ICONIC BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

CONTENTS

Iconic Brands, Inc. and Subsidiaries

Consolidated Balance Sheets

(Unaudited)

	As of December 31, 2016	As of December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 716	$ 5,781
Accounts receivable	246,377	12,927
Inventory	16,950	42,000
Total current assets	264,043	60,708
Total assets	$ 264,043	$ 60,708
Liabilities and Stockholders' Deficiency		
Current liabilities:		
Current portion of debt	$ 1,065,126	$ 728,708
Accounts payable and accrued expenses	430,816	153,077
Loans payable to officer and affiliated entities -noninterest bearing and due on demand	57,944	56,254
Accrued interest payable	278,722	161,238
Other current liabilities	-	12,500
Total current liabilities	1,832,608	1,111,777
Other Liabilities:		
Non-current portion of debt	-	320,300
Derivative liability	7,315,935	1,869,948
Total liabilities	9,148,543	3,302,025
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 0 shares issued and outstanding, respectively	-	-
Common stock, $.001 par value; authorized 2,000,000,000 shares, 814,790,609 and 125,500,013 shares issued and outstanding respectively	814,791	125,500
Additional paid-in capital	10,692,894	11,187,424
Accumulated deficit	(20,391,046)	(14,532,683)
Total Iconic Brands, Inc. stockholders’ equity	(8,883,359)	(3,219,757)
Noncontrolling interests in subsidiaries	(1,141)	(21,560)
Total stockholders' deficiency	(8,884,500)	(3,241,317)
Total liabilities and stockholders' deficiency	$ 264,043	$ 60,708

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

Iconic Brands, Inc. and Subsidiaries
Consolidated Statements of Operations

(Unaudited)

	Year Ended December 31, 2016	Year Ended December 31, 2015
Sales	$ 363,219	$ 96,706
Cost of Sales	214,457	72,742
Gross profit	148,762	23,964
Operating expenses:		
Officers compensation (Note 10c)	271,521	47,511
Professional and consulting fees	43,968	117,481
Marketing and advertising	107,821	138,551
Occupancy costs	18,406	31,211
Travel and entertainment	133,529	64,624
Other general and administrative expenses	96,335	72,366
Total operating expenses	671,580	471,744
Loss from operations	(522,818)	(447,780)
Other income (expense):		
Gain from settlement of debt	100,000	-
Loss on investment in Medical Marijuana Academy, LLC	-	(185,000)
Reorganization and restructuring advisory fees	-	(240,000)
Expense from derivative liability	(5,420,837)	(1,869,948)
Interest expense	(122,067)	(105,666)
Total other income (expense)	(5,442,904)	(2,400,614)
Net loss	(5,965,722)	(2,848,394)
Net loss attributable to noncontrolling interests in subsidiaries	107,359	21,560
Net loss attributable to Iconic Brands, Inc.	$ (5,858,363)	$ (2,826,834)
Net income (loss) per common share – basic and diluted	$ (0.01)	$ (0.03)
Weighted average common shares outstanding – basic and diluted	563,710,428	90,153,793

See notes to consolidated financial statements.

Iconic Brands, Inc. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Deficiency
Years ended December 31, 2016 and 2015

(Unaudited)

	Series A Preferred Stock $.001 par		Series C Preferred Stock $.001 par		Series D Preferred Stock $.001 par		Common Stock $.001 par		Additional Paid-in Capital	Noncontrolling Interests in Subsidiaries	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at December 31, 2014	1	$ 1	-	$ -	-	$ -	83,764,750	$ 83,765	$ 11,090,879	$ -	$(11,705,849)	$(531,204)
Issuance of Series C Preferred Shares	-	-	1,000	1	-	-	-	-	-	-	-	1
Issuance of common shares in satisfaction of notes payable and accrued interest	-	-	-	-	-	-	41,735,263	41,735	96,545	-	-	138,280
Adjustment to noncontrolling interests In subsidiaries	-	-	-	-	-	-	-	-	-	(21,560)	-	(21,560)
Net loss	-	-	-	-	-	-	-	-	-	-	(2,826,834)	(2,826,834)
Balance at December 31, 2015	1	$ 1	1,000	$ 1	-	$ -	125,500,013	$ 125,500	$ 11,187,424	$ (21,560)	$(14,532,683)	$(3,241,317)
Issuance of common shares in satisfaction of convertible notes payable and accrued interest	-	-	-	-	-	-	689,290,596	689,291	(627,524)	-	-	61,767
Issuance of Series D Preferred Shares	-	-	-	-	10	-	-	-	-	-	-	-
Capital contributions by noncontrolling interests in subsidiaries	-	-	-	-	-	-	-	-	132,994	127,778	-	260,772
Adjustment to noncontrolling interests In subsidiaries	-	-	-	-	-	-	-	-	-	(107,359)	-	(107,359)
Net loss	-	-	-	-	-	-	-	-	-	-	(5,858,363)	(5,858,363)
Balance at December 31, 2016	1	$ 1	1,000	$ 1	10	$ -	814,790,609	$ 814,791	$ 10,692,894	$ (1,141)	$ (20,391,046)	$(8,884,500)

