

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2017

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

REIGN SAPPHIRE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

333-204486
(Commission File Number)

47-2573116
(I.R.S. Employer Identification No.)

9465 Wilshire Boulevard, Beverly Hills, CA 90212
(Address of principal executive offices)

213-457-3772
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, \$0.0001 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
(Do not check if a smaller reporting company)		Emerging Growth Company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards pursuant to Section 13(a) of the Exchange Act.

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

As of June 30, 2017 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the issued and outstanding common stock held by non-affiliates of the registrant was \$1,646,602. For purposes of the above statement only, all directors, executive officers and 10% shareholders are assumed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for any other purpose.

As of April 2, 2018, there were 57,110,008 shares of common stock outstanding.

REIGN CORPORATION
2017 ANNUAL REPORT ON FORM 10-K

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DISCLOSURE REGARDING FORWARD LOOKING STATEMENTS

This report contains forward-looking statements. The forward-looking statements are contained principally in the sections entitled “Description of Business,” “Risk Factors,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” These statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. In some cases, you can identify forward-looking statements by terms such as “anticipates,” “believes,” “seeks,” “could,” “estimates,” “expects,” “intends,” “may,” “plans,” “potential,” “predicts,” “projects,” “should,” “would” and similar expressions intended to identify forward-looking statements. Forward-looking statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. These risks and uncertainties include, but are not limited to, the factors described in the section captioned “Risk Factors” below. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Such statements may include, but are not limited to, information related to: anticipated operating results; licensing arrangements; relationships with our customers; consumer demand; financial resources and condition; changes in revenues; changes in profitability; changes in accounting treatment; cost of sales; selling, general and administrative expenses; interest expense; the ability to secure materials and subcontractors; the ability to produce the liquidity or enter into agreements to acquire the capital necessary to continue our operations and take advantage of opportunities; legal proceedings and claims.

Also, forward-looking statements represent our estimates and assumptions only as of the date of this report. You should read this report and the documents that we reference and filed as exhibits to this report completely and with the understanding that our actual future results may be materially different from what we expect. Except as required by law, we assume no obligation to update any forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in any forward-looking statements, even if new information becomes available in the future.

USE OF CERTAIN DEFINED TERMS

Except as otherwise indicated by the context, references in this report to “we,” “us,” “our,” “our Company,” or “the Company” is of Reign Corporation.

In addition, unless the context otherwise requires and for the purposes of this report only:

- “Reign” refers to Reign Brands Corporation, a Delaware corporation;
- “CCP” refers to Coordinates Collection, Inc.
- “Commission” refers to the Securities and Exchange Commission;
- “Exchange Act” refers to the Securities Exchange Act of 1934, as amended; and
- “Securities Act” refers to the Securities Act of 1933, as amended.

PART I

Item 1. Business

Background

Business Overview

Reign Sapphire Corp. (OTCQB: RGNP) was established on December 15, 2014 in the State of Delaware and is a Beverly Hills-based, direct-to-consumer (“D2C”) branded and custom jewelry company with four niche brands: Reign Sapphires: ethically produced, millennial targeted sapphire jewelry, Coordinates Collection: custom jewelry, inscribed with location coordinates commemorating life’s special moments, Le Bloc: classic customized jewelry and ION Collection by Jen Selter an athleisure jewelry brand.

Reign Sapphire

Reign Sapphire was established as a vertically integrated “source to retail” model for sapphires--rough sapphires to finished jewelry; a color gemstone brand; and a jewelry brand featuring Australian sapphires. We are not an exploration or mining company and are not engaged in exploration or mining activities. We purchase rough sapphires in bulk, directly from commercial miners in Australia, and we intend to oversee each step of the process as the stones go from the miners-gate to the consumer as Reign Sapphire jewelry.

Our core values are to offer consumers conflict free sapphires; sapphires that are mined from a verified source; sapphires that have been procured directly from miners, sapphires that are ethically processed and sapphires that are natural (not synthetic). In addition, we intend to feature exclusively Australian sapphires in our jewelry collections.

Coordinates Collection

Coordinates Collection markets and distributes custom jewelry, inscribed with location coordinates commemorating life’s special moments. Coordinates Collection is the next level of customized jewelry that pairs high quality craftsmanship with a fresh look. Geographic coordinates pinpoint the location of a favorite memory and the beautiful engraving personalizes each piece to the customer. Coordinates Collection uses high quality materials such as semi-precious to precious metals and stones as well as ceramic coatings. All products take personalization to the next level with stylish, high quality hand-crafted products, a customized experience and a unique technology platform that guides the customer through a step-by-step process to create the perfect meaningful piece.

ION Collection

ION Collection is jewelry inscribed with location coordinates commemorating life’s special moments, milestones and achievements using bright colors and textures for everyday wear. ION Collection takes the ‘Coordinates Collection’ custom jewelry concept into the athleisure and streetwear space.

Le Bloc

Le Bloc markets and distributes classic custom jewelry. Le Bloc is a way to wear your favorite letters and/or words. The collection is comprised of bracelets, necklaces, and rings featuring bloc’s engraved with a single letter in the finish of your choice.

Acquisition of Assets Related to the Coordinates Collection Business

On December 1, 2016, we acquired substantially all of the operating assets of CCI (the “Acquisition”). CCI is engaged in the marketing and distribution of Coordinates Collection and Le Bloc customized jewelry. Upon the closing of the Acquisition, we received substantially all of the operating assets of CCI, consisting of fixed assets and intellectual property. As part of the Acquisition, we created a wholly owned subsidiary, Reign Brands Inc, which is a Delaware corporation, and acts as the operating entity for the acquired CCI assets.

With the acquisition of the Coordinates Collection and Le Bloc brands, we plan to leverage our custom jewelry expertise to expand distribution worldwide.

The purchase price of the operating assets of CCI was the issuance 7,000,000 shares of common stock (of which 1,000,000 shares were issued to ASK Gold, a major supplier) valued at \$770,000 (based on our stock price on the date of issuance). In addition, there is a cash payment of \$500,000 contingent upon a future offering and earn out payments for all sales of CCI and RGNP products sold via CCI sales channels for the 2017, 2018, 2019 and 2020 calendar years. The estimated fair value of the contingent payments totaled \$424,511 and was recognized as a liability in the accompanying consolidated balance sheet as of December 31, 2016. We accounted for the Acquisition using the acquisition method of accounting. The acquisition method of accounting was used to record assets acquired and liabilities assumed by the Company. Such accounting generally results in increased amortization and depreciation reported in future periods. Accordingly, the accompanying consolidated financial statements of the Predecessor and the Company are not comparable in all material respects since those consolidated financial statements report financial position, results of operations, and cash flows of these two separate entities. CCI's fixed assets and identifiable intangible assets acquired were recorded based upon their estimated fair values as of the closing date of the Acquisition. The excess of purchase price over the value of the net assets acquired was recorded as goodwill.

Total Purchase Consideration:	
Common stock issued	\$ 770,000
Estimated fair value of contingent payments	424,511
	<u>\$ 1,194,511</u>

The following table summarizes the estimated fair values of the tangible and intangible assets acquired as of the date of Acquisition:

Net assets acquired:	
Equipment	\$ 32,564
Developed technology - website	117,500
Developed technology – Ipad application	117,500
Tradenname	365,000
Proprietary design	80,000
Goodwill	481,947
	<u>\$ 1,194,511</u>

Goodwill is the excess of the purchase price over the fair value of the underlying net tangible and identifiable intangible assets. In accordance with applicable accounting standards, goodwill is not amortized but instead is tested for impairment at least annually or more frequently if certain indicators are present.

Strategy

Reign Sapphires

We set ourselves apart from our competition by actively promoting our three core offerings: a vertically integrated “source to retail” model for sapphires - rough sapphires to finished jewelry; a color gemstone brand; and a jewelry brand featuring Australian sapphires.

We promote Reign Sapphires as conflict free, ethically processed and natural. We also make video footage and pictures of the process available to consumers.

We focus primarily on quality and design and secondly on strategic pricing methods in order to compete in the U.S. market.

While all of our competitors have established themselves uniquely within sectors of the market, none have marketed themselves as source to consumer with a vertical integration of processing, cutting and shaping, manufacturing, and sales of sapphires. We believe there is a strong market opportunity for our products as there is currently growth in U.S. and global jewelry sales. We believe that we have the knowledge and expertise to capitalize on this opportunity and to capitalize upon the uniquely powerful internationally recognized Australian brand image and appeal and become the leading player in this fragmented cottage industry.

Coordinates Collection, ION Collection and Le Bloc

We market our Coordinates Collection, ION Collection and Le Bloc products using various strategies including social media, independent affiliates, Internet advertising, wholesale relationships, and “word of mouth” advertising.

As of December 31, 2017, we have an exclusive international distribution agreement with third party marketing companies to distribute the Coordinates Collection, ION Collection and Le Bloc products in the EU, UK, Dubai and Qatar at discounted prices. The agreement is for a term of five years and terminates in July 2021.

Products

Our Reign Sapphires, Coordinates Collection, ION Collection and LeBloc product consist of rings, bracelets, necklaces.

Aspects of processing, manufacturing and sales:

- Gem Shaping, Cutting, & Processing for our Reign Sapphire products: Our contract gem design team cut, shape, and process rough sapphire material into gem stones.
- Jewelry Manufacturing: We outsource the manufacturing to a quality U.S. provider.
- Packaging: Each jewelry item is accompanied by a high quality, durable jewelry box, gift bag, certificate of authenticity and warranty.
- Our Reign Sapphire products feature sapphires that have been procured in the rough from commercial miners in New South Wales, Australia and processed by us. We do not have an exclusive supplier rather a number of commercial miners in the region that have been supplying the company with run-of-mine material for a number of years.

We do not rely on any principal suppliers and do not have any formal contracts with our suppliers. In the event that we are unable to conduct business on satisfactory terms with any of these suppliers, we believe that an extensive number of alternative sources will be available to us and that our business can continue without disruption or adverse change in terms of pricing and availability.

Market Overview

Opportunities

Demand for the industry’s products is largely driven by the needs and preferences of consumers, along with variations in the level of disposable income allocated toward their purchases.

The primary audience for our brands is women, in general. However, while women may make the choices, men often oversee the purchase. Speaking to both women and men is an important aspect of any program. There are 3 main stages of life where a jewelry purchase will come into play:

- Single “The Self Purchaser”
- Married (Engagement/Wedding/Children - Push Present)
- Retired (Gift Giver)

More specific age segmentation within these life stages includes:

- 18-25 coming of age/first job
- 25-35 career development/children
- 35-45 family/career advancement (self-purchaser)
- 45-55 self-actualization/empty nest (gift giver to self and others)

An example of women's networks and influencers include:

- Friends (word-of-mouth)
- Celebrities (aspirational)
- Bloggers/online platforms (trusted network)
- Media (3rd party endorsement)
- Peers in business

Understanding how the various targets receive information and are influenced in making jewelry purchases helps direct various streams of communication.

