

ICONIC BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017

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Iconic Brands, Inc. and Subsidiaries
Consolidated Balance Sheets
(Unaudited)

	June 30, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 26,124	\$ 716
Accounts receivable	70,816	246,377
Inventory	64,500	16,950
Prepaid inventory	106,822	-
Receivable from affiliated entity	124,910	-
Total current assets	393,172	264,043
Total assets	<u>\$ 393,172</u>	<u>\$ 264,043</u>
Liabilities and Stockholders' Deficiency		
Current liabilities:		
Current portion of debt	\$ 395,411	\$ 1,065,126
Accounts payable and accrued expenses	404,653	430,816
Loans payable to officer and affiliated entities		
-noninterest bearing and due on demand	39,016	57,944
Accrued interest payable	76,126	278,722
Derivative liability	1,290,012	7,315,935
Total current liabilities	2,205,218	9,148,543
Total liabilities	2,205,218	9,148,543
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
Series D, 10 and 10 shares issued and outstanding, respectively	-	-
Common stock, \$.001 par value; authorized 2,000,000,000 shares, 901,968,778 and 814,790,609 shares issued and outstanding respectively	901,969	814,791
Common stock to be issued to Escrow Agent, \$.001 par value; 541,805,853 and 0 shares, respectively	541,806	-
Additional paid-in capital	11,363,648	10,692,894
Accumulated deficit	(14,481,549)	(20,391,046)
Total Iconic Brands, Inc. stockholders' equity	(1,674,124)	(8,883,359)
Noncontrolling interests in subsidiaries	(137,922)	(1,141)
Total stockholders' deficiency	(1,812,046)	(8,884,500)
Total liabilities and stockholders' deficiency	<u>\$ 393,172</u>	<u>\$ 264,043</u>

See notes to consolidated financial statements.

Iconic Brands, Inc. and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Sales	\$ 190,084	\$ 35,190	\$ 490,973	\$ 46,501
Cost of Sales	91,010	24,991	268,678	32,551
Gross profit	99,074	10,199	222,295	13,950
Operating expenses:				
Officers compensation	-	-	-	21,866
Professional and consulting fees	31,165	14,234	47,481	38,910
Marketing and advertising	20,352	3,397	43,705	82,709
Occupancy costs	26,656	4,501	40,471	18,406
Travel and entertainment	29,809	16,970	81,583	34,926
Other general and administrative expenses	105,364	8,008	201,363	29,695
Total operating expenses	213,346	47,110	414,603	226,512
Loss from operations	(114,272)	(36,911)	(192,308)	(212,562)
Other income (expense):				
Income (expense) from derivative liability	2,989,230	(2,276,384)	6,148,292	(2,276,384)
Interest expense	(23,542)	(27,715)	(55,490)	(64,084)
Total other income (expense)	2,965,688	(2,304,099)	6,092,802	(2,340,468)
Net income (loss)	2,851,416	(2,341,010)	5,900,494	(2,553,030)
Net income (loss) attributable to noncontrolling interests in subsidiaries	7,597	8,407	9,003	15,806
Net income (loss) attributable to Iconic Brands, Inc.	\$ 2,859,013	\$ (2,332,603)	\$ 5,909,497	\$ (2,537,224)
Net income (loss) per common share – basic and diluted	\$ 0.00	\$ (0.01)	\$ 0.01	\$ (0.01)
Weighted average common shares Outstanding and to be issued to Escrow Agent – basic and diluted	1,388,284,259	390,874,361	1,113,913,267	306,228,370

See notes to consolidated financial statements.

