ICONIC BRANDS, INC.
FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(unaudited)

CONTENTS

Iconic Brands, Inc.

Balance Sheets

(unaudited)

	As of September 30, 2016	As of December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 81	$ 5,796
Receivable from affiliated entity	72,248	-
Inventory	9,360	66,519
Total current assets	81,689	72,315
Other Assets:		
Note Receivable from Medical Marijuana Business Academy, LLC	125,000	125,000
Investment in BiVi LLC	1,001	1,001
Total assets	$ 207,690	$ 198,316
Liabilities and Stockholders' Deficiency		
Current liabilities:		
Current portion of debt	$ 892,211	$ 728,708
Accounts payable and accrued expenses	159,320	149,754
Due to officer	11,766	-
Accrued interest payable	251,006	161,238
Other current liabilities	17,886	12,500
Total current liabilities	1,332,189	1,052,200
Other Liabilities:		
Non-current portion of debt	265,765	320,300
Derivative liability	2,028,476	1,869,948
Total liabilities	3,626,430	3,242,448
Stockholders' deficiency:		
Preferred stock, $.001 par value; authorized 100,000,000 shares:		
Series A, 1 and 1 share issued and outstanding, respectively	1	1
Series C, 1,000 and 1,000 shares issued and outstanding, respectively	1	1
Common stock, $.001 par value; authorized 2,500,000,000 shares, 744,575,047 and 125,500,013 shares issued and outstanding respectively	744,575	125,500
Additional paid-in capital	10,626,605	11,187,424
Accumulated deficit	(14,789,922)	(14,357,058)
Total stockholders' deficiency	(3,418,740)	(3,044,132)
Total liabilities and stockholders' deficiency	$ 207,690	$ 198,316

The accompanying notes are an integral part of these financial statements.

Iconic Brands, Inc.
Statements of Operations
(unaudited)

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Sales	$ -	$ 38,960	$ 5,027	$ 87,435
Cost of Sales	-	36,316	3,519	60,507
Gross profit	-	2,644	1,508	26,928
Operating expenses:				
Officer compensation	-	12,576	21,521	24,245
Consulting fees	-	8,079	-	100,079
Marketing and advertising	-	26,888	64,281	30,528
Occupancy costs	-	13,415	21,565	18,033
Professional fees	-	21,350	22,999	45,225
Travel and entertainment	-	35,286	19,750	46,975
Other general and administrative expenses	91	32,453	32,238	39,828
Total operating expenses	91	150,047	182,354	304,913
Loss from operations	(91)	(147,403)	(180,846)	(277,985)
Other income (expense):				
Gain (loss) from derivative liability	2,117,856	-	(158,528)	-
Interest expense	(29,406)	(29)	(93,490)	(1,941)
Total other income (expense)	2,088,450	(29)	(252,018)	(1,941)
Net income (loss)	$ 2,088,359	$ (147,432)	$ (432,864)	$ (279,926)
Net income (loss) per common share – basic and diluted	$ 0.00	$ (0.00)	$ (0.00)	$ (0.00)
Weighted average common shares outstanding – basic and diluted	613,884,000	94,853,975	408,780,247	90,153,793

See notes to consolidated financial statements.

The accompanying notes are an integral part of these financial statements.

Iconic Brands, Inc.

Statements of Cash Flows
(unaudited)

	Nine Months Ended September 30, 2016	2015
Operating Activities:		
Net loss	$ (432,864)	$ (279,926)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss from derivative liability	158,528	-
Amortization of debt discounts charged to interest expense	-	-
Changes in operating assets and liabilities:		
Escrow held by attorney	-	10,000
Accounts receivable	-	(35,728)
Receivable from affiliated entity	(72,248)	-
Inventory	57,159	(63,000)
Accounts payable and accrued expenses	9,566	70,406
Other current liabilities	5,386	-
Accrued interest payable	93,489	13,003
Due to officer	11,766	-
Net cash used in operating activities	(169,218)	(285,245)
Financing Activities :		
Proceeds from issuance of debt	163,503	314,421
Net cash provided by financing activities	163,503	314,421
Increase (decrease) in cash and cash equivalents	(5,715)	29,176
Cash and cash equivalents, beginning of period	5,796	-
Cash and cash equivalents, end of period	$ 81	$ 29,176
SUPPLEMENTAL CASH FLOW INFORMATION:		
Income taxes paid	$ -	$ -
Interest paid	$ -	$ -
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Issuance of common stock in satisfaction of debt and accrued interest	$ 58,256	$ 49,003