Marketing and Sales

Marketing Overview & Strategy

We focus our marketing initiatives on: (1) D2C ecommerce marketing to attract customers to our websites, (2) Business-to-Business ("B2B") marketing and sales efforts, to establish domestic and international distribution partners such as high-end fashion retailers.

On a D2C basis, we use an array of marketing methods to spread awareness of our jewelry products, including a mobile app, social media, internet marketing, print advertising, promotions and collaborations.

We will continue to form limited wholesale partnerships with retailers to sell our products at their retail boutiques, the benefit to us is the promotion of our brands at the consumer level.

Branding Strategy

Branding plays a critical role in our success.

We have performed marketing and capabilities landscape assessments based upon consumer immersion and research and designed to understand consumer purchase behaviors and values, assess short and long term socio-cultural and market trends, and analyze the marketplace and competitive landscape.

We have developed comprehensive, consumer-oriented toolkit using consistent language and tone for printed and online media and to target retailers on a sell-in, exclusive basis.

We develop advertisements for print and online media, and sales materials for retail strategic partners. We maintain a graphics library to be used on all touch points.

Social Media

Our marketing team works on several social media initiatives that target current and future consumers and support the promotion and sale of our product brands. Our campaigns are focused on driving a consistent message emphasizing the ethical origins of our products, their everlasting beauty, and overall value. We use various forms of digital and social media outreach to accomplish greater awareness of the value proposition we offer.

Internet Marketing

We maintain presence on *Google, Bing, Yahoo* and all other online search engines that are used to search for jewelry and sapphires. We engage in significant search engine optimization marketing efforts to ensure that we have strong results upon natural searches related to our products. We utilize pay per click advertising, display advertising, and article marketing. Our websites display a full catalogue of our products, background information regarding the manufacturing of the products, information about the Company and management team, and contact information. We also maintain a social media presence on Facebook, Twitter, and other social media websites to have an interactive presence.

Strategic Partnerships with Retailers

We have formed strategic partnerships with retailers to sell the products at their retail boutiques. The benefit to us is the promotion of our brand at the consumer level.

We have developed a retail channel strategy to bolster the retail/direct to consumer sales approach while maintain a point of differentiation within the competitive landscape. Furthermore, we have developed retail adaptation strategies using in-store promotional and retail tactics using our branding strategy.

Print Advertising

We are featured in lifestyle and fashion magazines that cater to middle to upper income individuals, such as *Vogue*, *Cosmopolitan*, and *Vanity Fair*.

Public Relations

We engage in activities to gain public awareness and credibility through our internally managed public relations (“PR”) campaigns to establish relationships with the local market. We attend editor events and engage in strategic media outreach planning and strive to be a valued member of the community through community service offerings and support. work to obtain interviews, print articles, and featured spots in leading fashion, luxury, and bridal magazines, industry publications, television news, radio programming, periodicals, and online websites and publications. We have developed short-lead and long-lead editorials and long lead editorials. The purpose of the PR campaign is to highlight the strength and innovation of our products.

Sponsorships

We sponsor social events that are appropriate to promote jewelry on a consumer level.

Celebrity Endorsement

We sponsor and collaborate with multiple celebrities to bolster the brand image, and spread awareness of our brand and products.

Promotions

We activate promotional platforms to include sales during and after holidays, discounted prices on particular products, and discounts for repeat customers.

Seasonality

Sales in the retail jewelry industry are typically seasonal due to increased consumer purchases during the holiday season. Our sales to support the holiday season largely have taken place during the fourth calendar quarter; however, the effect of seasonality on our business is also impacted by the timing of orders we receive to support new or expanded distribution, these factors may significantly affect our results of operations in a given quarter.

Competition

Competitive Analysis and Strategy

The industry in which we compete is highly competitive. We believe that the most important competitive factors in our industry include the ability to control as much as possible of the supply chain.

We believe that our competitors have certain existing advantages such as history and heritage; strong ecommerce and mobile presence; wholesale and flagship retail presence; strong social presence; a wide range of ancillary product offerings; strong public relations and marketing efforts; a balanced range of price points across the board; and consumer trust & recognition. However, we set ourselves apart with strong brand identity and visuals, unique design and quality and brand awareness through traditional and social media.

Because we are a small company with a limited operating history, we are at a competitive disadvantage against larger and well-capitalized companies which have a track record of success and operations. Therefore, our primary method of competition involves promoting our direct to consumer offering.

We do not sell rough sapphires neither do we sell the cut stones that we process; we generally use the material exclusively for our manufacturing purposes. Wholesale revenues currently derived from sales of loose sapphires are attributable only to finished stones and not rough sapphires and the focus of our sales efforts in the future will be exclusively on finished jewelry.

Intellectual Property

Reign owns trademarks in the jewelry and gemstone class including "Reign", "Reign Opulence", "LeBloc", "Coordinates Collection", and "ION Collection", and we also own a number of domain names.

Governmental Approvals and Regulation

We do not require any government approval in order to operate our business. In the event any of our operations or products requires government approval, we will comply with any and all local, state and federal requirements.

Other than federal and state securities laws and common business and tax rules and regulations, we are not subject to any material government regulation. However, there is a risk that we could be adversely affected by current laws, regulations or interpretations or that more restrictive laws, regulations or interpretations will be adopted in the future that could make compliance more difficult or expensive. There is also a risk that a change in current laws could adversely affect our business.

In addition, regulatory authorities have relatively broad discretion to grant, renew and revoke licenses and approvals and to implement regulations. Accordingly, such regulatory authorities could prevent or temporarily suspend us from carrying on some or all of our activities or otherwise penalize us if our practices were found not to comply with the then current regulatory or licensing requirements or any interpretation of such requirements by the regulatory authority. Our failure to comply with any of these requirements or interpretations could have a material adverse effect on our operations.

Procurement and Manufacturing

At the present time, all of our manufacturing is conducted in the U.S. We have no formal contracts with our suppliers and manufacturers. In the event that we are unable to conduct business on satisfactory terms with any of these suppliers or manufacturers, we believe that an extensive number of alternative sources will be available to us and that our business can continue without disruption or adverse change in terms of pricing and availability.

Research and Development

Other than time spent researching our business and proposed markets and segmentation, we have not spent any funds on research and development activities to date. In the event opportunities arise from our operations, we may elect to initiate research and development activities, but we have no plans for any activities to date.

Environmental Laws and Regulations

Our operations are not subject to any environmental laws or regulations.

Employees

The Company had 7 full-time employees and no part-time employees as of the date of this filing.

We have an employer contribution for health but we do not provide pension, annuity, insurance, profit sharing, or similar benefit plans; however, we may adopt plans in the future.

Available Information

We file various reports with the SEC, including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, which are available through the SEC's electronic data gathering, analysis and retrieval system ("EDGAR") by accessing the SEC's home page (<http://www.sec.gov>). The documents are also available to be read or copied at the SEC's Public Reference Room located at 100 F Street, NE, Washington, D.C., 20549. Information on the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330.

Item 1A. Risk Factors

This item is not applicable because we are a “smaller reporting company” as defined in Exchange Act Rule 12b-2.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

Our corporate address is 9465 Wilshire Blvd, Beverly Hills, California.

Our customer service and distribution facility is located at 1933 S. Broadway, Los Angeles, California. The company leases its customer service and distribution facility on a month-to-month basis for \$4,000 per month from a third party.

We believe that our existing facilities are adequate for our current needs and that we will be able to lease suitable additional or alternative space on commercially reasonable terms if and when we need it.

Item 3. Legal Proceedings

From time to time, we may become party to litigation or other legal proceedings that we consider to be a part of the ordinary course of our business. We are not currently involved in legal proceedings that could reasonably be expected to have a material adverse effect on our business, prospects, financial condition or results of operations. We may become involved in material legal proceedings in the future. To the best of our knowledge, none of our directors, officers or affiliates is involved in a legal proceeding adverse to our business or has a material interest adverse to our business.

Item 4. Mine Safety Disclosures

There is no information required to be disclosed by us under this Item.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

(a) Market Information

Our stock is quoted on the OTCQB under the symbol “RGNP.” We were listed on May 23, 2016. There are 57,110,008 shares outstanding as of April 2, 2018. The below table provides the high and low bid prices of our common stock for each quarterly period during the last two years.

	Year ended December 31, 2017	
	High	Low
Fourth Quarter	\$ 0.31	\$ 0.11
Third Quarter	\$ 0.17	\$ 0.05
Second Quarter	\$ 0.16	\$ 0.06
First Quarter	\$ 0.16	\$ 0.03

	Year ended December 31, 2016	
	High	Low
Fourth Quarter	\$ 0.2885	\$ 0.0001
Third Quarter	\$ 1.00	\$ 0.2885
Second Quarter*	\$ 1.00	\$ 1.00
First Quarter**	\$ —	\$ —

(*) Based on partial period data from May 23, 2016

(**) No data available

(b) Transfer Agent

The transfer agent and registrar for our common stock is VStock Transfer, LLC located at 18 Lafayette Place, Woodmere, New York.

(b) Shareholders of Record

The number of beneficial holders of record of our common stock as of the close of business on December 31, 2017 was 86.

(c) Dividends

We do not expect to pay cash dividends in the next term. We intend to retain future earnings, if any, to provide funds for operation of our business. We currently have no restrictions affecting our ability to pay cash dividends.

(d) Equity Compensation Plans

As of December 31, 2017, our board of directors and shareholders previously authorized the adoption and implementation of the Company's 2015 Equity Incentive Plan (the "2015 Plan"). The principal purpose of the 2015 Plan is to attract, retain and motivate our employees, officers, directors, consultants, agents, advisors and independent contractors and our related companies by providing them the opportunity to acquire a proprietary interest in us and to link their interests and efforts to the long-term interests of our shareholders. Under the 2015 Plan, an aggregate of 20,000,000 shares of our common stock have initially been reserved for issuance pursuant to a variety of stock-based compensation awards, including stock options, stock appreciation rights, stock awards, restricted stock, restricted stock units and other stock and cash-based awards. The exercise price for each option may not be less than fair market value of the common stock on the date of grant, and shall vest as determined by our board of directors but shall not exceed a ten-year period.

As of December 31, 2017, we had previously granted to our CEO, options to purchase 10,000,000 shares of our common stock under the 2015 Plan, valued at \$2,500,000 (based on the Black Scholes valuation model on the date of grant). The Black-Scholes option-pricing model used the following weighted average assumptions as of December 31, 2016: (i) no dividend yield for each year, (ii) volatility of 35.6 percent, (iii) risk-free interest rate of 1.87 percent, (iv) stock price of \$0.25, (v) exercise price of \$0.005, and (vi) expected life of 6.0. The options vested 50% on the first anniversary of the grant date ("First Year Vest") and the remaining 50% of the shares vested in twelve (12) equal installments on the first day of each calendar month following the first anniversary of the grant date beginning on June 1, 2016 and ending on June 1, 2017 ("Second Year Vest").