The accompanying notes are an integral part of these financial statements

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

(Unaudited)

	Year Ended December 31, 2016	Year Ended December 31, 2015
Operating Activities:		
Net loss	$ (5,858,363)	$ (2,826,834)
Adjustments to reconcile net loss to net cash used in operating activities:		
Net loss attributable to noncontrolling interests in subsidiaries	107,359	21,560
Expense from derivative liability	5,420,837	1,869,948
Gain from settlement of debt	(100,000)	-
Loss on investment in Medical Marijuana Academy, LLC	-	185,000
Reorganization and restructuring advisory fees paid from debt issuance	-	240,000
Changes in operating assets and liabilities:		
Escrow held by attorney	-	10,000
Accounts receivable	(233,450)	(12,927)
Inventory	25,050	(42,000)
Accounts payable and accrued expenses	102,553	146,827
Accrued interest payable	117,484	84,880
Other current liabilities	(12,500)	(8,500)
Net cash used in operating activities	(431,030)	(332,046)
Financing Activities :		
Proceeds from issuance of debt	163,503	281,697
Proceeds from noncontrolling interests in subsidiaries	260,772	-
Loans payable to officer and affiliated entities	1,690	56,130
Net cash provided by financing activities	425,965	337,827
Increase (decrease) in cash and cash equivalents	(5,065)	5,781
Cash and cash equivalents, beginning of period	5,781	-
Cash and cash equivalents, end of period	$ 716	$ 5,781
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	$ 61,767	$ 138,280
Adjustments to reconcile net income to net cash used in operating activities:	$ (192,344)	$ (7,212)

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 "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 represent 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 December 31, 2016, the Company had negative working capital of $1,568,565 and a stockholders' deficiency of $8,884,500. The Company also incurred a net loss of $5,965,722 for the year ended December 31, 2016 and has accumulated losses of $20,391,046 as of December 31, 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 5.). 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 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.

(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 December 31, 2016 and December 31, 2015 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.

(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 years ended December 31, 2016 and 2015, 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 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.

(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. NOTE RECEIVABLE FROM MEDICAL MARIJUANA BUSINESS ACADEMY, LLC

On September 10, 2014, Iconic 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 Iconic'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, Iconic, 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 Iconic'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 Iconic 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 and the $125,000 promissory note balance 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 Iconic and Merger Sub. Following Mr. DeCicco's appointment, Mr. Stark and Mr. Houghton resigned all officer and director positions in both Iconic 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 Iconic, 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, 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.

5. INVESTMENT IN BELLISSIMA SPIRITS LLC

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

6. DEBT

Debt consists of:

	December 31, 2016	December 31, 2015
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)	$ 46,320	$ 47,300
$185,000 Promissory Notes dated in 2015, interest at 12%, due December 31, 2017 (B) (D) (E)	5,000	185,000
$248,600 Promissory Notes dated in 2015, interest at 12%, due December 31, 2017 (B) (D) (E)	248,600	248,600
Total Southridge	299,920	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) (D) (E)	159,000	264,000
$41,235 Promissory Notes assigned in 2013, interest at 12%, due December 31, 2017 (D) (E)	41,235	41,235
$80,000 Promissory Notes assigned by Southridge in October 2016, interest at 12%, due December 31, 2017 (B) (D) (E)	80,000	-
Total Equity Markets	280,235	305,235
Beaufort Capital Partners, LLC ("Beaufort"):		
$50,000 Promissory Note assigned January 7, 2016, interest at 12%, due December 31, 2017 (A) (B) (D) (E)	5,445	-
$40,000 Promissory Note assigned February 8, 2016, interest at 12%, due December 31, 2017 (A) (B) (D) (E)	40,000	-
$100,000 Promissory Note dated January 7, 2016, interest at 12%, due December 31, 2017 (B) (D) (E)	100,000	-
Total Beaufort	145,445	-

