.50%, payable semi-annually in arrears on March 15 and September 15 of each year, beginning on September 15, 2013. However, the Company recognizes an effective interest rate of 6.50% on the carrying amount of the 1.50% Convertible Notes. The effective rate is based on the rate for a similar instrument that does not have a conversion feature. The 1.50% Convertible Notes will be convertible into cash and, if applicable, shares of the Company's common stock based on a conversion rate of 32.4052 shares of the Company's common stock, subject to customary adjustments, per $1,000 principal amount of the 1.50% Convertible Notes (which is equal to an initial conversion price of approximately $30.86 per share) only under the following circumstances: (1) during any fiscal quarter beginning after December 15, 2017 (and only during such fiscal quarter), if the closing price of the Company's common stock for at least 20 trading days in the 30 consecutive trading days ending on and including the last trading day of the immediately preceding fiscal quarter is more than 130% of the conversion price per share, which is $1,000 divided by the then applicable conversion rate; (2) during the five consecutive business day period immediately following any five consecutive trading day period in which the trading price per $1,000 principal amount of the 1.50% Convertible Notes for each day of that period was less than 98% of the product of (a) the closing price of the Company's common stock for each day in that period and (b) the conversion rate per $1,000 principal amount of the 1.50% Convertible Notes; (3) if specified distributions to holders of the Company's common stock are made, as set forth in the indenture governing the 1.50% Convertible Notes ("1.50% Indenture"); (4) if a "change of control" or other "fundamental change," each as defined in the 1.50% Indenture, occurs; and (5) during the 90 day period prior to maturity of the 1.50% Convertible Notes. If the holders of the 1.50% Convertible Notes exercise the conversion provisions under the circumstances set forth, the Company will need to remit the lower of the principal balance of the 1.50% Convertible Notes or their conversion value to the holders in cash. As such, the Company would be required to classify the entire amount outstanding of the 1.50% Convertible Notes as a current liability in the following quarter. The evaluation of the classification of amounts outstanding associated with the 1.50% Convertible Notes will occur every quarter.

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

Pursuant to guidance issued under ASC 815- "Derivatives and Hedging" ("ASC 815"), the 1.50% Convertible Notes are accounted for as convertible debt in the accompanying consolidated balance sheet and the embedded conversion option in the 1.50% Convertible Notes has not been accounted for as a separate derivative. For a discussion of the effects of the 1.50% Convertible Notes and the 1.50% Convertible Notes Hedges and Sold Warrants defined and discussed below on earnings per share, see Note 6.

As of June 30, 2016 and December 31, 2015, the amount of the 1.50% Convertible Notes accounted for as a liability was approximately $319.3 million and $357.5 million, respectively, and is reflected on the condensed consolidated balance sheets as follows:

	June 30, 2016	December 31, 2015
Equity component carrying amount	$49,784	$49,931
Unamortized discount	29,014	42,547
Net debt carrying amount	319,256	357,453

In June 2016, the Company repurchased $51.7 million par value of the 1.50% Convertible Notes with a combination of $17.8 million in cash (including interest and trading fees) and the issuance of approximately 3.5 million shares of the Company's common stock. The Company accounted for this transaction in accordance with ASC 470-20 resulting in the recognition of a $5.5 million gain which is included in gain on extinguishment of debt, net in the Company's condensed consolidated statement of income for the Current Quarter and Current Six Months and a reacquisition of approximately $0.1 million of the embedded conversion option recorded within additional paid in capital on the Company's condensed consolidated balance sheet as of June 30, 2016.

For the Current Quarter and Prior Year Quarter, the Company recorded additional non-cash interest expense of approximately $4.2 million and $3.9 million, respectively, representing the difference between the stated interest rate on the 1.50% Convertible Notes and the rate for a similar instrument that does not have a conversion feature.

For the Current Six Months and Prior Year Six Months, the Company recorded additional non-cash interest expense of approximately $8.0 million and $7.7 million, respectively, representing the difference between the stated interest rate on the 1.50% Convertible Notes and the rate for a similar instrument that does not have a conversion feature.