As of December 31, 2017, we issued a total of 600,000 restricted common shares to members of our advisory committee ("Advisors"), valued at \$120,000 (based on the estimated fair value of the stock on the date of grant) for outside advisory and consulting services pursuant to our 2015 Plan. One-twelfth (1/12) of the shares will be earned each month. We will revalue the shares at each vesting period and recognize expense for the portion of the shares earned. We recognized compensation expense of \$41,667 for the year ended December 31, 2017 (Successor) and \$6,250 for the one month ended December 31, 2016 (Successor), with \$13,750 remaining to be amortized, under general and administrative expenses in the accompanying consolidated Statements of Operations. As of December 31, 2017, the Advisors had vested in 508,333 shares with 91,667 shares to vest.

Recent Sales of Unregistered Securities

On December 18, 2017, we issued a total of 100,000 restricted common shares to a member of our Advisors, valued at \$15,000 (based on the fair value of the services on the date of grant) for outside advisory and consulting services pursuant to our 2015 Equity Incentive Plan. One-twelfth (1/12) of the shares will be earned each month.

In the quarter ended December 31, 2017, the Company issued 2,310,012 restricted common shares for services of \$453,004 (based on our stock price on the measurement date).

In October 2017, the Company issued a total of 62,000 restricted common shares to an employee, valued at \$11,160 (based on our stock price on the date of grant) as compensation pursuant to the Company's 2015 Equity Incentive Plan.

As of December 31, 2017, we previously issued common shares pursuant to the terms of the November 2017 Purchase Agreement dated November 10, 2017 for 833,354 shares of common stock. The aggregate fair market value of these shares was approximately \$167,000 as the fair market value of the stock was \$0.20 per share at the date of issuance. These issuances were completed in accordance with Section 4(a)(2) of the Securities Act in an offering without any public offering or distribution. These shares are restricted securities and include an appropriate restrictive legend.

Item 6. Selected Financial Data

Because we are a smaller reporting company, this Item 6 is not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and related notes included elsewhere in this filing. This discussion and other parts of this filing contain forward-looking statements that involve risk and uncertainties, such as statements of our plans, objectives, expectations, intentions, and beliefs. Our actual results may differ materially from those discussed in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and in other parts of this filing, and you should not place undue certain on these forward-looking statements, which apply only as of the date of this filing. See "Disclosure Regarding Forward-Looking Statements".

We are an emerging growth company as defined in Section 2(a) (19) of the Securities Act. Pursuant to Section 107 of the Jumpstart Our Business Startups Act, we may take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards, meaning that we can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have chosen to take advantage of the extended transition period for complying with new or revised accounting standards applicable to public companies to delay adoption of such standards until such standards are made applicable to private companies. Accordingly, our consolidated financial statements may not be comparable to the financial statements of public companies that comply with such new or revised accounting standards.

OVERVIEW:

Successor and Predecessor Financial Presentation

On December 1, 2016, substantially all of the operating assets of Coordinates Collection, Inc. ("CCI") was acquired by Reign Sapphire Corporation ("us", "we", "Reign"), (see "Acquisition of Assets Related to the Coordinates Collection Business"). We are a Beverly Hills-based, direct-to-consumer, branded and custom jewelry company. As part of the Acquisition, we created a wholly owned subsidiary, Reign Brands, Inc. ("Reign Brands"), which is a Delaware corporation, and acts as the operating entity for the acquired CCI assets. The acquisition method of accounting was used to record assets acquired and liabilities assumed by us. Such accounting generally results in increased amortization and depreciation reported in future periods. Accordingly, the accompanying consolidated financial statements of the Predecessor and Successor are not comparable in all material respects since those consolidated financial statements report financial position, results of operations, and cash flows of these two separate entities. CCI's fixed assets and identifiable intangible assets acquired were recorded based upon their estimated fair values as of the closing date of the Acquisition. The excess of purchase price over the value of the net assets acquired was recorded as goodwill.

The accompanying consolidated financial information and discussion have been presented on a comparative basis. For periods after the acquisition of the Coordinates Collection (since December 1, 2016), our financial results are referred to as "Successor" and its results of operations combines Reign Sapphire operations and the Coordinates Collection operations. For periods prior to the acquisition of the Coordinates Collection brand, our financial results are referred to as "Predecessor" and its operations includes only the Coordinates Collection operations. Where tables are presented, a black line separates the Successor and Predecessor financial information to highlight the lack of comparability between the periods.

Historical Development

Predecessor

CCI, previously known as FD9 Group, Inc., markets and distributes classic custom jewelry through *Le Bloc* and custom jewelry, inscribed with location coordinates commemorating life's special moments through *Coordinates Collection*. CCI was organized as a Delaware corporation in 2013 based in Los Angeles, California.

Successor

Reign Sapphire Corporation was established on December 15, 2014 in the State of Delaware as a vertically integrated "mines-gate to retail" model for sapphires – rough sapphires to finished jewelry; a color gemstone brand; and a jewelry brand featuring Australian sapphires. We acquired our *Coordinates Collection* and *Le Bloc* brands and the assets related to the production and sale of it on December 1, 2016. See further discussion below under "*Acquisition of Assets Related to the Coordinates Collection Business*."

The Company includes Reign Brands Inc as a wholly owned subsidiary, formed under of laws of the State of Delaware.

We started as UWI Holdings Corporation (previously known as Australian Sapphire Corporation) ("UWI") and was established on May 31, 2013 in the Province of New Brunswick, Canada. On December 31, 2014, UWI entered into an Agreement of Conveyance, Transfer and Assignment of Assets and Assumption of Obligations with Reign Corporation, pursuant to which UWI transferred all of its net assets to Reign. The sole shareholder of UWI along with his spouse retained 100% ownership of Reign and were issued 27,845,000 of Reign common shares in exchange for the 16,000,250 outstanding shares of UWI. There was no significant tax consequence to this exchange. As a result, Reign is considered to be the continuation of the predecessor UWI. All historical financial information prior to the reorganization is that of UWI.

Prior to the reorganization, we were authorized to issue 50,000,000 shares of common stock and 5,000,000 shares of preferred stock. On May 8, 2015, our Articles of incorporation were amended to increase the authorized common shares to 100,000,000 and preferred shares to 10,000,000. On December 22, 2015, our Articles of Incorporation were amended to increase the authorized number common shares to 150,000,000 with the authorized number of preferred shares remaining at 10,000,000.

On March 17, 2017, our shareholders approved an amendment to our Articles of Incorporation to authorize a class of preferred stock, titled Series A Preferred Stock, which will consist of one share. The Series A Preferred Stock shall vote together as a single class with the holders of the Corporation's common stock and the holders of any other class or series of shares entitled to vote with the common stock, with the holder of the Series A Preferred Stock being entitled to fifty-one (51%) of the total votes on all such matters regardless of the actual number of shares of Series A Preferred Stock then outstanding, and the holders of common stock and any other shares entitled to vote being entitled to their proportional share of the remaining 49% of the total votes based on their respective voting power. The Series A Preferred Stock shall not have any right to receive any dividends, nor any distributions in the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary. The share of Series A Preferred stock shall not be eligible to receive dividends. The class of Series A Preferred stock shall be automatically cancelled ten (10) years after the initial issue date of such Series A Preferred stock.

On May 19, 2017, we received the file stamped certificate of amendment from the state of Delaware, which lists an effective date of March 20, 2017. On May 23, 2017, we issued the share of Series A Preferred stock to Joseph Segelman, which will allow Mr. Segelman to maintain fifty-one percent (51%) voting control of us regardless of how many shares of common stock are issued and outstanding. Therefore, we consider the Series A Preferred stock to be issued on May 23, 2017.

We began our planned principal operations, and accordingly, we have prepared our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Acquisition of Assets Related to the Coordinates Collection Business

As discussed above, on December 1, 2016, we acquired substantially all of the operating assets of CCI. Upon the closing of the Acquisition, we received substantially all of the operating assets of CCI, consisting of fixed assets and intellectual property. As part of the Acquisition, we created a wholly owned subsidiary, Reign Brands, and shall act as the operating entity for the acquired CCI assets.

The purchase price of the operating assets of CCI was the issuance 7,000,000 shares of common stock (of which 1,000,000 shares were issued to ASK Gold, a major supplier) valued at \$770,000 (based on our stock price on the date of issuance). In addition, there is a cash payment of \$500,000 contingent upon a future offering and earn out payments for all sales of CCI and RGNP products sold via CCI sales channels for the 2017, 2018, 2019 and 2020 calendar years. The estimated fair value of the contingent payments totaled \$424,511 and was recognized as a liability in the accompanying consolidated balance sheet as of December 31, 2016 (Successor). We accounted for the Acquisition using the acquisition method of accounting. Such accounting generally results in increased amortization and depreciation reported in future periods. Accordingly, the accompanying consolidated financial statements of the Predecessor and the Company are not comparable in all material respects since those consolidated financial statements report financial position, results of operations, and cash flows of these two separate entities. CCI's fixed assets and identifiable intangible assets acquired were recorded based upon their estimated fair values as of the closing date of the Acquisition. The excess of purchase price over the value of the net assets acquired was recorded as goodwill.

Total Purchase Consideration:	
Common stock issued	\$ 770,000
Estimated fair value of contingent payments	424,511
	<u>\$ 1,194,511</u>

The following table summarizes the estimated fair values of the tangible and intangible assets acquired as of the date of acquisition:

Net assets acquired:	
Equipment	\$ 32,564
Developed technology - website	117,500
Developed technology – Ipad application	117,500
Tradename	365,000
Proprietary design	80,000
Goodwill	481,947
	<u>\$ 1,194,511</u>

Goodwill is the excess of the purchase price over the fair value of the underlying net tangible and identifiable intangible assets. In accordance with applicable accounting standards, goodwill is not amortized but instead is tested for impairment at least annually or more frequently if certain indicators are present.

Recent Developments

Financing Transactions

Convertible Note Payable

In January and February 2018, the Company entered into Securities Purchase Agreements (the "Purchase Agreement") with respect to the sale and issuance to Crossover Capital Fund II, LLC ("Crossover") totaling (i) 833,332 shares of the Company's Common Stock (the "Commitment Shares"); (ii) 3,000,000 redeemable shares (the "Redeemable Shares"), (iii) \$294,000 aggregate principal amount of a convertible promissory note (the "Convertible Note") and (iv) Common Stock Purchase Warrants to purchase up to an aggregate of 1,960,000 shares of the Company's common stock (the "Warrants") for aggregate consideration of \$255,000 cash.