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

Iconic Brands, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
	2017	2016
Operating Activities:		
Net income (loss)	\$ 5,909,497	\$ (2,537,224)
Adjustments to reconcile net loss to net cash used in operating activities:		
Net loss attributable to noncontrolling interests in subsidiaries	(9,003)	(15,806)
Expense (income) from derivative liability	(6,148,292)	2,276,384
Amortization of debt discounts	10,656	-
Changes in operating assets and liabilities:		
Accounts receivable	175,561	(14,322)
Inventory	(47,550)	(31,080)
Prepaid inventory	(106,822)	-
Receivable from affiliated entity	(124,910)	(92,316)
Accounts payable and accrued expenses	39,471	100,417
Accrued interest payable	44,834	60,603
Net cash used in operating activities	<u>(256,558)</u>	<u>(253,344)</u>
Financing Activities :		
Proceeds from issuance of debt	300,894	259,741
Loans payable to officer and affiliated entities	<u>(18,928)</u>	<u>(12,123)</u>
Net cash provided by financing activities	<u>281,966</u>	<u>247,618</u>
Increase (decrease) in cash and cash equivalents	25,408	(5,726)
Cash and cash equivalents, beginning of period	<u>716</u>	<u>5,781</u>
Cash and cash equivalents, end of period	<u>\$ 26,124</u>	<u>\$ 55</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>
Interest paid	<u>\$ -</u>	<u>\$ -</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Issuance of common stock in satisfaction of debt and accrued interest	<u>\$ 72,867</u>	<u>\$ 99,998</u>
Agreements to issue common stock in satisfaction of debt and accrued interest	<u>\$ 1,099,064</u>	<u>\$ -</u>
Issuance of common stock to Escrow Agent in connection with Settlement Agreement and Amended Settlement Agreement	<u>\$ 71,194</u>	<u>\$ -</u>

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

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1. ORGANIZATION AND NATURE OF BUSINESS

Iconic Brands, Inc., formerly Paw Spa, Inc. (“Iconic Brands” or “Iconic”), was incorporated in the State of Nevada on October 21, 2005. Effective December 31, 2016, Iconic closed on a May 15, 2015 agreement to acquire a 51% interest in BiVi LLC (“BiVi”), the brand owner of “BiVi 100 percent Sicilian Vodka,” and closed on a December 13, 2016 agreement to acquire a 51% interest in Bellissima Spirits LLC (“Bellissima”), the brand owner of Bellissima sparkling wines. These transactions involved entities under common control of the Company’s chief executive officer and represented a change in reporting entity. The financial statements of the Company have been retrospectively adjusted to reflect the operations at BiVi and Bellissima from their inception.

BiVi was organized in Nevada on May 4, 2015, Bellissima was organized in Nevada on November 23, 2015.

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 June 30, 2017, the Company had negative working capital of \$1,812,046 and a stockholders’ deficiency of \$1,812,046. The Company has accumulated losses of \$14,481,549 as of June 30, 2017. 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 3) and its investment in Bellissima Spirits LLC (see Note 4.). 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) Principles of Consolidation

The consolidated financial statements include the accounts of Iconic and its two 51% owned subsidiaries BiVi and Bellissima (collectively, the “Company”). All inter-company balances and transactions have been eliminated in consolidation.

(C) 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.

(d) Fair Value of Financial Instruments

Generally accepted accounting principles require disclosing the fair value of financial instruments to the

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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 less any unamortized debt discounts.

(e) Cash and Cash Equivalents

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

(f) 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.

(g) 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 June 30, 2017 and December 31, 2016 consists of cases of BiVi Vodka and cases of Bellissima sparkling wines purchased from our Italian suppliers.

(h) 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.

(i) Shipping and Handling Costs

Shipping and handling costs to deliver product to customers are reported as operating 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.

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(j) 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 three and six months ended June 30, 2017 and 2016, stock-based compensation totaled \$0.

(k) 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.

(l) 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 and to be issued to Escrow Agent (see Note 7) 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 to be issued to Escrow Agent (see Note 7) 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.

(m) 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.

3. INVESTMENT IN BIVI LLC

On May 15, 2015, Iconic entered into a Securities Exchange Agreement by and among the members of BiVi LLC, a Nevada limited liability company (“BiVi”), under which Iconic acquired 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.

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.

4. INVESTMENT IN BELLISSIMA SPIRITS LLC

On December 13, 2016, Iconic entered into a Securities Purchase Agreement with Bellissima

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Spirits LLC (“Bellissima”) and Bellissima’s members under which Iconic 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.