For each of the Current Quarter and Prior Year Quarter, cash interest expense relating to the 1.50% Convertible Notes was approximately $1.5 million.

For each of the Current Six Months and Prior Year Six Months, cash interest expense relating to the 1.50% Convertible Notes was approximately $3.0 million.

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

In connection with the sale of the 1.50% Convertible Notes, the Company entered into hedges for the 1.50% Convertible Notes ("1.50% Convertible Note Hedges") with respect to its common stock with one entity (the "1.50% Counterparty"). Pursuant to the agreements governing these 1.50% Convertible Note Hedges, the Company purchased call options (the "1.50% Purchased Call Options") from the 1.50% Counterparty covering up to approximately 13.0 million shares of the Company's common stock. These 1.50% Convertible Note Hedges are designed to offset the Company's exposure to potential dilution upon conversion of the 1.50% Convertible Notes in the event that the market value per share of the Company's common stock at the time of exercise is greater than the strike price of the 1.50% Purchased Call Options (which strike price corresponds to the initial conversion price of the 1.50% Convertible Notes and is simultaneously subject to certain customary adjustments). On March 13, 2013, the Company paid an aggregate amount of approximately $84.1 million of the proceeds from the sale of the 1.50% Convertible Notes for the 1.50% Purchased Call Options, of which $29.4 million was included in the balance of deferred income tax assets at March 13, 2013 and is being recognized over the term of the 1.50% Convertible Notes. As of June 30, 2016 and December 31, 2015, the balance of deferred income tax assets related to this transaction was approximately $9.1 million and $13.0 million, respectively.

The Company also entered into separate warrant transactions with the 1.50% Counterparty whereby the Company, pursuant to the agreements governing these warrant transactions, sold to the 1.50% Counterparty warrants (the “1.50% Sold Warrants”) to acquire up to approximately 13.0 million shares of the Company’s common stock at a strike price of $35.5173 per share. The 1.50% Sold Warrants will become exercisable on June 18, 2018 and will expire by September 1, 2018. The Company received aggregate proceeds of approximately $57.7 million from the sale of the 1.50% Sold Warrants on March 13, 2013.

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

The Company has evaluated the impact of adopting guidance issued under ASC 815 regarding embedded features as it relates to the 1.50% Sold Warrants, and has determined it had no impact on the Company's results of operations and financial position through June 30, 2016, and will have no impact on the Company's results of operations and financial position in future fiscal periods.

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

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

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

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

2.50% Convertible Notes

On May 23, 2011, the Company completed the issuance of $300.0 million principal amount of the Company's 2.50% convertible senior subordinated notes due June 2016 ("2.50% Convertible Notes") in a private offering to certain institutional investors. The net proceeds received by the Company from the offering, excluding the net cost of hedges and sale of warrants (described below) and including transaction fees, were approximately $291.6 million.

Pursuant to guidance issued under ASC 815, the 2.50% Convertible Notes are accounted for as convertible debt in the accompanying consolidated balance sheet and the embedded conversion option in the 2.50% Convertible Notes has not been accounted for as a separate derivative. For a discussion of the effects of the 2.50% Convertible Notes and the 2.50% Convertible Notes Hedges and Sold Warrants defined and discussed below on earnings per share, see Note 8.

In April 2016, the Company repurchased $143.9 million par value of the 2.50% Convertible Notes for $145.6 million in cash (including interest and trading fees). The Company accounted for this transaction in accordance with ASC 470-20, resulting in the recognition of a $1.2 million loss which is included in gain on extinguishment of debt, net in the Company's condensed consolidated statement of income for the Current Six Months. The remaining outstanding balance of the 2.50% Convertible Notes, in an amount equal to $156.1 million, was repaid on June 1, 2016 (the maturity date).

For the Current Quarter and Prior Year Quarter, the Company recorded additional non-cash interest expense of approximately $1.5 million and $3.1 million, respectively, representing the difference between the stated interest rate on the 2.50% Convertible Notes and the rate for a similar instrument that does not have a conversion feature.