The January and February 2018 Convertible Notes mature on October 3, 2018 and November 16, 2018, respectively, and provides for interest to accrue at an interest rate equal to 18% per annum or the maximum rate permitted under applicable law after the occurrence of any event of default as provided in the Note. At any time after 180 days from the Issue Date, the holder, at its option, may convert the outstanding principal balance and accrued interest into shares of common stock of the Company. The initial conversion price for the principal and interest in connection with voluntary conversions by a holder of a Note is \$0.08 per share, subject to adjustment as provided therein. There is also a one-time interest charge of 10% due at maturity.

If the Note is prepaid on or prior to the maturity date, all of the Redeemable Shares shall be returned to the treasury shares of the Company, without any payment by the Company for the Redeemable Shares. Further, if the Company prepays a portion of the Note, but not the entire Note, on or before the maturity date, a pro rata portion of the Redeemable Shares shall be returned to the Company's treasury in proportion to the prepayment amount as it relates to the entire Note balance.

The exercise price for the Warrants is \$0.15, subject to adjustment, are exercisable for five years after the date of the Warrant and are exercisable in whole or in part, as either a cash exercise or as a "cashless" exercise.

Limited Operating History; Need for Additional Capital

There is limited historical financial information about us on which to base an evaluation of our performance. We cannot guarantee we will be successful in our business operations. Our business is subject to risks inherent in the establishment of a new business enterprise, including limited capital resources, and possible cost overruns due to increases in the cost of services. To become profitable and competitive, we must receive additional capital. We have no assurance that future financing will materialize. If that financing is not available we may be unable to continue operations.

Overview of Presentation

The following Management's Discussion and Analysis ("MD&A") or Plan of Operations includes the following sections:

- Plan of Operations
- Results of Operations
- Liquidity and Capital Resources
- Capital Expenditures
- Going Concern
- Critical Accounting Policies
- Off-Balance Sheet Arrangements

Plan of Operations

Our plan of operations consists of:

- Our B2B marketing and sales efforts through the use of distribution partners and a high-end fashion retailers.
- Our D2C marketing and sales efforts through the use of social media, Internet marketing, print advertising, promotions, and signage
- Raise capital, fund administrative infrastructure and ongoing operations until our operations generate positive cash flow.

How We Generate Revenue

We recognize revenue at the time of shipment. Revenues are presented net of refunds and known credits.

General and administrative expenses consist of the cost of customer service, billing, cost of information systems and personnel required to support our operations and growth.

Depending on the extent of our future growth, we may experience significant strain on our management, personnel, and information systems. We will need to implement and improve operational, financial, and management information systems. In addition, we are implementing new information systems that will provide better record-keeping, customer service and billing. However, there can be no assurance that our management resources or information systems will be sufficient to manage any future growth in our business, and the failure to do so could have a material adverse effect on our business, results of operations and financial condition.

Results of Operations

Year Ended December 31, 2017 (Successor) Compared to One Month Ended December 31, 2016 (Successor) and Eleven Months Ended November 30, 2016 (Predecessor)

The following discussion represents a comparison of our results of operations for the year ended December 31, 2017 (Successor) compared to the year ended December 31, 2016 (Successor), which includes the results of operations for the for the one month ended December 31, 2016 (Successor) plus the eleven months ended November 30, 2016 (Predecessor). The results of operations for the periods shown in our audited consolidated financial statements, including the periods shown as Successor and Predecessor, are not necessarily indicative of operating results for the entire period. In the opinion of management, the audited consolidated financial statements recognize all adjustments of a normal recurring nature considered necessary to fairly state our financial position, results of operations and cash flows for the periods presented.

	Year Ended December 31, 2017 (Successor)	One Month Ended December 31, 2016 (Successor)	Eleven Months Ended November 30, 2016 (Predecessor)
Net revenues	\$ 1,284,178	\$ 250,601	\$ 1,553,986
Cost of sales	512,382	229,878	717,334
Gross profit	771,796	20,723	836,652
Operating expenses	3,206,083	226,662	1,340,916
Other (income) expense	1,816,177	(6,797)	128,124
Net loss from continuing operation	<u>\$ (4,250,464)</u>	<u>\$ (199,142)</u>	<u>\$ (632,388)</u>

Net Revenues

Net revenues decreased by \$520,409, or 28.8%, to \$1,284,178 for the year ended December 31, 2017 (Successor) from \$1,804,587 for the one month ended December 31, 2016 (Successor) plus the eleven months ended November 30, 2016 (Predecessor). The decrease in revenue is primarily the result of a reduction in retail revenue of \$342,391 or 24.3%, to \$1,061,247 for the year ended December 31, 2017 from \$1,403,638 for the one month ended December 31, 2016 (Successor) plus the eleven months ended November 30, 2016 (Predecessor) due to supply chain issues. In addition, we had sales discounts of \$218,490 and \$30,474 for the year ended December 31, 2017 (Successor) and for the one month ended December 31, 2016 (Successor) plus the eleven months ended November 30, 2016 (Predecessor), respectively.

Cost of Sales

Cost of sales decreased by \$434,830, or 45.9%, to \$512,382 for the year ended December 31, 2017 (Successor) from \$947,212 for the one month ended December 31, 2016 (Successor) plus the eleven months ended November 30, 2016 (Predecessor). The decrease in cost of sales was primarily due to the decrease in revenue and the decrease in supplier costs. As a percentage of revenue, cost of sales was 39.9% and 52.5% resulting in a gross margin of 60.1% and 47.5% for the years ended December 31, 2017 and 2016, respectively, due to product-wide price increases and decreases in supply chain inefficiencies.

Operating expenses

Operating expenses increased by \$1,638,505, or 104.5%, to \$3,206,083 for the year ended December 31, 2017 (Successor) from \$1,567,578 for the one month ended December 31, 2016 (Successor) plus the eleven months ended November 30, 2016 (Predecessor) primarily due to increases in stock based compensation of \$1,143,518, marketing costs of \$120,724, compensation costs of \$261,730, depreciation and amortization costs of \$149,344, travel expenses of \$13,869, rent of \$4,076, investor relations costs of \$81,523, and general and administration costs of \$10,307, offset primarily by decreases in consulting costs of \$30,009, and professional fees of \$116,578, as a result of reorganizing our administrative infrastructure due to refocusing our marketing initiatives to generate anticipated sales growth.

For the year ended December 31, 2017 (Successor), we had marketing expenses of \$533,448, stock based compensation of \$1,167,820, and general and administrative expenses of \$1,505,615 primarily due to compensation costs of \$733,173, consulting costs of \$91,964, travel expenses of \$57,493, rent of \$99,679, professional fees of \$115,114, depreciation and amortization costs of \$235,792, investor relations costs of \$81,523, and general and administration costs of \$90,076 as a result of reorganizing our administrative infrastructure due to refocusing our marketing initiatives to generate anticipated sales growth.

For the one month ended December 31, 2016 (Successor) plus the eleven months ended November 30, 2016 (Predecessor), we had marketing expenses of \$412,724, stock based compensation of \$24,302, and general and administrative expenses of \$1,130,552 primarily due to compensation costs of \$471,443, consulting costs of \$121,973, travel expenses of \$43,624, rent of \$95,603 professional fees of \$231,692, depreciation and amortization costs of \$86,448, and general and administration costs of \$79,769 as a result of reorganizing our administrative infrastructure, primarily compensation, due to the decrease in revenues and refocusing our marketing initiatives to generate anticipated sales growth.

Other (Income) Expense

Other expense for the year ended December 31, 2017 (Successor) totaled \$1,816,177 primarily due to interest expense of \$790,841 in conjunction with debt discount, the change in fair value of warrant liabilities of \$181,896, the modification of warrants and derivatives of \$238,935, and the extinguishment of debt of \$691,371, offset partially by the change in fair value of derivative liabilities of \$86,856, compared to other expense of \$121,327 for the one month ended December 31, 2016 (Successor) plus the eleven months ended November 30, 2016 (Predecessor) primarily due to interest expense of \$195,645 in conjunction with debt discount and the change in fair value of warrant liabilities of \$3,612, offset partially by the change in fair value of derivative liabilities of \$68,331, and other income of \$2,375.

Net loss before income taxes

Net loss before income taxes for the year ended December 31, 2017 (Successor) totaled \$4,250,464 primarily due to revenue of \$1,284,178 and (increases/decreases) in compensation costs, stock based compensation, professional fees, marketing costs, investor relations costs, and general and administration costs compared to a loss of \$831,530 for the one month ended December 31, 2016 (Successor) plus the eleven months ended November 30, 2016 (Predecessor) primarily due to revenue of \$1,804,587 and (increases/decreases) in compensation costs, consulting services costs, rent, professional fees, marketing costs, and general and administration costs.

Assets and Liabilities

Assets were \$2,071,079 as of December 31, 2017. Assets consisted primarily of cash of \$9,592, accounts receivable of \$9,730, inventory of \$726,140 which includes samples inventory of \$134,145, prepaid expenses of \$15,086, equipment of \$25,278, intangible assets of \$803,306, and goodwill of \$481,947. Liabilities were \$4,164,953 as of December 31, 2017. Liabilities consisted primarily of accrued compensation-related party of \$1,036,000, due to related party of \$721,434, accounts payable of \$194,023, deferred revenue of \$81,455, common stock payable of \$79,625, derivative liabilities of \$470,839, estimated fair value of contingent payments of \$287,957, other current liabilities of \$61,969, notes payable of \$19,051, net of \$70,000 of unamortized debt discount, and convertible notes of \$1,212,600, net of \$224,904 of unamortized debt discount.

Liquidity and Capital Resources

General – Overall, we had a decrease in cash flows for the year ended December 31, 2017 (Successor) of \$140,015 resulting from cash used in operating activities of \$400,003, and cash used in investing activities of \$79,068, offset partially by cash provided by financing activities of \$339,056.

The following is a summary of our cash flows provided by (used in) operating, investing, and financing activities during the periods indicated:

	Year Ended December 31, 2017 (Successor)	One Month Ended December 31, 2016 (Successor)	Eleven Months Ended November 30, 2016 (Predecessor)
Net cash provided by (used in):			
Operating activities	\$ (400,003)	\$ 1,688	\$ (132,742)
Investing activities	(79,068)	(27,136)	(90,983)
Financing activities	339,056	—	208,704
Net decrease in cash	<u>\$ (140,015)</u>	<u>\$ (25,448)</u>	<u>\$ (15,021)</u>

Year Ended December 31, 2017 (Successor) Compared to the One Month Ended December 31, 2016 (Successor) and Eleven Months Ended November 30, 2016 (Predecessor)

Cash Flows from Operating Activities— For the year ended December 31, 2017 (Successor), net cash used in operations was \$400,003 compared to net cash used in operations of \$131,054 for the one month ended December 31, 2016 (Successor) plus the eleven months ended November 30, 2016 (Predecessor). Net cash used in operations was primarily due to a net loss of \$4,251,264 for year ended December 31, 2017, and the change in derivative liabilities of \$86,856, offset primarily by stock based compensation – related party of \$45,391, stock based compensation issued to employees of \$16,920, the estimated fair market value of stock issued for services of \$811,301, depreciation expense of \$13,712, amortization expense of \$222,081, accretion of debt discount of \$415,237, the preferred share issued to CEO – related party of \$270,000, interest expense in conjunction with debt issuance of \$368,778, the change in warrant liabilities of \$181,896, the modification of warrant and derivative liabilities of \$238,935, the loss on extinguishment of debt of \$691,371, and the changes in operating assets and liabilities of \$662,505, primarily due to the increase in accounts payable of \$177,068, deferred revenue of \$2,635, accrued compensation - related party of \$260,000, due to related party of \$280,687, common stock payable of \$79,625, and other current liabilities of \$26,398, offset partially by prepaid expenses of \$15,086, accounts receivable of \$9,730, inventory of \$2,538, and estimated fair value of contingent payments, net of \$136,554.