Prior to December 13, 2016, Bellissima was controlled by Richard DeCicco, the controlling shareholder, President, CEO and Director of Iconic.

5. DEBT

Debt consists of:

	June 30, 2017	December 31, 2016
Southridge Partners II, L.P. and Tarpon Bay Partners LLC (“Southridge”):		
\$50,000 Promissory Note assigned September 8, 2015, interest at 12%, due December 31, 2017 (A) (B) (D) (E) (F)	\$ -	\$ 46,320
\$185,000 Promissory Notes dated in 2015, interest at 12%, due December 31, 2017 (B) (D) (E) (F)	-	5,000
\$248,600 Promissory Notes dated in 2015, interest at 12%, due December 31, 2017 (B) (D) (E) (F)	-	248,600
Total Southridge	-	299,920
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) (D) (E) (F)	86,227	159,000
\$41,235 Promissory Notes assigned in 2013, interest at 12%, due December 31, 2017 (D) (E) (F)	-	41,235
\$80,000 Promissory Notes assigned by Southridge in October 2016, interest at 12%, due December 31, 2017 (B) (D) (E) (F)	-	80,000
Total Equity Markets	86,227	280,235
Beaufort Capital Partners, LLC (“Beaufort”):		
\$50,000 Promissory Note assigned January 7, 2016, interest at 12%, due December 31, 2017 (A) (B) (D) (E) (F)	-	5,445
\$40,000 Promissory Note assigned February 8, 2016, interest at 12%, due December 31, 2017 (A) (B) (D) (E) (F)	-	40,000
\$100,000 Promissory Note dated January 7, 2016, interest at 12%, due December 31, 2017 (B) (D) (E) (F)	-	100,000
Total Beaufort	-	145,445
Alpha Capital Anstalt (“Alpha”):		

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\$100,000 Promissory Note dated August 28, 2015, interest at 12%, due December 31, 2017 (B) (D) (F)	-	100,000
\$100,000 Promissory Notes dated May 22, 2015 and June 4, 2015, interest at 12%, due December 31, 2017 (B) (D) (F)	-	93,873
\$50,000 Promissory Note dated June 9, 2017, interest at 5%, due June 30, 2018 -less unamortized debt discount of \$47,280 at June 30, 2017 (G)	2,720	-
Total Alpha	2,720	193,873
Sky-Direct LLC ("Sky"):		
\$21,000 Promissory Notes dated January 27, 2016 and March 4, 2016, interest at 12%, due December 31, 2017 (C) (D)	8,350	18,350
\$15,000 Promissory Note assigned March 25, 2016, interest at 12%, due December 31, 2017 (A) (B) (D)	15,000	15,000
\$14,975 Promissory Notes dated October 19 2016, November 29, 2016, and December 30, 2016, interest at 12%, due one year from respective dates of issuance (C)	14,975	9,800
\$80,700 Promissory Note dated January 30, 2017, interest at 12%, due January 29, 2018 (C)	80,700	-
\$80,000 Promissory Note dated February 28, 2017, interest at 12%, due February 28, 2018 (C)	80,000	-
\$7,000 Promissory Note dated March 31, 2017, interest at 12%, due March 31, 2018 (C)	7,000	-
\$5,000 Promissory Note dated May 19, 2017, interest at 10%, due May 18, 2018 -less unamortized debt discount of \$4,425 at June 30, 2017 (G)	575	-
Total Sky	206,600	43,150
Oscaleta Partners LLC ("Oscaleta"):		
\$30,019 Promissory Note dated April 20, 2017, interest at 5%, due June 30, 2018 -less unamortized debt discount of \$25,131 at June 30, 2017 (G)	4,888	-
\$25,000 Promissory Note dated June 9, 2017, interest at 5%, due June 30, 2018 -less unamortized debt discount of \$23,640 at June 30, 2017 (G)	1,360	-
Total Oscaleta	6,248	-
East Six Opportunity Fund LLC:		
\$25,000 Promissory Note dated June 13, 2017, interest at 5%, due June 30, 2018 -less unamortized debt discount of \$23,887 at June 30, 2017 (G)	1,113	-