For the Current Six Months and Prior Year Six Months, the Company recorded additional non-cash interest expense of approximately $4.5 million and $6.1 million, respectively, representing the difference between the stated interest rate on the 2.50% Convertible Notes and the rate for a similar instrument that does not have a conversion feature.

For the Current Quarter and Prior Year Quarter, cash interest expense relating to the 2.50% Convertible Notes was approximately $1.1 million and $1.9 million, respectively.

For the Current Six Months and Prior Year Six Months, cash interest expense relating to the 2.50% Convertible Notes was approximately $3.0 million and $3.8 million, respectively.

In connection with the sale of the 2.50% Convertible Notes, the Company entered into hedges for the 2.50% Convertible Notes ("2.50% Convertible Note Hedges") with respect to its common stock with two entities (the "2.50% Counterparties"). Pursuant to the agreements governing these 2.50% Convertible Note Hedges, the Company purchased call options (the "2.50% Purchased Call Options") from the 2.50% Counterparties covering up to approximately 9.8 million shares of the Company's common stock. These 2.50% Convertible Note Hedges were designed to offset the Company's exposure to potential dilution upon conversion of the 2.50% Convertible Notes in the event that the market value per share of the Company's common stock at the time of exercise was greater than the strike price of the 2.50% Purchased Call Options (which strike price corresponds to the initial conversion price of the 2.50% Convertible Notes and is simultaneously subject to certain customary adjustments). On May 23, 2011, the Company paid an aggregate amount of approximately $58.7 million of the proceeds from the sale of the 2.50% Convertible Notes for the 2.50% Purchased Call Options, of which $20.6 million was included in the balance of deferred income tax assets at May 23, 2011 and was recognized over the term of the 2.50% Convertible Notes. As of June 30, 2016, the balance of deferred income tax assets related to this transaction was zero.

Senior Secured Term Loan

On March 7, 2016, the Company entered into a credit agreement (the "Credit Agreement"), among IBG Borrower LLC, the Company's wholly-owned direct subsidiary, as borrower ("IBG 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 (the "Lenders"), including CF ICX LLC and Fortress Credit Co LLC ("Fortress"). Pursuant to the Credit Agreement, the Lenders are providing to IBG Borrower a senior secured term loan (the "Senior Secured Term Loan"), scheduled to mature on March 7, 2021, in an aggregate principal amount of $300 million and bearing interest at LIBOR (with a floor of 1.50%) plus an applicable margin of 10% per annum.

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

Borrowings under the Senior Secured Term Loan amortize yearly at 5% of principal as long as the applicable asset coverage ratio, as defined in the Credit Agreement, remains greater than or equal to 1.65:1.00 as of the end of each fiscal quarter and IBG Borrower timely delivers a compliance certificate to Cortland after each fiscal quarter. If IBG Borrower's asset coverage ratio measured as of the end of a certain fiscal quarter is 1.25:1.00 or greater but less than 1.45:1.00, or 1.45:1.00 or greater but less than 1.65:1.00, IBG Borrower will be obligated to pay during the subsequent quarter amortization at 25% per annum, or 15% per annum, respectively. IBG Borrower will also pay amortization at 25% per annum if it fails to timely deliver a compliance certificate to Cortland after each fiscal quarter.

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 do not cover certain intellectual property and licenses associated with the exploitation of the Company's Umbro® brand in Greater China, those 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 Complex Media, Inc., Marcy Media Holdings, LLC, and the subsidiaries of Iconix China Holdings Limited.

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

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

If an event of default occurs, in addition to the Interest Rate increasing by an additional 3% per annum Cortland shall, at the request of Lenders holding more than 50% of the then-outstanding principal of the 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 or a majority of the board of the Company or IBG Borrower changes during a set period. Subject to the terms of the Credit Agreement, both voluntary and mandatory prepayments will trigger a make whole premium plus 3% of the aggregate principal amount during the first two years of the loan, and will carry a premium of 3% of the aggregate principal amount during the third year of the loan and 1% during the fourth year of the loan, with no premiums payable in subsequent periods.

The Company recorded cash interest expense of approximately $8.3 million relating to the Senior Secured Term Loan for the Current Quarter and Current Six Months as compared to none for the Prior Year Quarter and Prior Year Six Months.