Net cash used in operations was primarily due to a net loss of \$831,530 for the one month ended December 31, 2016 (Successor) plus the eleven months ended November 30, 2016 (Predecessor), the change in derivative liabilities of \$68,331, and the change in warrant liabilities of \$3,612, offset primarily by stock based compensation – related party of \$24,302, the estimated fair market value of stock issued for services of \$2,084, depreciation expense of \$7,308, amortization expense of \$79,149, accretion of debt discount of \$96,369, and the changes in operating assets and liabilities of \$563,207, primarily due to the increase in accounts payable of \$334,203, deferred revenue of \$117,009, accrued compensation - related party of \$21,667, due to related party of \$28,633, prepaid expenses of \$4,635, accounts receivable of \$5,335, inventory of \$1,173, and other current liabilities of \$50,552.

Cash Flows from Investing Activities— For the year ended December 31, 2017 (Successor), net cash used in investing was \$79,068 compared to net cash used in investing of \$118,119 for the one month ended December 31, 2016 (Successor) plus the eleven months ended November 30, 2016 (Predecessor). Net cash used in investing activities was mainly due to purchases of equipment and the acquisition of intangible assets.

Cash Flows from Financing Activities— For the year ended December 31, 2017 (Successor), net cash provided by financing was \$339,056 compared to net cash provided by financing of \$208,704 for the one month ended December 31, 2016 (Successor) plus the eleven months ended November 30, 2016 (Predecessor). The net cash provided by financing activities in 2017 was primarily due to proceeds from short-term convertible notes of \$250,005, proceeds from short-term notes of \$149,504, and repayments of short-term notes of \$60,453. The net cash provided by financing activities in 2016 was primarily due to proceeds from short-term notes of \$225,600, net of debt issuance costs of \$31,500, and proceeds from short-term notes – related party of \$157,442, and repayments of short-term notes of \$174,338.

Financing— We expect that our current working capital position, together with our expected future cash flows from operations will be insufficient to fund our operations in the ordinary course of business, anticipated capital expenditures, debt payment requirements and other contractual obligations for at least the next twelve months. However, this belief is based upon many assumptions and is subject to numerous risks, and there can be no assurance that we will not require additional funding in the future.

We have no present agreements or commitments with respect to any material acquisitions of other businesses, products, product rights or technologies or any other material capital expenditures. However, we will continue to evaluate acquisitions of and/or investments in products, technologies, capital equipment or improvements or companies that complement our business and may make such acquisitions and/or investments in the future. Accordingly, we may need to obtain additional sources of capital in the future to finance any such acquisitions and/or investments. We may not be able to obtain such financing on commercially reasonable terms, if at all. Due to the ongoing global economic crisis, we believe it may be difficult to obtain additional financing if needed. Even if we are able to obtain additional financing, it may contain undue restrictions on our operations, in the case of debt financing, or cause substantial dilution for our shareholders, in the case of equity financing.

Note Payable (Successor)

On June 30, 2017, we entered into a Loan Agreement, a Secured Promissory Note (“Note”) and a personal guarantee with respect to the funding by certain institutional investors Alpha Capital Anstalt and Brio Capital Master Fund Ltd. of up to \$1,125,000 in debt. Until December 31, 2018, we have the ability to request quarterly advances of up to the lesser of (i) \$250,000 or (ii) one sixth (1/6) of the revenue reported in the Form 10-Q or 10-K for the previous calendar quarter or previous fiscal year, whichever is most recent, provided that such revenue generated a profit of at least 10 percent (10%). The investors may advance the funds in their absolute discretion. In June 2017, the Company was advanced \$125,005. The Note shall become due and payable 18 months from each advance date. We must make payments to the investors in an amount of \$350, including interest at 10% per annum, every business day from the date of the first advance, which shall be increased proportionately upon each advance. The Note is secured with our assets pursuant to a security agreement dated December 23, 2015. In addition, our CEO has personally guaranteed the Note. As additional consideration for the loan, the investors received 1,500,000 shares of restricted common stock, in aggregate, valued at \$105,000 (based on our stock price on the date of grant) along with \$2,500 in cash for reimbursement of expenses incurred and recorded as debt issuance costs with a balance at December 31, 2017 of \$107,500. The note payable balance net of debt discount of \$70,000 at December 31, 2017 was \$18,880 with an availability of \$1,000,000 on the Note.

In January 2018, we were advanced an additional \$60,010 under the Note with no additional shares issued. In March 2018, we were advanced an additional of 60,000 under the Note with 600,000 additional shares to be issued.

The Agreement and Note are being entered into in accordance with the halachically accepted exemptions on the paying of interest payments in business transactions known as “heter iska”. We are still accounting for the interest in accordance with GAAP.

We borrow funds from third parties from time to time for working capital purposes with an upfront fee of approximately \$400, paying no interest, and with no length of repayment. For the year ended December 31, 2017, we had borrowings of \$24,500 and repayments of \$24,329 for a balance of \$171 at December 31, 2017. Repayments are based on 30% of amounts processed through PayPal until the balance is paid.

Due to Related Party

During 2017, we received no advances from our CEO/director and incurred business expenses of \$1,234,249 (comprised of operating expenses of \$1,218,085, inventory purchases totaling \$5,650, website development costs of \$9,573, and purchased equipment of \$940) and had repayments of \$941,443. We have a balance owed to the related party of \$721,434 and \$440,747 at December 31, 2017 and 2016, respectively. During 2017, we incurred \$180,000 of deferred compensation related to the CEO/director’s employment agreement and \$80,000 of deferred compensation related to the Secretary’s employment agreement. As of December 31, 2017 and 2016, accrued compensation – related party was \$1,036,000 and \$776,000, respectively.

Stock Transactions

During the year ended December 31, 2017, we issued 6,861,768 restricted common shares for services of \$755,884 (based on our stock price on the date of grant).

On July 14, 2017, we entered into a contract with a third party for consulting services. The consulting agreement provides for the consultant to receive 487,500 shares for entering into the agreement that were valued at \$34,125 (based on our stock price on the date of grant) and 162,500 restricted common shares each month beginning month four through month twelve. During the year ended December 31, 2017, the consultant vested in 406,250 shares, valued at \$79,625 (based on our stock price on the date of each grant). As of December 31, 2017, we had not issued the shares and has recorded a common stock payable of \$79,625. The contract was terminated at December 31, 2017.

On January 22, 2017, we issued 150,000 restricted common shares for payment of accounts payable of \$14,985.

As of December 31, 2016, we previously issued common shares pursuant to the terms of the Consent, Waiver and Modification Agreement (the “Agreement”) with certain Purchasers of the December 2015 Purchase Agreement dated December 23, 2015. The waivers contained in the Agreement were related to an increase in the shares issuable under the Company’s 2015 Stock Option Plan, a waiver of the right to participate in additional offerings by us, and allowing up to 20,000,000 shares of our common stock to be issued pursuant to a private or public offering at a price of not less than \$0.30 per share. As consideration for the terms contained in the Agreement, as well as for a fee of \$0.0001 per share, we issued an aggregate of 1,000,000 shares to the December 2015 Purchasers.

Stock Based Compensation

As of December 31, 2017, our board of directors and shareholders previously authorized the adoption and implementation of the Company’s 2015 Equity Incentive Plan (the “2015 Plan”). The principal purpose of the 2015 Plan is to attract, retain and motivate employees, officers, directors, consultants, agents, advisors and independent contractors to us and our related companies by providing them the opportunity to acquire a proprietary interest in us and to link their interests and efforts to the long-term interests of our shareholders. The material terms of the 2015 Plan are summarized in “Executive Compensation Plans and Other Benefit Plans” in this filing. Under the 2015 Plan, an aggregate of 20,000,000 shares of our common stock have initially been reserved for issuance pursuant to a variety of stock-based compensation awards, including stock options, stock appreciation rights, stock awards, restricted stock, restricted stock units and other stock and cash-based awards.

During the year ended December 31, 2017, we issued a total of 175,200 restricted common shares to employees, valued at \$16,920 (based on our stock price on the date of grant) as compensation pursuant to the Company's 2015 Equity Incentive Plan.

As of December 31, 2017, we issued a total of 600,000 restricted common shares to our Advisors, valued at \$120,000 (based on the estimated fair value of the stock on the date of grant) for outside advisory and consulting services pursuant to our 2015 Equity Incentive Plan. One-twelfth (1/12) of the shares will be earned each month. We will revalue the shares at each vesting period and recognize expense for the portion of the shares earned. We recognized compensation expense of \$41,667 for the year ended December 31, 2017 (Successor), and \$6,250 for the one month ended December 31, 2016 (Successor) under general and administrative expenses in the accompanying consolidated Statements of Operations. As of December 31, 2017, the Advisors had vested in 508,333 shares with 91,667 shares remaining to vest.

As of December 31, 2016, we previously issued our CEO, options for 10,000,000 shares of our common stock under the 2015 Plan, valued at \$2,500,000 (based on the Black Scholes valuation model on the grant date). The Black-Scholes option-pricing model used the following weighted average assumptions as of December 31, 2016: (i) no dividend yield for each year, (ii) volatility of 35.6 percent, (iii) risk-free interest rate of 1.87 percent, (iv) stock price of \$0.25, (v) exercise price of \$0.005, and (vi) expected life of 6.0 years. The options will vest 50% on the first anniversary of the grant date ("First Year Vest") and the remaining 50% of the shares shall vest in twelve (12) equal installments on the first day of each calendar month following the first anniversary of the grant date beginning on June 1, 2016 and ending on June 1, 2017 ("Second Year Vest"), provided that CEO is continuously employed by the Company from the grant date through such applicable vesting date. Notwithstanding the foregoing, 100% of the shares of the Company's common stock subject to the option shall fully vest if the Company shall successfully sell all of the shares of its common stock included in the primary offering of such common stock by the Company pursuant to the registration statement on Form S-1 to be filed with the Securities and Exchange Commission within ninety (90) days of the grant date. The First Year Vest options will amortize to expense over a 12 month period beginning May 2015 through April 2016 and the Second Year Vest options will amortize to expense over a 24 month period beginning May 2015 through April 2017.