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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 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	82,503
Total Other	92,503	102,503
Total	395,411	1,065,126
Less current portion	(395,411)	(1,065,126)
Non-current portion	\$ -	\$ -

Legend

- (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 6 (Derivative Liability).
- (C) Convertible into ICNB common stock at a Conversion Price equal to a 50% discount to market. See Note 6 (Derivative Liability).
- (D) On December 7, 2016, the Conversion Price on these notes was amended to \$0.0015 per share (subject to a lower December 31, 2017 reset price if the average of the closing bid price of the Company's common stock for the 60 trading days ending December 31, 2017 is less than \$0.0015 per share). See Note 6 (Derivative Liability).
- (E) On March 28, 2017, pursuant to a Settlement Agreement and Release, these notes and related accrued interest (totaling \$892,721) were satisfied through the Company's agreement to issue of a total of 482,926,829 shares of its common stock. See Note 7.
- (F) On May 5, 2017, pursuant to an Amended Settlement Agreement and Release, these notes and related accrued interest (totaling \$1,099,094) were satisfied through the Company's agreement to issue a total of 613,000,000 shares of its common stock. See Note 7.
- (G) Convertible into ICNB common stock at a Conversion Price of \$0.01 per share. Contains "down round" price protection. See Note 6 (Derivative Liability).

On December 7, 2016, Southridge agreed to retire \$100,000 of notes payable with no further recourse. Accordingly, the Company recognized a \$100,000 gain on retirement of debt in the three months ended December 31, 2016.

6. DERIVATIVE LIABILITY

The derivative liability consists of:

	June 30, 2017		December 31, 2016	
	Face Value	Derivative Liability	Face Value	Derivative Liability
Southridge Partners II, L.P. and Tarpon Bay Partners LLC ("Southridge"):				

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\$50,000 Promissory Note assigned September 8, 2015, interest at 12%, due December 31, 2017 (A) (B) (D) (E) (F)	\$ -	\$ -	\$ 46,320	\$ 352,032
\$185,000 Promissory Notes dated in 2015, interest at 12%, due December 31, 2017 (B) (D) (E) (F)	-	-	5,000	38,000
\$248,600 Promissory Notes dated in 2015, interest at 12%, due December 31, 2017 (B) (D) (E) (F)	-	-	248,600	1,889,360
Total Southridge	-	-	299,920	2,279,392
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)(D)(E)(F)	86,227	643,828	159,000	1,208,400
\$41,235 Promissory Notes assigned in 2013, interest at 12%, due December 31, 2017 (D) (E) (F)	-	-	41,235	313,386
\$80,000 Promissory Notes assigned by Southridge, in October 2016, interest at 12%, due December 31, 2017 (B) (D) (E) (F)	-	-	80,000	608,000
Total Equity Markets	86,227	643,828	280,235	2,129,786
Beaufort Capital Partners, LLC ("Beaufort"):				
\$50,000 Promissory Note assigned January 7, 2016, interest at 12%, due December 31, 2017 (B) (B) (D) (E) (F)	-	-	5,445	41,382
\$40,000 Promissory Note assigned February 8, 2016, interest at 12%, due December 31, 2017 (B) (B) (D) (E) (F)	-	-	40,000	304,000
\$100,000 Promissory Note dated January 7, 2016, interest at 12%, due December 31, 2017 (B) (D) (E) (F)	-	-	100,000	760,000
Total Beaufort	-	-	145,445	1,105,382
Alpha Capital Anstalt ("Alpha"):				
\$100,000 Promissory Notes dated May 22, 2015 and June 4, 2015, interest at 12%, due December 31, 2017 (B) (D) (F)	-	-	93,873	713,435
\$100,000 Promissory Note dated August 28, 2015, interest at 12%, due December 31, 2017(B)(D)(F)	-	-	100,000	760,000
\$50,000 Promissory Note dated June 9, 2017, interest at 5%, due June 30, 2018 (G)	50,000	55,500	-	-
Total Alpha	50,000	55,500	193,873	1,473,435