Debt Maturities

As of June 30, 2016, the Company’s debt maturities on a calendar year basis are as follows:

	Total	July 1 through December 31, 2016	2017	2018	2019	2020	Thereafter
Senior Secured Notes	$682,345	$ 30,561	$61,123	$61,123	$61,123	$61,123	$407,292
1.50% Convertible Notes(1)	$319,256	—	—	319,256	—	—	—
Variable Funding Notes	$100,000	—	—	100,000	—	—	—
Senior Secured Term Loan(2)	$273,551	7,500	15,000	15,000	15,000	15,000	206,051
Total	$1,375,152	$ 38,061	$76,123	$495,379	$76,123	$76,123	$613,343

(1) Reflects the net debt carrying amount of the 1.50% Convertible Notes in the unaudited condensed consolidated balance sheet as of June 30, 2016, in accordance with accounting for convertible notes. After taking into effect the $51.7 million of repurchases of the 1.50% Convertible Notes as discussed above, the remaining principal amount owed to the holders of the 1.50% Convertible Notes is $348.3 million.

(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 June 30, 2016. The actual principal outstanding balance of the Senior Secured Term Loan is $296.3 million as of June 30, 2016.

20

7. Stockholders' Equity

Stock Repurchase Program

The following table illustrates the activity under the Company's stock repurchase programs, in the aggregate, for the Current Six Months, FY 2015, FY 2014, FY 2013, FY 2012 and FY 2011:

	# of shares repurchased as part of stock repurchase programs	Cost of shares repurchased (in 000's)	Weighted Average Price
Q2 YTD 2016	—	$ —	$ —
FY 2015	360,000	12,391	34.42
FY 2014	4,994,578	193,434	38.73
FY 2013	15,812,566	436,419	27.60
FY 2012	7,185,257	125,341	17.44
FY 2011	1,150,000	19,138	16.64
Total, FY 2011 through June 30, 2016	29,502,401	$ 786,723	$ 26.67

As of June 30, 2016, $13.3 million and $500.0 million remained available for repurchase under the July 2013 Program and February 2014 Program, respectively.

2009 Equity Incentive Plan

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

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

2015 Executive Incentive Plan

On December 4, 2015, the Company's stockholders approved the Company's 2015 Executive Incentive Plan ("2015 Plan"). Under the 2015 Plan, the Company's officers and other key employees designated by the Compensation Committee are eligible to receive awards of cash, common stock or stock units issuable under the Amended and Restated 2009 Plan, or any other combination thereof, awards under the 2015 Plan are based on the achievement of certain pre-determined, non-discretionary performance goals established by the Compensation Committee and are further subject, among other things, the 2015 Plan participant's continuous employment with the Company until the applicable payment date.

Shares Reserved for Issuance

At June 30, 2016, there were 519,180 common shares available for issuance under the Amended and Restated 2009 Plan and, there were no common shares available for issuance under any previous Company plan.

Stock Options and Warrants

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

There was no compensation expense related to stock option grants or warrant grants during the Current Quarter or Prior Year Quarter as all prior awards have been fully expensed.

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

Options	Options	Weighted Average Exercise Price
Outstanding at January 1, 2016	50,000	$ 17.18
Granted	—	—
Canceled	—	—
Exercised	—	—
Expired/Forfeited	(15,000)	22.51
Outstanding at June 30, 2016	35,000	$ 14.90
Exercisable at June 30, 2016	35,000	$ 14.90

Warrants	Warrants	Weighted Average Exercise Price
Outstanding at January 1, 2016	20,000	$ 6.64
Granted	—	—
Canceled	—	—
Exercised	—	—
Expired/Forfeited	—	—
Outstanding at June 30, 2016	20,000	$ 6.64
Exercisable at June 30, 2016	20,000	$ 6.64

The weighted average contractual term (in years) of options outstanding and exercisable and warrants outstanding and exercisable as of June 30, 2016 was 1.86 and 2.26, respectively.