The accompanying notes are an integral part of these financial statements.

1. ORGANIZATION AND NATURE OF BUSINESS

Iconic Brands, Inc., formerly Paw Spa, Inc. ("Iconic Brands" or the "Company"), was incorporated in the State of Nevada on October 21, 2005. On May 15, 2015 (See Note 4), the Company executed an agreement to acquire a 51% interest in BiVi LLC, the brand owner of "BiVi 100 percent Sicilian Vodka". On December 13, 2016 (see Note 10), the Company executed an agreement to acquire a 51% interest in Bellissima Spirits LLC, the brand owner of "Bellissima".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation and Going Concern

The financial statements are prepared on a "going concern" basis, which contemplates the realization of assets and liabilities in the normal course of business; however, there is substantial doubt as to the Company's ability to continue as a going concern.

As of September 30, 2016, the Company had negative working capital of $1,250,500 and a stockholders' deficiency of $3,418,740. The Company also incurred a net loss of $432,864 for the nine months ended September 30, 2016 and has accumulated losses of $14,789,922 as of September 30, 2016. These factors create substantial doubt as to the Company's ability to continue as a going concern.

The Company plans to improve its financial condition through its investment in BiVi LLC (see note 4) and its investment in Bellissima Spirits LLC (see Note 10b.). However, there is no assurance that the Company will be successful in accomplishing its objectives. The financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

(b) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

(c) Fair Value of Financial Instruments

Generally accepted accounting principles require disclosing the fair value of financial instruments to the extent practicable for financial instruments which are recognized or unrecognized in the balance sheet. The fair value of the financial instruments disclosed herein is not necessarily representative of the amount that could be realized or settled, nor does the fair value amount consider the tax consequences of realization or settlement.

In assessing the fair value of financial instruments, the Company uses a variety of methods and assumptions, which are based on estimates of market conditions and risks existing at the time. For certain instruments, including cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses, it was estimated that the carrying amount approximated fair value because of the short maturities of these instruments. All debt is carried at face value.

(d) Cash and Cash Equivalents

The Company considers all liquid investments purchased with original maturities of ninety days or less to be cash equivalents.

(e) Accounts Receivable, Net of Allowance for Doubtful Accounts

The Company extends unsecured credit to customers in the ordinary course of business but mitigates risk by performing credit checks and by actively pursuing past due accounts. The allowance for doubtful accounts is based on customer historical experience and the aging of the related accounts receivable.

(f) Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market, with due consideration given to obsolescence and to slow moving items. Inventory at September 30, 2016 and December 31, 2015 consists of cases of BiVi Vodka purchased from our Italian supplier.

(g) Revenue Recognition

Revenue from product sales is recognized when all of the following criteria are met: (1) persuasive evidence of an arrangement exists, (2) the price is fixed or determinable, (3) collectability is reasonably assured, and (4) delivery has occurred. Persuasive evidence of an arrangement and fixed price criteria are satisfied through purchase orders. Collectability criteria are satisfied through credit approvals. Delivery criteria are satisfied when the products are shipped to a customer and title and risk of loss passes to the customer in accordance with the terms of sale. The Company has no obligation to accept the return of products sold other than for replacement of damaged products. Other than quantity price discounts negotiated with customers prior to billing and delivery (which are reflected as a reduction in sales), the Company does not offer any sales incentives or other rebate arrangements to customers.