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Sky-Direct LLC ("Sky"):

\$21,000 Promissory Notes dated January 27, 2016 and March 4, 2016, interest at 12%, due December 31, 2017 (C) (D)	8,350	62,347	18,350	139,460
\$15,000 Promissory Note assigned March 25, 2016, interest at 12%, due December 31, 2017 (A) (B) (D)	15,000	112,000	15,000	114,000
\$14,975 Promissory Notes dated October 19 2016, November 29, 2016, and December 30, 2016, interest at 12%, due one year from respective dates of issuance (C)	14,975	25,457	9,800	74,480
\$80,700 Promissory Note dated January 30, 2017, interest at 12%, due January 29, 2018 (C)	80,700	141,225	-	-
\$80,000 Promissory Note dated February 28, 2017, interest at 12%, due February 28, 2018 (C)	80,000	142,667	-	-
\$7,000 Promissory Note dated March 31, 2017, interest at 12%, due March 31, 2018 (C) respective dates of issuance (C)	7,000	12,717	-	-
\$5,000 Promissory Note dated May 19, 2017, interest at 10%, due May 18, 2018 (G)	<u>5,000</u>	<u>5,450</u>	<u>-</u>	<u>-</u>
Total Sky	<u>211,025</u>	<u>501,863</u>	<u>43,150</u>	<u>327,940</u>

Oscaleta Partners LLC ("Oscaleta"):

\$30,019 Promissory Note dated April 20, 2017, interest at 5%, due June 30, 2018 (G)	30,019	33,321	-	-
\$25,000 Promissory Note dated June 9, 2017, interest at 5%, due June 30, 2018 (G)	<u>25,000</u>	<u>27,750</u>	<u>-</u>	<u>-</u>
Total Oscaleta	<u>55,019</u>	<u>61,071</u>	<u>-</u>	<u>-</u>

East Six Opportunity Fund LLC:

\$25,000 Promissory Note dated June 13, 2017, interest at 5%, due June 30, 2018 (G)	<u>25,000</u>	<u>27,250</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 427,271</u>	<u>\$ 1,290,012</u>	<u>\$ 962,623</u>	<u>\$ 7,315,935</u>

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 \$7,315,935 fair value of the embedded conversion features at December 31, 2016 as a derivative liability. The \$6,025,923 decrease in the fair

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value of the derivative liability from \$7,315,935 at December 31, 2016 to \$1,290,012 at June 30, 2017 (plus the \$135,019 charged to debt discounts in the six months ended June 30, 2017) was credited to income 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, 2016 include (1) stock price of \$0.0115 per share, (2) exercise price of \$0.0015 per share, (3) terms of 1 year, (4) expected volatility of 491%, and (5) risk free interest rates of 0.85%. Assumptions used to calculate the derivative liability at June 30, 2017 include (1) stock price of \$0.0119 per share, (2) exercise prices ranging from \$0.0015 to \$0.01 per share, (3) terms ranging from 6 months to 12 months, (4) expected volatility of 358%, and (5) risk free interest rates ranging from 1.14% to 1.24%.

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 1000 shares of Series C Preferred Stock, which were 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.

The 10 shares of Series D Preferred Stock, which were issued to Richard DeCicco and Roseann Faltings (5 shares each) on December 13, 2016 pursuant to the Securities Purchase Agreement (See Note 5) for the Company's 51% investment in Bellissima, entitles the holders to convert each share of Series D Preferred Stock to the equivalent of 5.1% of the common stock issued and outstanding at the time of conversion.

Common Stock

For the year ended December 31, 2016, the Company issued an aggregate of 689,290,596 shares of its Common Stock in settlement of convertible notes payable and accrued interest payable totaling \$61,767.

