

Business

Jay-Z is trying to get out of talking to the Feds. It may not be easy.

By **Renaë Merle** May 3 at 2:28 PM

The Securities and Exchange Commission said Thursday it is asking for a court order to compel entertainment mogul Shawn Carter, better known as Jay-Z, to comply with a subpoena related to its investigation into Iconix, a brand management company.

In 2007, New York-based Iconix Brand Group paid Carter more than \$200 million for Rocawear, an apparel brand co-founded by the hip-hop star. But in March 2016, Iconix lowered the value of Rocawear by \$169 million, according to the SEC. It lowered the value again this past March, by \$34 million. The SEC says it is investigating whether Iconix broke any securities laws related to financial reporting.

Investigators want to ask Carter about his relationship with Iconix, among other things, according to the SEC application for a subpoena enforcement action. The agency initially issued a subpoena for Carter's testimony in November and then again in February. "Carter failed to appear as required by the subpoenas, and, through his counsel, Carter has declined to provide any additional dates on which he will agree to appear for investigative testimony," [the SEC said in a statement](#).

The federal judge in the case, Paul G. Gardephe, ordered Carter to appear in a Manhattan court on Tuesday to explain why he should not be forced to talk to the SEC. If Carter does not comply with the subpoena, he may be held in contempt, according to the order. "If respondent [Carter] refuses to appear on the appointed date and time, the Commission will have established a prima facie case of civil contempt against him, and he may be held in civil contempt for failure to comply with the Order without further notice or hearing," the order said.

Carter had no role in Iconix's actions as a public company, a spokesperson for the superstar said in a statement. "Mr. Carter is a private citizen who should not be involved in this matter."

Still, Carter could risk jail if he continues to try to evade the SEC subpoena, said David Chase, a former prosecutor for the agency. "The SEC takes its subpoenas very seriously, so you [ignore them] at your own peril," he said.

Simply asserting he does not have relevant information will likely not be enough for Carter to be allowed to ignore the subpoena, Chase said. The interview “may prove that Mr. Carter does not have relevant information, but that is not a basis for not complying,” he said. “Imagine if everyone who gets an SEC subpoena could decide whether or not to comply. He is treading on very thin ice with that posture. The SEC doesn’t typically back down.”

Carter has wide-ranging business interests: the music industry, his streaming service Tidal, his sports management company. Rocawear was one of his early business successes. When Carter struck the deal with Iconix, Rocawear was bringing in more than \$700 million in revenue a year.

A Iconix spokesperson could not be immediately reached for comment.

The company, which began 40 years ago as the shoe company Candie’s, has grown to include more than two dozen American brands, including Danskin, Umbro and London Fog that the company licenses to mainstream retailers. Iconix has faced a series of troubles in recent years, including slipping sales and a number of high-profile executive departures. It posted a \$557 million loss last year, while annual revenue fell 7 percent to \$226 million.

Demand for many of its brands is also waning, as retailers like Sears, Kohl’s and Macy’s struggle to keep up with changing consumers habits. Last year Iconix sold two of its best known brands, Badgley Mischka and the Sharper Image, as well as a majority stake in Peanuts Worldwide.

Abha Bhattarai contributed to this report.

 **17 Comments**

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