(h) Shipping and Handling Costs

Shipping and handling costs to deliver product to customers are reported as general and administrative expenses in the accompanying statements of operations. Shipping and handling costs to purchase inventory are capitalized and expensed to cost of sales when revenue is recognized on the sale of product to customers.

(i) Stock-Based Compensation

Stock-based compensation is accounted for at fair value in accordance with Accounting Standards Codification (“ASC”) Topic 718, “Compensation- Stock Compensation”. For the nine months ended September 30, 2016 and 2015, stock-based compensation totaled $0.

(j) Income Taxes

Income taxes are accounted for under the assets and liability method. Current income taxes are provided in accordance with the laws of the respective taxing authorities. Deferred income taxes are provided for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is not more likely than not that some portion or all of the deferred tax assets will be realized.

(k) Net Income (Loss) per Share

Basic net income (loss) per common share is computed on the basis of the weighted average number of common shares outstanding during the period of the financial statements.

Diluted net income (loss) per common share is computed on the basis of the weighted average number of common shares and dilutive securities (such as stock options, warrants, and convertible securities) outstanding. Dilutive securities having an anti-dilutive effect on diluted net income (loss) per share are excluded from the calculation.

(l) Recently Issued Accounting Pronouncements

Certain accounting pronouncements have been issued by the FASB and other standard setting organizations which are not yet effective and have not yet been adopted by the Company. The impact on the Company's financial position and results of operations from adoption of these standards is not expected to be material.

(m) Reclassifications

Certain 2015 amounts have been reclassified to conform with current year presentation.

3. NOTE RECEIVABLE FROM MEDICAL MARIJUANA BUSINESS ACADEMY, LLC

On September 10, 2014, the "Company entered into a Share Exchange Agreement (the "Agreement") and merger with Medical Marijuana Business Academy, LLC, a company organized pursuant to the laws of the State of Colorado ("MMBA"), and MJ Business Academy, Inc., a Nevada corporation and a wholly-owned subsidiary of the Company ("Merger Sub"), pursuant to which, on September 10, 2014, MMBA merged with and into Merger Sub, with Merger Sub continuing as the surviving entity that succeeded to all of the assets, liabilities and operations of MMBA and whereby MMBA effectively became our wholly-owned operating subsidiary (the "Merger").

At the effective time of the Merger, the outstanding membership interest units of MMBA, held by Phillip Stark and Charles Houghton, were exchanged for a total of 60,000,000 newly issued shares of the Company's common stock as consideration for the Merger, and as such, Mr. Stark and Mr. Houghton, as the sole members of MMBA, held a controlling voting interest in the Company's outstanding common stock. At Closing, the Company's then former CEO, Richard DeCicco, also transferred his One (1) Share of Series A Preferred Stock to Mr. Stark and Mr. Houghton, giving them control of the Company's preferred stock, as well.

The Agreement contained customary terms and conditions for agreements of this type, including completion of due diligence by the parties and approval of the Merger by MMBA members. At the effective time of the Merger, MMBA's current officers and directors were appointed as officers and directors of the Company. The Merger became effective on September 10, 2014.

Effective on April 9, 2015, the Company, MMBA and Merger Sub entered into an Unwind Agreement (the "Unwind Agreement") whereby Mr. Houghton and Mr. Stark agreed to transfer their 60,000,000 shares of the Company's common stock, and to return the One (1) Share of Series A Preferred Stock to Mr. DeCicco, in exchange for the unwinding of the merger, and a return to Mr. Houghton and Mr. Stark of all of the membership interest units in MMBA. MMBA, LLC agreed to repay the $125,000 non-refundable investment to the Company by way of a promissory note, bearing one percent (1%) interest, payable over ten (10) years at the rate of $1,095 per month, commencing June 5, 2015. The Company wrote-off the remaining balance of the investment in MMBA of $60,000 at December 31, 2015. To date, the Company has not received any payments due under the $125,000 promissory note.