In February 2017, the Company issued an aggregate of 5,965,129 shares of its common stock in settlement of convertible notes payable totaling \$22,773.

On March 28, 2017, the Company executed a Settlement Agreement and Release (the "Settlement Agreement") with 4 holders of convertible notes payable. Notes payable and accrued interest totaling \$892,721 were satisfied through the Company's agreement to irrevocably reserve a total of 482,926,829 shares of its common stock and to deliver such shares in separate tranches to the Escrow Agent upon receipt of a conversion notice delivered by the Escrow Agent to the Company.

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On May 5, 2017, the Company executed an Amended Settlement Agreement and Release (the “Amended Settlement Agreement”) replacing the Settlement Agreement and Release dated March 28, 2017 (see preceding paragraph). The Amended Settlement Agreement is with 5 holders of convertible notes payable (the 4 holders who were parties to the Settlement Agreement and Release dated March 28, 2017 and one additional holder) and provided for the satisfaction of notes payable and accrued interest totaling \$1,099,094 (a \$206,373 increase from the \$892,721 amount per the Settlement Agreement and Release dated March 28, 2017) through the Company’s agreement to irrevocably reserve a total of 613,000,000 shares of its common stock (a 130,073,171 share increase from the 482,926,829 shares per the Settlement Agreement and Release dated March 28, 2017) and deliver such shares in separate tranches to the Escrow Agent upon receipt of a conversion notice delivered by the Escrow Agent to the Company.

In the quarterly period ended June 30, 2017, the Company issued an aggregate of 71,194,147 shares of its common stock to the Escrow Agent pursuant to the Amended Settlement Agreement. At June 30, 2017, the remaining number of shares of common stock to be issued to the Escrow Agent is 541,805,853 shares.

On June 29, 2017, the Company issued 10,018,893 shares of its common stock in settlement of convertible notes payable and accrued interest payable totaling \$50,094.

Warrants

In connection with the Company’s issuance of a total of \$135,019 convertible notes payable in the three months ended June 30, 2017, the Company issued a total of 13,500,000 Common Stock Purchase Warrants (the “Warrants”) to the respective lenders. The Warrants are exercisable into ICNB common stock at a price of \$0.01 per share and expire at dates ranging from June 22, 2022 to June 30, 2022.

8. INCOME TAXES

No income taxes were recorded in the three and six months ended June 30, 2017 and 2016 since the Company had 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 June 30, 2017 will be realized. Accordingly, the Company has maintained a 100% valuation allowance against the deferred tax asset in the financial statements at June 30, 2017. 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. 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

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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.

b. Royalty Obligations of BiVi and Bellissima

Pursuant to the License Agreement with the Bivi Licensor (see Note 9a. 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 and Amendment No.1 to the License Agreement effective June 30, 2017 with the Bellissima Licensor (see Note 9a. above), Bellissima is obligated to pay the Bellissima Licensor a Royalty Fee equal to 10% of monthly gross sales (12.5% for sales in excess of defined Case Break Points) 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.

c. Compensation Arrangements

The Company uses the services of its chief executive officer Richard DeCicco and its assistant secretary Roseann Faltings under informal compensation arrangements (without any employment agreements).

For the year ended December 31, 2016, the Company accrued compensation of \$250,000 (\$150,000 for DeCicco; \$100,000 for Faltings) for their services rendered. The compensation was allocated 50% to Iconic (\$125,000), 30% to Bellissima (\$75,000), and 20% to BiVi (\$50,000). The \$250,000 liability at December 31, 2016 and June 30, 2017 is included in "Accounts Payable and Accrued Expenses" on the Consolidated Balance Sheet at December 31, 2016 and June 30, 2017.

10. SUBSEQUENT EVENTS

On July 17, 2017 and July 25, 2017, the Company issued an aggregate of 15,089,720 shares of its common stock in settlement of convertible notes payable and accrued interest payable totaling \$75,449.

On August 9, 2017, the Company issued 63,333,333 shares of its common stock to the Escrow Agent pursuant to the Amended Settlement Agreement (See Note 7).