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

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 summarize information about unvested restricted stock transactions:

	Shares	Weighted Average Grant Date Fair Value
Non-vested, January 1, 2016	2,222,508	$ 20.06
Granted	2,003,110	5.24
Vested	(120,528)	17.54
Forfeited/Canceled	(144,987)	7.06
Non-vested, June 30, 2016	3,960,103	$ 13.12

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

Compensation expense related to restricted stock grants for the Current Quarter and Prior Year Quarter was approximately $1.5 million and $3.3 million, respectively. Compensation expense related to restricted stock grants for the Current Six Months and Prior Year Six Months was approximately $3.5 million (including approximately $1.0 million related to retention stock discussed below) and $5.9 million, respectively. Excluding the compensation expense related to the performance-based restricted stock awards which are tied to achievement of certain performance metrics of the Company, an additional amount of $9.6 million of expense related to time-based restricted shares is expected to be expensed evenly over a period of approximately three years. During the Current Quarter and Prior Year Quarter, the Company repurchased shares valued at $0.5 million and $1.4 million, respectively, of its common stock in connection with net share settlement of restricted stock grants and option exercises. During the Current Six Months and Prior Year Six Months, the Company repurchased shares valued at $0.5 million and $14.6 million, respectively, 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 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 measurement period began on the grant date and the beginning measurement amount was calculated based on the 20 day average closing stock price leading up to the grant date. The measurement period ends on December 31, 2018 and the ending measurement amount is based on the 20 day average closing stock price leading up to December 31, 2018. The award will vest on a scaled pay out based on the Company’s total shareholder return versus the peer group.

In accordance with ASC 718, the Company valued these shares utilizing a Monte Carlo simulation as the awards are based on market conditions. Key assumptions utilized in the valuation methodology were stock price at the beginning and end of the period, risk free interest rate, expected dividend yield when simulating total shareholder return, expected dividend yield when simulating the Company’s stock price, stock price volatility, and correlation coefficients.

Short-term Shareholder Rights Plan

On January 27, 2016, the Company announced that its Board of Directors adopted a short-term shareholder rights plan (the “Rights Plan”), which will expire following the 2016 annual meeting of shareholders, absent an extension being approved by shareholders. The Board of Directors adopted the Rights Plan in light of activity in the Company’s shares occurring prior to the adoption of the Rights Plan, including the accumulation of meaningful positions by holders of derivatives securities, and what the Iconix Board of Directors and management believes is a currently depressed share price for the Company's common stock.

Pursuant to the Rights Plan, one preferred stock purchase right will be distributed for each share of common stock held by shareholders of record on February 12, 2016. The rights will become exercisable only if a person or group acquires beneficial ownership of 20% or more of the Company's common stock (including in the form of synthetic ownership through derivative positions). In that situation, each holder of a right (other than, as defined in the Rights Plan, the person or group triggering the rights) will be entitled to purchase, at the then-current exercise price (which was initially set at $30 per right), shares of common stock (and, in certain circumstances, other consideration) having a value of twice the exercise price of the right (a 50% discount). Rights held by any person or group whose actions trigger the Rights Plan, including potentially counterparties to derivative transactions with such person or group, would become void. The Rights Plan had no impact on the Company's financial reporting for the six months ended June 30, 2016 and will not impact any future periods.

Long-Term Incentive Compensation.

On March 31, 2016, the Company approved a new plan for long-term incentive compensation (the "2016 LTIP") for key employees and granted equity awards under the 2016 LTIP in the aggregate amount of 796,803 shares with a then current value of approximately $6.4 million. For each grantee other than Mr. Haugh, the Company's Chief Executive Officer, 33% of the award was in the form of restricted stock units ("RSUs") and 67% of the award was in the form of target level performance stock units ("PSUs"). Mr. Haugh's award under the 2016 LTIP consisted of 25% RSUs and 75% 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 operating income performance targets established by the Compensation Committee. One-third of Mr. Haugh's PSUs shall be converted to time-based awards on December 31, 2016, December 31, 2017 and December 31, 2018, based on the achievement of operating income performance targets established by the Compensation Committee, and such time-based awards shall vest and be settled on December 31, 2018. To the extent there are not enough shares of common stock to be issued under the Company's 2009 Amended and Restated Equity Incentive Plan, as amended, or a new stockholder approved equity incentive plan is not approved to satisfy the obligations under the 2016 LTIP, grantees of awards made pursuant to the 2016 LTIP shall be entitled to cash in an amount equal to any shortfall for such shares based on the closing price of the Company's common stock on the date of vesting.

