

ICONIX BRAND GROUP, INC.

Form 10-Q/A

June 10, 2016

United States

Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-Q/A

Amendment No. 2

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the Quarterly Period Ended March 31, 2015

OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the Transition Period From \_\_\_\_\_ to \_\_\_\_\_ .

Commission file number 1-10593

ICONIX BRAND GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	11-2481903
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	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)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate 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  No

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

Large accelerated filer  Accelerated filer

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

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

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

Common Stock, \$.001 Par Value-48,647,185 shares as of June 9, 2016.

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

## EXPLANATORY NOTE — RESTATEMENT OF FINANCIAL INFORMATION

Iconix Brand Group, Inc. (the “Company”) is filing this Amendment No. 2 on Form 10-Q/ A (the “Amended Filing”) to amend certain parts of its Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, originally filed with the U.S. Securities and Exchange Commission (the “SEC”) on May 8, 2015 (the “Original Filing”) and amended on November 27, 2015 (the “Initial Amendment”).

### Background and Effects of the Restatement

#### SEC Comment Letter Process.

As previously disclosed, the Company has been engaged in a comment letter process with the Staff of the SEC 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 all of the questions the Staff has raised, and remains in a dialogue with the SEC Staff relating to those and certain other comments related to the Company’s future disclosures. As a result of the comment letter process, the Company’s management team, Audit Committee (the “Audit Committee”) and the Board of Directors (the “Board”) have reviewed the Company’s financial statements and assessed the accounting treatment applied by the Company to its joint ventures and other sales of intellectual property.

Based on this review and assessment, the Board, the Audit Committee and the Company’s management team, on February 11, 2016, concluded that the Company would restate its historical financial statements (the “Restatement”) to address the following accounting matters: (i) consolidate the financial statements of the Iconix Canada, Iconix Israel, Iconix Southeast Asia, Iconix MENA and LC Partners US joint ventures with the Company’s financial statements, and eliminate the previously reported gains on sale which were recorded at the time these transactions were consummated (including subsequent June 2014 and September 2014 transactions with respect to Iconix Southeast Asia), (ii) record the recalculated cost basis of the trademarks contributed to certain joint ventures which are recorded under the equity method of accounting at the time of consummation of the transactions (which also affected years prior to FY 2013 and is effectuated in the consolidated balance sheets contained herein), (iii) record the recalculated cost basis of the Umbro brand in the territory of Korea (which closed in December 2013) and the e-commerce and U.S. catalog rights in respect of the Sharper Image brand (which closed in June 2014) to determine the amount of the gain that should have been recorded at the time of the sale, (iv) reclassify the presentation of its statement of operations to reflect gains on sales of trademarks (to joint ventures or third parties) as a separate line item above the Operating Income line, and not as revenue as historically reflected, and (v) reclassify the Equity Earnings on Joint Ventures line to above the Operating Income line, from its previous location within the Other Expenses section.

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

Other.

In addition, through the Company's review of various historical transactions, management determined that it would record adjustments to reflect the following: (i) the reduction of revenue and remeasurement gains associated with certain transactions whereby the Company was not able to establish the fair value of the purchase transaction and subsequent guaranteed minimum royalties, and (ii) record a liability for a royalty credit earned by a specific licensee in fiscal years 2006 through 2008 that will be utilized in fiscal years 2016 through 2020.

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## Disclosure Controls and Procedures

Management has reassessed its evaluation of the effectiveness of its Disclosure Controls and Procedures as of March 31, 2015. As a result of that reassessment, management identified material weaknesses in internal controls over financial reporting, and accordingly, has concluded that the Company did not maintain effective Disclosure Controls and Procedures as of March 31, 2015. The material weaknesses relate to inadequate management review controls which caused the restatement adjustments noted above. Management has restated its report on Disclosure Controls and Procedures as of March 31, 2015. For a description of the material weaknesses in internal control over financial reporting and actions taken, and to be taken, to address the material weaknesses, see the Company's most recently filed Form 10-K.

## Items Amended in This Filing

This Amended Filing amends and restates the following items of the Company's Initial Amendment as of, and for the period ended March 31, 2015.

Part I - Item 1. Financial Statements

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

Part I - Item 4. Controls and Procedures

Part II – Item 1A. Risk Factors

Part II - Item 6. Exhibits

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

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

## Part I. Financial Information

## Item 1. Financial Statements

## Iconix Brand Group, Inc. and Subsidiaries

## Condensed Consolidated Balance Sheets

(in thousands, except par value)

	March 31, 2015 (restated) (unaudited)	December 31, 2014
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$86,801	\$128,039
Restricted cash	43,550	59,560
Accounts receivable, net	119,774	112,347
Deferred income tax assets	10,326	10,328
Other assets – current	40,519	44,088
Total Current Assets	300,970	354,362
<b>Property and equipment:</b>		
Furniture, fixtures and equipment	23,658	22,704
Less: Accumulated depreciation	(15,439 )	(14,946 )
	8,219	7,758
<b>Other Assets:</b>		
Other assets	50,450	51,865
Trademarks and other intangibles, net	2,099,020	1,996,334
Deferred financing costs, net	18,601	19,842
Investments and joint ventures	149,208	110,105
Goodwill	292,734	232,776
	2,610,013	2,410,922
Total Assets	\$2,919,202	\$2,773,042
<b>Liabilities, Redeemable Non-Controlling Interest and Stockholders' Equity</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$43,421	\$38,655
Deferred revenue	23,195	25,868
Current portion of long-term debt	61,123	61,123