At the Closing of the Unwind Agreement on April 23, 2015, Richard DeCicco was appointed President and Director of the Company and Merger Sub. Following Mr. DeCicco's appointment, Mr. Stark and Mr. Houghton resigned all officer and director positions in both the Company and Merger Sub, and Mr. DeCicco remains as sole officer and director of Iconic Brands, Inc.

As of the Closing of the Unwind Agreement, neither the Company, nor Merger Sub holds any right, title or interest in or to any of the assets of Medical Marijuana Business Academy, LLC. MMBA became a private entity once again owned solely by its Managing Members, Phillip Stark and Charles Houghton.

4. INVESTMENT IN BIVI LLC

On May 15, 2015, the Company entered into a Securities Exchange Agreement by and among the members of BiVi LLC, a Nevada limited liability company ("BiVi"), under which the Company is to acquire a 51% majority interest in BiVi in exchange for the issuance of (a) 1,000,000 shares of restricted common stock and (b) 1,000 shares of newly created Series C Convertible Preferred Stock.

Under the terms of the Securities Exchange Agreement, the Company is to provide working capital, from time to time, of up to $750,000 pursuant to a Working Capital Facility, which shall be repaid by BiVi from working capital generated from BiVi's operations. Provided that, in the event that the Company fails to provide working capital of at least $40,000 per month, and such failure shall continue for a period of sixty (60) calendar days thereafter

("Cure Period") then BiVi may, at its option, by written notice to the Company, declare a default. In the event of such default, the Company shall surrender the Majority Interest back to BiVi for retirement and the Holders of the Series C Preferred Stock shall surrender all outstanding shares back to Iconic for retirement ("BiVi Unwind"). In the event of the BiVi Unwind, BiVi shall issue a 5% promissory note to the Company ("Promissory Note") with a principal amount equal to the then outstanding unpaid balance of the Working Capital Facility advanced to BiVi prior to the Unwind, payable upon the acquisition of the majority of the outstanding stock or assets of BiVi, including but not limited to the BiVi Brand of products, by a third party, but in no event later than 36 months from issuance ("Maturity Date").

Prior to May 15, 2015, BiVi was beneficially owned and controlled by Richard DeCicco, the controlling shareholder, President, CEO and Director of Iconic Brands, Inc.

From May 15, 2015 to March 31, 2016, the Company failed to provide BiVi working capital of at least $40,000 per month. As a result, BiVi stopped making sales of its BiVi Vodka product through the Company in April 2016. The Company and BiVi are presently in discussions to perfect the Company's investment in BiVi.

5. DEBT

Debt consists of:

	September 30, 2016	December 31, 2015
Southridge Partners II, L.P. ("Southridge"):		
$50,000 Promissory Note assigned September 8, 2015, interest at 12%, due December 31, 2017 (A) (B)	$ 46,320	$ 47,300
$185,000 Promissory Notes dated in 2015, interest at 10%, due from June 30, 2016 to December 31, 2016 (B)	185,000	185,000
$248,600 Promissory Notes dated in 2015, interest at 10%, due from May 31, 2016 to November 30, 2016 (B)	248,600	248,600
Total Southridge	479,920	480,900
Equity Markets Advisory Inc. ("Equity Markets"):		
$159,000 Promissory Notes dated April 15, 2010, November 1, 2013, and January 15, 2014, interest at 12%, due December 31, 2017 (B)	159,000	264,000
$41,235 Promissory Notes assigned in 2013, interest at 12%, past due, convertible into ICNB common stock at $0.10 per share	41,235	41,235
Total Equity Markets	200,235	305,235
Beaufort Capital Partners, LLC ("Beaufort"):		
$50,000 Promissory Note assigned January 7, 2016, interest at 12%, due December 31, 2017 (A)(B)	5,445	-