8. Earnings Per Share

Basic earnings per share includes no dilution and is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect, in periods in which they have a dilutive effect, the effect of restricted stock-based awards, 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, stock options and warrants, approximately 0.1 million were anti-dilutive, as compared to less than 0.2 million shares that were anti-dilutive for the Prior Year Quarter.

For each of the Current Quarter and Prior Year Quarter, none of the performance related restricted stock-based awards issued to the Company's named executive officers were anti-dilutive.

For the Current Quarter and Current Six Months, warrants issued in connection with the Company's 1.50% Convertible Notes financing and 2.50% Convertible Notes financing were anti-dilutive and therefore were not included in this calculation. For the Prior Year Quarter and the Prior Year Six Months, warrants issued in connection with the Company's 1.50% Convertible Notes financing and 2.50% Convertible Notes financing were dilutive and therefore were included in this calculation.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(in thousands)	2016	2015	2016	2015
Basic	49,035	48,243	48,772	48,201
Effect of exercise of stock options	3	82	2	91
Effect of assumed vesting of restricted stock	1,637	1,270	1,727	1,286
Effect of convertible notes subject to conversion	—	—	—	1,174
Diluted	50,675	49,595	50,501	50,752

In accordance with ASC 480, the Company considers its redeemable non-controlling interest in its computation of earnings per share. For each of the Current Quarter, Prior Year Quarter, Current Six Months and Prior Year Six Months, the Company's redeemable non-controlling interest had no impact on the Company's earnings per share calculation.

See Note 6 for discussion of hedges related to our convertible notes.

9. Commitments and Contingencies

Legal Proceedings

In July 2013, Signature Apparel Group LLC, referred to as the Debtor, filed an amended complaint in an adversary proceeding captioned Signature Apparel Group LLC v. ROC Fashions, LLC, et al., Adv. Pro. No. 11-02800 in the United States Bankruptcy Court for the Southern District of New York that, among others, named Studio IP Holdings LLC, referred to as Studio IP, and the Company (Studio IP and the Company are collectively referred to as Iconix), as defendants. In the amended complaint, the Debtor asserts that Iconix was complicit in an alleged conspiracy to pay $2.8 million to Debtor's principals. The Debtor also alleges that ROC Fashions LLC paid a $6.0 million fee to Iconix for a license, and asserts that those funds should be returned to the Debtor as well. In total, the Debtor is seeking at least $8.8 million in damages from Iconix. Iconix vigorously defended against the claims, and the trial on this matter concluded in March 2016. The Company is currently awaiting the Bankruptcy Court's determination on the matter and is unable to estimate its ultimate outcome.

In December 2015, Anthony L&S, LLC, referred to as ALS, the licensee of the Pony and related trademarks, commenced an action captioned Anthony L&S, LLC v. US Pony Holdings, LLC and Iconix Brand Group, Inc., Index No. 654199/2015 in New York State Supreme Court, New York County against the Company and its subsidiary, US Pony Holdings, LLC, referred to as Pony, seeking damages of $30.0 million, plus punitive damages, attorneys' fees and costs. ALS alleges that Pony breached the parties' license agreement by failing to comply with its marketing obligations. ALS also alleges that Pony and the Company are liable for fraud because Pony and the Company made purported misstatements about their marketing intentions/efforts. The Company and Pony are vigorously defending against the claims. At this time, the Company is unable to estimate the ultimate outcome of this legal matter.