We recognized expense of \$103,978 for the year ended December 31, 2017 (Successor), and \$24,302 for the one month ended December 31, 2016 (Successor), within stock based compensation in the accompanying consolidated Statement of Operations with \$13,750 remaining to be recognized.

Capital Expenditures

Other Capital Expenditures

We expect to purchase approximately \$30,000 of equipment in connection with the expansion of our business during the next twelve months.

Fiscal year end

Our fiscal year end is December 31.

Going Concern

Our independent registered accounting firm has added an explanatory paragraph to their Report of Independent Registered Public Accounting Firm issued in connection with our consolidated financial statements. We had an accumulated deficit of approximately \$10,381,000 and \$6,130,000 at December 31, 2017 and 2016, respectively, had a working capital deficit of \$3,404,000 and \$2,128,000 at December 31, 2017 and 2016, respectively, had a net loss of approximately \$4,251,000 for the year ended December 31, 2017 (Successor) and \$832,000 for the one month ended December 31, 2016 (Successor) plus the eleven months ended November 30, 2016 (Predecessor), and net cash used in operating activities of approximately \$400,000 for the year ended December 31, 2017 (Successor) and \$131,000 for the one month ended December 31, 2016 (Successor) plus the eleven months ended November 30, 2016 (Predecessor).

While we are attempting to expand operations and increase revenues, our cash position may not be significant enough to support our daily operations. We intend to raise additional funds by way of a public or private offering. We believe that the actions presently being taken to further implement our business plan and generate revenues provide the opportunity for us to continue as a going concern. While we believe in the viability of our strategy to generate revenues and in our ability to raise additional funds, there can be no assurances to that effect or on terms acceptable to us. Our ability to continue as a going concern is dependent upon our ability to further implement our business plan and generate revenues. Our current burn rate to maintain the minimal level of operations for us to be in a position to execute our business plan upon funding is anticipated to be no greater than \$25,000 per month in cash and Joseph Segelman, our President and CEO, has agreed to underwrite these costs until the offering described in this filing is completed and we are then able to begin execution of our business plan. In addition, until the offering described in this filing is completed we will continue to defer and accrue salaries and thus will not require cash to make payments under employment agreements.

The consolidated financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern.

Critical Accounting Policies

The Commission has defined a company's critical accounting policies as the ones that are most important to the portrayal of our financial condition and results of operations and which require us to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition, we have identified the critical accounting policies and judgments addressed below. We also have other key accounting policies that are significant to understanding our results.

The following are deemed to be the most significant accounting policies affecting us.

Use of Estimates

The preparation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of net sales and expenses during the reported periods. Actual results may differ from those estimates and such differences may be material to the consolidated financial statements. The more significant estimates and assumptions by management include among others: inventory valuation, and common stock and option valuation. The current economic environment has increased the degree of uncertainty inherent in these estimates and assumptions.

Revenue Recognition

We recognize revenues in accordance with FASB ASC Topic 605, "Revenue Recognition", and with the guidelines of the Securities and Exchange Commission ("SEC") Staff Accounting Bulletin ("SAB") No. 104 "Revenue Recognition".

Under SAB 104, four conditions must be met before revenue can be recognized: (i) there is persuasive evidence that an arrangement exists, (ii) delivery has occurred or service has been rendered, (iii) the price is fixed or determinable, and (iv) collection is reasonably assured.

We recognize revenue from product sales when the product is shipped to the customer, provided that collection of the resulting receivable is reasonably assured. Credit is granted generally for terms of 7 to 90 days, based on credit evaluations.

We currently have no return policy. We are currently evaluating our return policy to be more in line with industry standards.

Accounts Receivable

We record trade receivables when revenue is recognized. When appropriate, we will record an allowance for doubtful accounts, which is primarily determined by review of specific trade receivables. Those accounts that are doubtful of collection are included in the allowance. These provisions are reviewed to determine the adequacy of the allowance for doubtful accounts. Trade receivables are charged off when there is certainty as to their being uncollectible. Trade receivables are considered delinquent when payment has not been made within contract terms. At December 31, 2017 and 2016, we had no allowance for doubtful accounts. For the year ended December 31, 2017 (Successor) and for the one month ended December 31, 2016 (Successor) plus the eleven months ended November 30, 2016 (Predecessor), there were no accounts written-off.

Inventories

Inventories are stated at the lower of cost or market (net realizable value) on a lot basis each quarter. A lot is determined by the cut, clarity, size, and weight of the sapphires. Our inventory consists of loose sapphire jewels that meet rigorous grading criteria and are of cuts and sizes most commonly used in the jewelry industry. As of December 31, 2017, inventory consists of loose sapphire jewels and loose sapphire jewels held as samples. Samples are used to show potential customers what the jewelry would look like. Promotional items given to customers that are not expected to be returned will be removed from inventory and expensed. We perform our own in-house assessment based on gem guide and the current market price for metals to value its inventory on an annual basis or if circumstances dictate sooner to determine if the estimated fair value is greater or less than cost. In addition, we review the inventory each quarter against industry prices from gem-guide and if there is a potential impairment, we would appraise the inventory. The estimated fair value is subject to significant change due to changes in popularity of cut, perceived grade of the clarity of the sapphires, the number type and size of inclusions, the availability of other similar quality and size sapphires, and other factors. As a result, the internal assessment of the sapphires could be significantly lower from the current estimated fair value. Our loose sapphire jewels do not degrade in quality over time.

Business Combinations

Amounts paid for acquisitions are allocated to the assets acquired and liabilities assumed based on their estimated fair value at the date of acquisition. The fair value of identifiable intangible assets is based on detailed valuations that use information and assumptions provided by management, including expected future cash flows. We allocate any excess purchase price over the fair value of the net assets and liabilities acquired to goodwill. Identifiable intangible assets with finite lives are amortized over their useful lives. Acquisition-related costs, including advisory, legal, accounting, valuation and other costs, are expensed in the periods in which the costs are incurred. The results of operations of acquired businesses are included in the consolidated financial statements from the acquisition date.

Intangible Assets and Goodwill

Goodwill is the cost of an acquisition less the fair value of the net assets of the acquired business.

Intangible assets consist primarily of tradenames, proprietary designs, developed technology – website, and developed technology – Ipad application. Our intangible assets are being amortized on a straight-line basis over a period of three to ten years.

Impairment of Long-lived Assets and Goodwill

We evaluate goodwill for impairment annually in the fourth quarter, and whenever events or changes in circumstances indicate it is more likely than not that the fair value of a reporting unit containing goodwill is less than its carrying amount. The goodwill impairment test consists of a two-step process, if necessary. The first step is to compare the fair value of a reporting unit to its carrying value, including goodwill. We typically use discounted cash flow models to determine the fair value of a reporting unit. The assumptions used in these models are consistent with those we believe hypothetical marketplace participants would use. If the fair value of the reporting unit is less than its carrying value, the second step of the impairment test must be performed in order to determine the amount of impairment loss, if any. The second step compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds its implied fair value, an impairment charge is recognized in an amount equal to that excess. The loss recognized cannot exceed the carrying amount of goodwill.

We periodically evaluate whether the carrying value of property, equipment and intangible assets has been impaired when circumstances indicate the carrying value of those assets may not be recoverable. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If the carrying value is not recoverable, the impairment loss is measured as the excess of the asset's carrying value over its fair value.

Our impairment analyses require management to apply judgment in estimating future cash flows as well as asset fair values, including forecasting useful lives of the assets, assessing the probability of different outcomes, and selecting the discount rate that reflects the risk inherent in future cash flows. If the carrying value is not recoverable, we assess the fair value of long-lived assets using commonly accepted techniques, and may use more than one method, including, but not limited to, recent third party comparable sales and discounted cash flow models. If actual results are not consistent with our assumptions and estimates, or our assumptions and estimates change due to new information, we may be exposed to an impairment charge in the future.

Deferred Revenue

Deferred revenue consists of customer orders paid in advance of the delivery of the order. The Company classifies deferred revenue as short-term as the typical order ships within three weeks of placing the order. Deferred revenue is recognized as revenue when the product is shipped to the customer and all other revenue recognition criteria have been met.

Income Taxes

We account for income taxes under an asset and liability approach. This process involves calculating the temporary and permanent differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The temporary differences result in deferred tax assets and liabilities, which would be recorded on our balance sheets in accordance with ASC 740, which established financial accounting and reporting standards for the effect of income taxes. We must assess the likelihood that its deferred tax assets will be recovered from future taxable income and, to the extent we believe that recovery is not likely, we must establish a valuation allowance. Changes in our valuation allowance in a period are recorded through the income tax provision on the consolidated Statements of Operations.

From the date of our inception we adopted ASC 740-10-30. ASC 740-10 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a recognition threshold and measurement attributes for financial statement disclosure of tax positions taken or expected to be taken on a tax return. Under ASC 740-10, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Additionally, ASC 740-10 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As a result of the implementation of ASC 740-10, we recognized no material adjustment in the liability for unrecognized income tax benefits.

Stock Based Compensation

Issuances of our common stock or warrants for acquiring goods or services are measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. The measurement date for the fair value of the equity instruments issued to consultants or vendors is determined at the earlier of (i) the date at which a commitment for performance to earn the equity instruments is reached (a "performance commitment" which would include a penalty considered to be of a magnitude that is a sufficiently large disincentive for nonperformance) or (ii) the date at which performance is complete. However, situations may arise in which counter performance may be required over a period of time but the equity award granted to the party performing the service is fully vested and non-forfeitable on the date of the agreement. As a result, in this situation in which vesting periods do not exist as the instruments fully vested on the date of agreement, we determine such date to be the measurement date and will record the estimated fair market value of the instruments granted as a prepaid expense and amortize such amount to general and administrative expense in the accompanying statement of operations over the contract period. When it is appropriate for us to recognize the cost of a transaction during financial reporting periods prior to the measurement date, for purposes of recognition of costs during those periods, the equity instrument is measured at the then-current fair values at each of those interim financial reporting dates.

For purposes of determining the variables used in the calculation of stock compensation expense under the provisions of FASB ASC Topic 505, "Equity" and FASB ASC Topic 718, "Compensation — Stock Compensation," we perform an analysis of current market data and historical Company data to calculate an estimate of implied volatility, the expected term of the option and the expected forfeiture rate. With the exception of the expected forfeiture rate, which is not an input, we use these estimates as variables in the Black-Scholes option pricing model. Depending upon the number of stock options granted, any fluctuations in these calculations could have a material effect on the results presented in our statements of operations and comprehensive income. In addition, any differences between estimated forfeitures and actual forfeitures could also have a material impact on our consolidated financial statements.

Non-Cash Equity Transactions

Shares of equity instruments issued for non-cash consideration are recorded at the fair value of the consideration received based on the market value of services to be rendered, or at the value of the stock given, considered in reference to contemporaneous cash sale of stock.