$40,000 Promissory Note assigned February 8, 2016, interest at 12%, due December 31, 2017 (A)(B)	40,000	-
$100,000 Promissory Note dated January 7, 2016, interest at 10%, due February 8, 2017 (B)	100,000	-
Total Beaufort	145,445	-
Alpha Capital Anstalt ("Alpha"):		
$100,000 Promissory Notes dated May 22, 2015 and June 4, 2015, interest at 10%, due May 31, 2016 (B)	93,873	93,873
$100,000 Promissory Note dated August 28, 2015, interest at 10%, due August 31, 2016 (B)	100,000	100,000
Total Alpha	193,873	193,873
Sky-Direct LLC ("Sky"):		
$21,000 Promissory Notes dated January 27, 2016 and March 4, 2016, interest at 12%, due January, 28, 2017 and March 3, 2017 (C)	21,000	-
$15,000 Promissory Note assigned March 25, 2016, interest at 12%, due December 31, 2017 (A)(B)	15,000	-
Total Sky	36,000	-
Seacor Capital Inc. ("Seacor"):		
$9,000 Promissory Note assigned December 4, 2015, interest at 12%, due December 31, 2017 (A)(B)	-	9,000
Other:		
$10,000 Promissory Note to Sable Ridge Special Equity Fund LP dated October 10, 2014, interest at 10%, past due	10,000	10,000
$10,000 Promissory Note to Durham Property Management Inc. dated November 1, 2013, interest at 12%, past due	10,000	10,000
Loans from Peter Levine and affiliates, non-interest bearing, no terms of repayment	82,503	40,000
Total Other	102,503	60,000
Total	1,157,976	1,049,008
Less current portion	(892,211)	(728,708)
Non-current portion	$ 265,765	$ 320,300

<u>Legend</u>

(A) Assigned by Equity Markets Advisory Inc.

(B) Convertible into ICNB common stock at a Conversion Price equal to the lesser of (1) $0.01 per share or (2) 50% discount from the lowest closing bid price during the 30 days prior to the Notice of Conversion. See Note 7 (Derivative Liability).

(C) Convertible into ICNB common stock at a Conversion Price equal to a 50% discount to market. See Note 7 (Derivative Liability).

On December 7, 2016 (see Note 10 a.), the Company entered into Debt Amendment agreements with certain of the above lenders with respect to certain of the above Promissory Notes.

6. DERIVATIVE LIABILITY

The derivative liability consists of:

	September 30, 2016		December 31, 2015	
	Face Value	Derivative Liability	Face Value	Derivative Liability
Southridge Partners II, L.P. ("Southridge"):				
$50,000 Promissory Note assigned September 8, 2015, interest at 12%, due December 31, 2017	$ 46,320	$ 92,640	$ 47,300	$ 98,542
$185,000 Promissory Notes dated in 2015, interest at 10%, due from June 30, 2016 to December 31, 2016	185,000	370,000	185,000	354,583
$248,600 Promissory Notes dated in 2015, interest at 10%, due from May 31, 2016 to November 30, 2016	248,600	497,200	248,600	476,483
Total Southridge	479,920	959,840	480,920	929,608
Equity Markets Advisory Inc. ("Equity Markets"):				
$159,000 Promissory Notes dated April 15, 2010, November 1, 2013, and January 15, 2014, interest at 12%, due December 31, 2017	159,000	318,000	264,000	550,000
Beaufort Capital Partners, LLC ("Beaufort"):				
$50,000 Promissory Note assigned January 7, 2016, interest at 12%, due December 31, 2017	5,445	10,890	-	-
$40,000 Promissory Note assigned February 8, 2016, interest at 12%, due December 31, 2017	40,000	80,000	-	-
$100,000 Promissory Note dated January 7, 2016, interest at 10%, due February 8, 2017	100,000	200,000	-	-
Total Beaufort	145,445	290,890	-	-
Alpha Capital Anstalt ("Alpha"):				
$100,000 Promissory Notes dated May 22, 2015 and June 4, 2015, interest at 10%, due May 31, 2016	93,873	187,746	93,873	179,923
$100,000 Promissory Note dated August 28, 2015, interest at 10%, due August 31, 2016	100,000	200,000	100,000	191,667