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)	93,873	93,873
$100,000 Promissory Note dated August 28, 2015, interest at 12%, due December 31, 2017 (B) (D)	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 December 31, 2017 (C) (D)	18,350	-
$15,000 Promissory Note assigned March 25, 2016, interest at 12%, due December 31, 2017 (A) (B) (D)	15,000	-
$9,800 Promissory Notes dated October 2016 and December 2016, interest at 12%, due one year from respective dates of issuance (C)	9,800	-
Total Sky	43,150	-
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	1,065,126	1,049,008
Less current portion	(1,065,126)	(728,708)
Non-current portion	$ -	$ 320,300

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 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).

(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).

(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 issuance of a total of 482,926,829 shares of its common stock. See Note 11.

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.

7. DERIVATIVE LIABILITY

The derivative liability consists of:

	December 31, 2016		December 31, 2015	
	Face Value	Derivative Liability	Face Value	Derivative Liability
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)	$ 46,320	$ 352,032	$ 47,300	$ 98,542
$185,000 Promissory Notes dated in 2015, interest at 12%, due December 31, 2017 (B) (D) (E)	5,000	38,000	185,000	354,583
$248,600 Promissory Notes dated in 2015, interest at 12%, due December 31, 2017 (B) (D) (E)	248,600	1,889,360	248,600	476,483
Total Southridge	299,920	2,279,392	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 (B)(D)(E)	159,000	1,208,400	264,000	550,000
$41,235 Promissory Notes assigned in 2013, interest at 12%, due December 31, 2017 (D) (E)	41,235	313,386		
$80,000 Promissory Notes assigned by Southridge, in October 2016, interest at 12%, due December 31, 2017 (B) (D) (E)	80,000	608,000		
Total Equity Markets	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)	5,445	41,382	-	-

$40,000 Promissory Note assigned February 8, 2016, interest at 12%, due December 31, 2017 (B) (B) (D) (E)	40,000	304,000	-	-
$100,000 Promissory Note dated January 7, 2016, interest at 12%, due December 31, 2017 (B) (D) (E)	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)	93,873	713,435	93,873	179,923
$100,000 Promissory Note dated August 28, 2015, interest at 12%, due December 31, 2017(B)(D)	100,000	760,000	100,000	191,667
Total Alpha	193,873	1,473,435	193,873	371,590
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)	18,350	139,460	-	-
$15,000 Promissory Note assigned March 25, 2016, interest at 12%, due December 31, 2017 (A) (B) (D)	15,000	114,000	-	-
$9,800 Promissory Notes dated October 2016 and December 2016, interest at 12%, due one year from respective dates of issuance (C)	9,800	74,480		
Total Sky	43,150	327,940	-	-
Seacor Capital Inc. ("Seacor"):				
$9,000 Promissory Note assigned December 4, 2015, interest at 12%, due December 31, 2017 (A)(B)	-	-	9,000	18,750
Total	$ 962,623	$ 7,315,935	$ 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 $5,445,987 increase in the fair value of the derivative liability from $1,869,948 at December 31, 2015 to $7,315,935 at December 31, 2016 was charged to expense 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 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%.

8. 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.

For the year ended December 31, 2015, the Company issued an aggregate of 41,735,263 shares of its Common Stock in settlement of convertible notes payable and accrued interest payable totaling $138,280.

9. INCOME TAXES

No income taxes were recorded in the years ended December 31, 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 December 31, 2016 will be realized. Accordingly, the Company has maintained a 100% valuation allowance against the deferred tax asset in the financial statements at December 31, 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.

10. 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 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 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 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 is included in “Accounts Payable and Accrued Expenses” on the Consolidated Balance Sheet at December 31, 2016.

11. SUBSEQUENT EVENTS

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 issuance of a total of 482,926,829 shares of its common stock.