Fair Value of Financial Instruments

We apply the provisions of accounting guidance, FASB Topic ASC 825 that requires all entities to disclose the fair value of financial instruments, both assets and liabilities recognized and not recognized on the balance sheet, for which it is practicable to estimate fair value, and defines fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. As of December 31, 2017 and 2016, the fair value of inventory, accrued compensation - related party, and advance from shareholder approximated carrying value due to the short maturity of the instruments, quoted market prices or interest rates which fluctuate with market rates.

Debt

We issue debt that may have separate warrants, conversion features, or no equity-linked attributes.

Debt with warrants – When we issue debt with warrants, we treat the warrants as a debt discount, record as a contra-liability against the debt, and amortize the balance over the life of the underlying debt as amortization of debt discount expense in the consolidated statements of operations. When the warrants require equity treatment under ASC 815, the offset to the contra-liability is recorded as additional paid in capital in our consolidated balance sheet. When we issue debt with warrants that require liability treatment under ASC 815, such as a clause requiring repricing, the warrants are considered to be a derivative that is recorded as a liability at fair value. If the initial value of the warrant derivative liability is higher than the fair value of the associated debt, the excess is recognized immediately as interest expense. The warrant derivative liability is adjusted to its fair value at the end of each reporting period, with the change being recorded as expense or gain. If the debt is retired early, the associated debt discount is then recognized immediately as amortization of debt discount expense in the consolidated statement of operations. The debt is treated as conventional debt.

Convertible debt – derivative treatment – When we issue debt with a conversion feature, we must first assess whether the conversion feature meets the requirements to be treated as a derivative, as follows: a) one or more underlyings, typically the price of our common stock; b) one or more notional amounts or payment provisions or both, generally the number of shares upon conversion; c) no initial net investment, which typically excludes the amount borrowed; and d) net settlement provisions, which in the case of convertible debt generally means the stock received upon conversion can be readily sold for cash. An embedded equity-linked component that meets the definition of a derivative does not have to be separated from the host instrument if the component qualifies for the scope exception for certain contracts involving an issuer's own equity. The scope exception applies if the contract is both a) indexed to its own stock; and b) classified in shareholders' equity in its statement of financial position.

If the conversion feature within convertible debt meets the requirements to be treated as a derivative, we estimate the fair value of the convertible debt derivative using Monte Carlo Method upon the date of issuance. If the fair value of the convertible debt derivative is higher than the face value of the convertible debt, the excess is immediately recognized as interest expense. Otherwise, the fair value of the convertible debt derivative is recorded as a liability with an offsetting amount recorded as a debt discount, which offsets the carrying amount of the debt. The convertible debt derivative is revalued at the end of each reporting period and any change in fair value is recorded as a gain or loss in the statement of operations. The debt discount is amortized through interest expense over the life of the debt.

Convertible debt – beneficial conversion feature – If the conversion feature is not treated as a derivative, we assess whether it is a beneficial conversion feature ("BCF"). A BCF exists if the conversion price of the convertible debt instrument is less than the stock price on the commitment date. This typically occurs when the conversion price is less than the fair value of the stock on the date the instrument was issued. The value of a BCF is equal to the intrinsic value of the feature, the difference between the conversion price and the common stock into which it is convertible, and is recorded as additional paid in capital and as a debt discount in the consolidated balance sheet. We amortize the balance over the life of the underlying debt as amortization of debt discount expense in the statement of operations. If the debt is retired early, the associated debt discount is then recognized immediately as amortization of debt discount expense in the statement of operations.

If the conversion feature does not qualify for either the derivative treatment or as a BCF, the convertible debt is treated as traditional debt.

Recent Accounting Pronouncements

Refer to Note 3 in the accompanying notes to the consolidated financial statements.

Future Contractual Obligations and Commitments

Refer to Note 16 in the accompanying notes to the consolidated financial statements for future contractual obligations and commitments. Future contractual obligations and commitments are based on the terms of the relevant agreements and appropriate classification of items under U.S. GAAP as currently in effect. Future events could cause actual payments to differ from these amounts.

We incur contractual obligations and financial commitments in the normal course of our operations and financing activities. Contractual obligations include future cash payments required under existing contracts, such as debt and lease agreements. These obligations may result from both general financing activities and from commercial arrangements that are directly supported by related operating activities. Details on these obligations are set forth below.

Convertible Note Payable

January 2018 Securities Purchase Agreement

In January and February 2018, the Company entered into Securities Purchase Agreements with respect to the sale and issuance to Crossover Capital Fund II, LLC (“Crossover”) totaling (i) 833,332 shares of the Company’s Common Stock; (ii) 3,000,000 redeemable shares, (iii) \$294,000 aggregate principal amount of a convertible promissory note and (iv) Common Stock Purchase Warrants to purchase up to an aggregate of 1,960,000 shares of the Company’s common stock for aggregate consideration of \$255,000 cash. The January and February 2018 Convertible Notes mature on October 3, 2018 and November 16, 2018, respectively, and provide for interest to accrue at an interest rate equal to 18% per annum or the maximum rate permitted under applicable law after the occurrence of any event of default as provided in the Note. If the Note is prepaid on or prior to the maturity date, all of the Redeemable Shares shall be returned to the treasury shares of the Company, without any payment by the Company for the Redeemable Shares. Further, if the Company prepays a portion of the Note, but not the entire Note, on or before the maturity date, a pro rata portion of the Redeemable Shares shall be returned to the Company’s treasury in proportion to the prepayment amount as it relates to the entire Note balance. There is also a one-time interest charge of 10% due at maturity.

November 2017 Securities Purchase Agreement

We entered into a Securities Purchase Agreement with respect to the sale and issuance to certain institutional investors Alpha and Brio of up to (i) 833,354 shares of our common stock, (ii) \$287,502 aggregate principal amount of secured convertible notes and (iii) common stock purchase warrants to purchase up to an aggregate of 3,593,776 shares of our common stock as defined in the Securities Purchase Agreement. The aggregate cash subscription amount received by us from the purchasers for the issuance of the incentive shares, notes and warrants was approximately \$250,005, which was issued at a \$37,497 original issue discount from the face value of the note. The notes mature on June 30, 2018, as amended on November 16, 2017, and provide for interest to accrue at an interest rate equal to the lesser of 15% per annum or the maximum rate permitted under applicable law after the occurrence of any event of default as provided in the notes.

November 2016 Securities Purchase Agreement

As of December 31, 2016, the Purchasers of the December 2015 Securities Purchase Agreement previously exercised their right under Section 2.4 of the Purchase Agreement, in order to enter into a Subsequent Closing, as that term is defined in the Purchase Agreement, under the same terms as are included in the Purchase Agreement. The November 2016 Incentive Shares, November 2016 Notes and November 2016 Warrants were issued on November 10, 2016. November 2016 Purchasers received (i) November 2016 Incentive Shares at the rate of 2.8986 November 2016 Incentive Shares for each \$1.00 of November 2016 Note principal issued to such November 2016 Purchaser; (ii) a November 2016 Note with a principal amount of \$1.00 for each \$0.86956 for each \$1.00 paid by each purchaser for such purchaser’s November 2016 Note; and (iii) November 2016 Warrants to purchase up to a number of shares of Common Stock equal to 100% of such purchaser’s November 2016 Note principal amount divided by \$0.12 (“November 2016 Purchaser Conversion Price”), the conversion price in effect on the November 2016 Initial Closing Date, as amended on May 30, 2017 to \$0.08, with a per share exercise price equal to \$0.15, as amended on November 16, 2017, subject to adjustment. The aggregate cash subscription amount received by the Company from the purchasers for the issuance of the November 2016 Incentive Shares, November 2016 Notes and November 2016 Warrants was approximately \$244,945 which was issued at a \$42,557 original issue discount from the face value of the November 2016 Note.

December 2015 Securities Purchase Agreement

As of December 31, 2016, we entered into a Securities Purchase Agreement (the “December 2015 Purchase Agreement”) with respect to the sale and issuance to certain institutional investors Alpha and Brio (collectively “December 2015 Purchasers”) of up to (i) 2,500,000 shares of our Common Stock (the “December 2015 Incentive Shares”); (ii) \$862,500 aggregate principal amount of Secured Convertible Notes (the “December 2015 Notes”) and (iii) Common Stock Purchase Warrants to purchase up to an aggregate of 10,781,250, as amended, shares of our Common Stock (the “December 2015 Warrants”). The December 2015 Incentive Shares, December 2015 Notes and December 2015 Warrants were issued on December 23, 2015 (the “December 2015 Original Issue Date”). December 2015 Purchasers received (i) December 2015 Incentive Shares at the rate of 2.8986 December 2015 Incentive Shares for each \$1.00 of December 2015 Note principal issued to such December 2015 Purchaser; (ii) a December 2015 Note with a principal amount of \$1.00 for each \$0.86956 for each \$1.00 paid by each purchaser for such purchaser’s December 2015 Note; and (iii) December 2015 Warrants to purchase up to a number of shares of Common Stock equal to 100% of such purchaser’s December 2015 Note principal amount divided by \$0.12 (“December 2015 Purchaser Conversion Price”), the conversion price in effect on the December 2015 Initial Closing Date, as amended on May 30, 2017 to \$0.08, with a per share exercise price equal to \$0.30, subject to adjustment. The aggregate cash subscription amount received by us from the purchasers for the issuance of the December 2015 Incentive Shares, December 2015 Notes and December 2015 Warrants was approximately \$724,500 (the “Subscription Amount”) which was issued at a \$138,000 original issue discount from the face value of the December 2015 Note.

In addition, the November 2016 Note and the December 2015 Note provide that commencing six (6) months after the Original Issue Date, we will have the option of prepaying the outstanding principal amount of the Notes (an “Optional Redemption”), in whole or in part, by paying to the holders a sum of money in cash equal to one hundred percent (100%) of the principal amount to be redeemed, together with accrued but unpaid interest thereon, if any, and any and all other sums due, accrued or payable to the holder arising under the Note through the Redemption Payment Date and 2.8986 shares of our Common Stock for each \$1.00 of Note principal amount being redeemed. A Notice of Redemption, if given, may be given on the first Trading Day following twenty (20) consecutive Trading Days during which all of the “Equity Conditions”, as defined, have been in effect.