Total Alpha	193,873	387,746	193,873	371,590
Sky-Direct LLC ("Sky"):				
$21,000 Promissory Notes dated January 27, 2016 and March 4, 2016, interest at 12%, due January, 28, 2017 and March 3, 2017	21,000	42,000	-	-
$15,000 Promissory Note assigned March 25, 2016, interest at 12%, due December 31, 2017	15,000	30,000	-	-
Total Sky	36,000	72,000	-	-
Seacor Capital Inc. ("Seacor"):				
$9,000 Promissory Note assigned December 4, 2015, interest at 12%, due December 31, 2017	-	-	9,000	18,750
Total	$ 1,014,238	$ 2,028,476	$ 947,793	$ 1,869,948

The above convertible notes contain variable conversion features based on the future trading price of the Company common stock. Therefore, the number of shares of common stock issuable upon conversion of the notes are indeterminate. Accordingly, we recorded the $1,869,948 fair value of the embedded conversion features at December 31, 2015 as a derivative liability. The $158,528 increase in the fair value of the derivative liability from $1,869,948 at December 31, 2015 to $2,028,476 at September 30, 2016 was charged to loss from derivative liability.

The fair values of the embedded conversion features are measured quarterly using the Black Scholes option pricing model. Assumptions used to calculate the derivative liability at December 31, 2015 include (1) stock price of $0.0025 per share, (2) exercise price of $0.0012 per share, (3) terms ranging from 1 year to 2 years, (4) expected volatility of 332%, and (5) risk free interest rates ranging from 0.65% to 1.06%. Assumptions used to calculate the derivative liability at September 30, 2016 include (1) stock price of $0.0002 per share, (2) exercise price of $0.0001 per share, (3) terms ranging from 4 months to 1.25 years, (4) expected volatility of 462%, and (5) risk free interest rates ranging from 0.36% to 0.64%.

7. CAPITAL STOCK

Preferred Stock

The one share of Series A Preferred Stock, which was issued to Richard DeCicco on June 10, 2009, entitles the holder to two votes for every share of Common Stock Deemed Outstanding and has no conversion or dividend rights.

The one share of Series C Preferred Stock, which was issued to Richard DeCicco on May 15, 2015 pursuant to the Securities Exchange Agreement (see note 4) for the Company's 51% investment in BiVi, entitles the holder in the event of a Sale (as defined) to receive out of the proceeds of such Sale (in whatever form, be it cash, securities, or other assets), a distribution from the Company equal to 76.93% of all such proceeds received by the Company prior to any distribution of such proceeds to all other classes of equity securities, including any series of preferred stock designated subsequent to this Series C Preferred Stock.

Common Stock

For the nine months ended September 30, 2016, the Company issued an aggregate of 619,075,034 shares of its Common Stock in settlement of convertible notes payable and accrued interest payable totaling $58,256.

8. INCOME TAXES

No income taxes were recorded in the three and nine months ended September 30, 2016 and 2015 since the Company incurred taxable losses in these periods.

Based on management's present assessment, the Company has not yet determined that a deferred tax asset attributable to the future utilization of the net operating loss carryforward as of September 30, 2016 will be realized. Accordingly, the Company has maintained a 100% valuation allowance against the deferred tax asset in the financial statements at September 30, 2016. The Company will continue to review this valuation allowance and make adjustments as appropriate.

Current United States income tax laws limit the amount of loss available to be offset against future taxable income when a substantial change in ownership occurs. Therefore, the amount available to offset future taxable income may be limited.

9. COMMITMENTS AND CONTINGENCIES

a. Consulting Agreement with Southridge Partners II LLP

On May 12, 2015, the Company entered into a consulting agreement with Southridge to provide certain business, financial consulting and advisory services to the Company. Those services included but were not limited to current business unwind and contribution of NEWCO Company Reorganization and capital structuring, Pro Forma models, Balance sheet optimization and debt restructuring, creating financial terms and evaluating financing proposals.