In January 2016, ALS's affiliate, Anthony L&S Athletics, LLC, referred to as Anthony Athletics, commenced an action captioned Anthony L&S Athletics, LLC v. US Pony Holdings, LLC and Iconix Brand Group, Inc., Case No. 11867 in the Chancery Court in the State of Delaware against the Company and Pony. Based primarily on the same allegations as in the New York action, Anthony Athletics, the Company's joint venture partner in Pony, seeks a judicial dissolution of Pony, as well as $30.0 million in damages resulting from the Company's purported breach of the Pony operating agreement and the failure to market the brands. The Company and Pony are vigorously defending against the claims. At this time, the Company is unable to estimate the ultimate outcome of this legal matter.

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

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

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

Three securities class actions, respectively captioned Lazaro v. Iconix Brand Group, Inc. et al., Docket No. 1:15-cv-04981-PGG, Niksich v. Iconix Brand Group, Inc. et al. , Docket No. 1:15-cv-04860-PGG and Haverhill Retirement System v. Iconix Brand Group, Inc. et al Docket No. 1:15 – cv 06658, have been consolidated in the United States District Court for the Southern District of New York against the Company and certain former officers and one current officer (each, a "Class Action" and, together, the "Class Actions"). The plaintiffs in the Class Actions purport to represent a class of purchasers of the Company's securities from February 22, 2012 to November 5, 2015, inclusive, and claim that the Company and individual defendants violated sections 10(b) and 20(a) of the Securities Exchange Act of 1934, by making allegedly false and misleading statements regarding certain aspects of the Company's business operations and prospects. The Company and the individual defendants have moved to dismiss the consolidated amended complaint and intend to vigorously defend against the claims. At this time, the Company is unable to estimate the ultimate outcome of this legal matter.

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

10. Related Party Transactions

The Company incurred advertising expenses with Complex Media, Inc. to promote certain of the Company's men's brands. The Company owns a minority interest in Complex Media, Inc. as discussed in Note 3 and in Note 18. There were no advertising expenses with Complex Media, Inc. for the Current Six Months and Prior Year Six Months, and no related accounts payable as of June 30, 2016 as compared to $0.2 million as of December 31, 2015. Management believes that all transactions were made on terms and conditions no less favorable than those available in the marketplace from unrelated parties.

For the Current Six Months, the Company paid approximately $0.3 million to Galore Media, Inc. in relation to certain marketing services to promote the Company's brands and for the rights to certain warrants of Galore Media, Inc. The Company owns a minority interest in Galore Media, Inc. as discussed in Note 3. Management believes that all transactions were made on terms and conditions no less favorable than those available in the marketplace from unrelated parties.

During each of the Current Quarter, Current Six Months, Prior Year Quarter and Prior Year Six Months, the Company incurred less than $0.1 million per year in consulting fees in connection with a consulting arrangement entered into with Mark Friedman, a member of the Company's Board of Directors, relating to the provision by Mr. Friedman of investor relations services. Such consulting agreement was terminated on May 3, 2016.

The Company has entered into certain license agreements in which the core licensee is also one of our joint venture partners. For the Current Quarter and Prior Year Quarter, the Company recognized the following royalty revenue amounts:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Joint Venture Partner				
Global Brands Group Asia Limited [1]	$904	$1,241	$1,718	$2,623
Buffalo International ULC	3,820	2,007	7,258	4,823
Rise Partners, LLC / Top On International Group Limited	4	2,021	500	4,443
M.G.S. Sports Trading Limited	156	154	297	276
Pac Brands USA, Inc.	83	95	223	311
NGO, LLC	294	202	594	404
Albion Equity Partners LLC / GL Damek	433	656	846	1,327
Anthony L&S	—	545	—	909
Roc Nation	—	100	—	200
	$5,694	$7,021	$11,436	$15,316

[1] Global Brands Group Asia Limited also serves as agent to Peanuts Worldwide for the Greater China Territory for Peanuts brands. For the Current Quarter and Prior Year Quarter, Global Brands Group Asia Limited earned fees of approximately $0.7 million and $0.8 million, respectively, in its capacity as agent to Peanuts Worldwide. For the Current Six Months and Prior Year Six Months, Global Brands Group Asia limited earned fees of approximately $1.5 million and $1.6 million, respectively, in its capacity as agent to Peanuts Worldwide.

11. Income Taxes