The agreement provided for a monthly consulting fee of $30,000 and 3,000,000 warrants to Southridge. The fee was paid in the form of mandatory convertible promissory notes, convertible into shares of common stock at Southridge's option. The mandatory convertible promissory notes had a one (1) year maturity, no registration rights, and an interest rate of 10%. For the year ended December 31, 2015, the Company issued convertible promissory notes totaling $240,000 for payment of the consulting services under the agreement. The warrants have an initial exercise price of $.01, an initial exercise date of May 13, 2015 and a term of seven (7) years.

On December 7, 2016 (see Note 10a.), the Company entered into a Debt Amendment agreement with Southridge.

b. Iconic Guarantees

On May 26, 2015, BiVi LLC ("BiVi") entered into a License Agreement with Neighborhood Licensing, LLC (the "BiVi Licensor"), an entity owned by Chazz Palminteri ("Palminteri"), to use Palminteri's endorsement, signature and other intellectual property owned by the BiVi Licensor. Iconic has agreed to guarantee and act as surety for BiVi's obligations under certain sections of the License Agreement and to indemnify the BiVi Licensor and Palminteri against third party claims.

On November 12, 2015, Bellissima Spirits LLC ("Bellissima") entered into a License Agreement with Christie Brinkley, Inc. (the "Bellissima Licensor"), an entity owned by Christie Brinkley ("Brinkley"), to use Brinkley's endorsement, signature, and other intellectual property owned by the Bellissima Licensor. Iconic has agreed to guarantee and act as surety for Bellissima's obligations under certain sections of the License Agreement and to indemnify the Bellissima Licensor and Brinkley against third party claims. Also, Brinkley was granted a 24 month option to purchase 1% of the outstanding shares of Iconic common stock on a fully diluted basis (as of the date of Brinkley's exercise of the option) at an exercise price of $0.001 per share.

c. <u>Royalty Obligations of BiVi and Bellissima</u>

Pursuant to the License Agreement with the Bivi Licensor (see note 9b. above), BiVi is obligated to pay the BiVi Licensor a Royalty Fee equal to 5% of monthly gross sales of BiVi Brand products payable monthly subject to an annual Minimum Royalty Fee of $100,000 in year 1, $150,000 in year 2, $165,000 in year 3, $181,500 in year 4, $199,650 in year 5, and $219,615 in year 6 and each subsequent year.

Pursuant to the License Agreement with the Bellissima Licensor (see note 9b. above), Bellissima is obligated to pay the Bellissima Licensor a Royalty Fee equal to 10% of monthly gross sales of Bellissima Brand products payable monthly. The Bellissima Licensor has the right to terminate the endorsement if Bellissima fails to sell 10,000 cases of Bellissima Brand products in year 1, 15,000 cases in year 2, or 20,000 cases in year 3 and each subsequent year.

10. SUBSEQUENT EVENTS

a. <u>Debt Amendment Agreements</u>

On December 7, 2016, the Company executed Debt Amendment agreements with 6 holders of convertible Promissory Notes. Under the agreements, the Conversion Price on a total of $682,883 of the Promissory Notes was amended to $0.0015 per share (subject to a lower December 31, 2017 reset price if the average of the closing bid prices of the Company's common stock for the 60 trading days ending December 31, 2017 is less than $0.0015 per share).

b. <u>Investment in Bellissima Spirits LLC</u>

On December 13, 2016, the Company entered into a Securities Purchase Agreement with Bellissima Spirits LLC ("Bellissima") and Bellissima's members under which the Company acquired a 51% Majority Interest in Bellissima in exchange for the issuance of a total of 10 shares of newly designated Iconic Series D Convertible Preferred Stock. Each share of Iconic Series D Convertible Preferred Stock is convertible into the equivalent of 5.1% of Iconic common stock issued and outstanding at the time of conversion.