As a result of the failure to timely file our 2016 Form 10-K for the year ended December 31, 2016 and our Form 10-Q for the three month period ended March 31, 2017, the November 2016 and December 2015 Notes were in default. On May 30, 2017, the Company entered into a Second Consent, Waiver and Modification Agreement with certain purchasers of convertible promissory notes (the “Notes”) pursuant to securities purchase agreements dated December 23, 2015 and November 10, 2016, which were amended pursuant to a Consent, Waiver and Modification Agreement dated October 13, 2016. The waivers contained in the Agreement were related to a waiver of the right to participate in additional offerings by the Company, allowing shares of the Company’s common stock to be issued pursuant to a private offering at a price of not less than \$0.08 per share as well as warrants exercisable for a period of five years at \$0.15 per share, as amended on November 16, 2017, adjusting the conversion price of the Notes issued to the purchasers to \$0.08 per share, extending the maturity date of the December 23, 2015 convertible promissory notes to December 31, 2017 and waiving default provisions listed in the Notes related to the Company’s failure to timely file its Form 10-K for the year ended December 31, 2016 and the Form 10-Q for the three month period ended March 31, 2017. Based on ASC 470-50-40, *Extinguishments of Debt*, the Company recognized \$691,371 as an extinguishment of debt under Other (income) expense in the accompanying consolidated Statements of Operations for the year ended December 31, 2017. The extinguishment of debt is comprised of changes in the fair value of warrant and derivative liabilities due to the amendment of the notes that were measured immediately prior to and subsequent to the amendment that resulted in extinguishment loss of \$176,022 for the December 2015 Purchaser Warrants, \$75,648 for the November 2016 Purchaser Warrants, \$183,250 for the December 2015 Purchaser Conversion Shares, and \$41,842 for the November 2016 Purchaser Conversion Shares, as well as \$178,409 for the unamortized debt discount associated with the November 2016 Notes and \$36,200 for the unamortized debt discount associated with the December 2015 Notes.

Note Payable

On June 30, 2017, we entered into a Loan Agreement, a Secured Promissory Note (“Note”) and a personal guarantee with respect to the funding by certain institutional investors Alpha Capital Anstalt and Brio Capital Master Fund Ltd. of up to \$1,125,000 in debt. Until December 31, 2018, we have the ability to request quarterly advances of up to the lesser of (i) \$250,000 or (ii) one sixth (1/6) of the revenue reported in the Form 10-Q or 10-K for the previous calendar quarter or previous fiscal year, whichever is most recent, provided that such revenue generated a profit of at least 10 percent (10%). The investors may advance the funds in their absolute discretion. In June 2017, the Company was advanced \$125,005. The Note shall become due and payable 18 months from each advance date. We must make payments to the investors in an amount of \$350, including interest at 10% per annum, every business day from the date of the first advance, which shall be increased proportionately upon each advance. The Note is secured with our assets pursuant to a security agreement dated December 23, 2015. In addition, our CEO has personally guaranteed the Note. As additional consideration for the loan, the investors received 1,500,000 shares of restricted common stock, in aggregate, valued at \$105,000 (based on our stock price on the date of grant) along with \$2,500 in cash for reimbursement of expenses incurred and recorded as debt issuance costs of \$107,500. The note payable balance net of debt discount of \$70,000 at December 31, 2017 was \$18,880 with an availability of \$1,000,000 on the Note.

In January 2018, the Company was advanced an additional \$60,010 under the Note with no additional shares issued. In March 2018, we were advanced an additional \$60,000 under the Note with 600,000 additional shares to be issued.

The Agreement and Note are being entered into in accordance with the halachically accepted exemptions on the paying of interest payments in business transactions known as "heter iska". We are still accounting for the interest in accordance with GAAP.

We borrow funds from third parties from time to time for working capital purposes with an upfront fee of approximately \$400, paying no interest, and with no length of repayment. For the year ended December 31, 2017, we had borrowings of \$24,500 and repayments of \$24,329 for a balance of \$171 at December 31, 2017. Repayments are based on 30% of amounts processed through PayPal until the balance is paid.

During the year ended December 31, 2017 (Successor), we received no advances from our CEO/director and incurred business expenses that were paid by the CEO/director of \$1,234,249 (comprised of operating expenses of \$1,218,085, inventory purchases totaling \$5,650, website development costs of \$9,573, and purchased equipment of \$940) and had repayments of \$941,443. We have a balance owed to the related party of \$721,434 and \$440,747 at December 31, 2017 and 2016, respectively. During the year ended December 31, 2017 (Successor) and for the one month ended December 31, 2016 (Successor), we incurred \$45,000 and \$180,000, respectively, of deferred compensation related to the CEO/director's employment agreement and \$20,000 and \$80,000, respectively, of deferred compensation related to the Secretary's employment agreement. As of December 31, 2017 and 2016, accrued compensation-related party was \$1,036,000 and \$776,000, respectively.

Contingent Payments

On December 1, 2016, we acquired substantially all of the operating assets of CCI. As part of the purchase price of the operating assets of CCI, there is a cash payment of \$500,000 contingent upon a future offering and earn out payments for all sales of CCI and RGNP products sold via CCI sales channels for the 2017, 2018, 2019 and 2020 calendar years. The estimated fair value of the contingent payments totaled \$424,511 and was recognized as a liability in the accompanying consolidated balance sheets as of December 31, 2016. During year ended December 31, 2017, ASK Gold and CCI each earned \$41,534 of earn out payments for a total of \$83,068. In addition, the Company paid \$95,020 in reimbursement expenses ("Reimbursement Expenses") that were the responsibility of CCI and will be applied against current and future earn out payments to CCI. We applied \$41,534 of earn out payments owed to CCI against the Reimbursement Expenses for a net balance of \$53,486 owed by CCI to us as of December 31, 2017 that is recorded in estimated fair value of contingent payments, net in the accompanying consolidated balance sheets. As of December 31, 2017, estimated fair value of contingent payments, net was \$287,957.

Consulting Agreement

On October 10, 2017, we entered into a marketing agreement with a third party. The agreement expires October 9, 2018 ("Initial Term"), has a base compensation of \$100,000, payable \$12,500 quarterly, and provides for royalties at ten percent (10%) of the Net Revenues from the ION collection, as defined. If during the Initial Term, our net revenue from the sales of the ION collection exceed the \$100,000 base compensation, then the agreement shall automatically be extended for two years. In conjunction with the agreement, we issued 1,000,000 restricted common shares to the consultant, valued at \$180,000 (based on our stock price on the date of grant), an additional 500,000 restricted common shares shall be issued at the end of the Initial Term, and should the agreement be extended, we shall issue an additional 1,350,000 restricted common shares. In addition, we agreed to donate five percent (5%) of the Net Revenues from the ION collection to mutually agreeable disaster relief funds.

Off-Balance Sheet Arrangements

As of December 31, 2017, we have not entered into any transaction, agreement or other contractual arrangement with an entity unconsolidated under which it has:

- a retained or contingent interest in assets transferred to the unconsolidated entity or similar arrangement that serves as credit;
- liquidity or market risk support to such entity for such assets;
- an obligation, including a contingent obligation, under a contract that would be accounted for as a derivative instrument; or
- an obligation, including a contingent obligation, arising out of a variable interest in an unconsolidated entity that is held by, and material to us, where such entity provides financing, liquidity, market risk or credit risk support to or engages in leasing, hedging, or research and development services with us.

Inflation

We do not believe that inflation has had a material effect on our results of operations.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

Item 8. Financial Statements and Supplementary Data

The financial statements and supplementary financial information which are required to be filed under this item are presented under Item 15. Exhibits, Financial Statement Schedules and Reports on Form 10-K in this document, and are incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures**Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) that are designed to ensure that information that would be required to be disclosed in Exchange Act reports is recorded, processed, summarized and reported within the time period specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including to our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Our management, under the supervision and with the participation of our CEO and Chief Financial Officer ("CFO"), has evaluated the effectiveness of our disclosure controls and procedures as defined in SEC Rules 13a-15(e) and 15d-15(e) as of the end of the period covered by this report. Based on such evaluation, management identified deficiencies that were determined to be a material weakness.

Management's Report on Internal Controls over Financial Reporting

The Company's management is responsible for establishing and maintaining effective internal control over financial reporting (as defined in Rule 13a-15(f) of the Securities Exchange Act). Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2017. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") (2013). Based on that assessment, management believes that, as of December 31, 2017, the Company's internal control over financial reporting was ineffective based on the COSO criteria, due to the following material weaknesses listed below.

The specific material weaknesses identified by the company's management as of end of the period covered by this report include the following:

- we have not performed a risk assessment and mapped our processes to control objectives;
- we have not implemented comprehensive entity-level internal controls;
- we have not implemented adequate system and manual controls; and
- we do not have sufficient segregation of duties. As such, the officers approve their own related business expense reimbursements

Despite the material weaknesses reported above, our management believes that our consolidated financial statements included in this report fairly present in all material respects our financial condition, results of operations and cash flows for the periods presented and that this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

This report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to rules of the Commission that permit us to provide only management's report in this report.

Management's Remediation Plan

The weaknesses and their related risks are not uncommon in a company of our size because of the limitations in the size and number of staff. Due to our size and nature, segregation of all conflicting duties has not always been possible and may not be economically feasible.

However, we plan to take steps to enhance and improve the design of our internal control over financial reporting. During the period covered by this annual report on Form 10-K, we have not been able to remediate the material weaknesses identified above. To remediate such weaknesses, we plan to implement the following changes in the current fiscal year as resources allow:

- (i) appoint additional qualified personnel to address inadequate segregation of duties and implement modifications to our financial controls to address such inadequacies;

The remediation efforts set out herein will be implemented in the current 2018 fiscal year. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake.

Management believes that despite our material weaknesses set forth above, our consolidated financial statements for the year ended December 31, 2017 are fairly stated, in all material respects, in accordance with U.S. GAAP.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the fiscal year ending December 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

There have been no events required to be reported under this Item.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The following table sets forth the names, ages, and biographical information of each of our current directors and executive officers and the positions with the Company held by each person. Our executive officers are elected annually by the board of directors. The directors serve one-year terms until their successors are elected. The executive officers serve terms of one year or until their death, resignation or removal by the board of directors. Unless described below, there are no family relationships among any of the directors and officers.

Name	Age	Title
Joseph Segelman	41	President, Chief Executive Officer and Director
Chaya Segelman	38	Secretary and Director

Joseph Segelman has served as our President and Chief Executive Officer and a member of our board of directors since December 2014. During the five year period prior to December 2014, Mr. Segelman served as the Chief Executive Officer and Managing Director of UWI Holdings Corporation (previously known as Australian Sapphire Corporation), Shefa Mining Corporation and Spencer Lloyd & Associates. He is an experienced marketing and operations professional with over 17 years of experience in logistics and marketing and extensive experience in the Australian mining and gem industry. He is currently director of Australian Sapphire Corporation and Spencer Lloyd & Associates. He is also a director & board Member of OBK (a Sydney based charity), and a Captain (Chaplain) in the Australian Army reserves. Mr. Segelman is the author of "Take Action: Successful Australians Share their Secrets", (Lothian Books, 2004).

Chaya Segelman has served as our Secretary and a member of our board of directors since December 2014. During the five year period prior to December 2014, Mrs. Segelman served as the secretary and head of operations and a member of the board of directors of UWI Holdings Corporation (previously known as Australian Sapphire Corporation), Shefa Mining Corporation and Spencer Lloyd & Associates. She has over 15 years of company administration experience.

Our sole directors, Joseph and Chaya Segelman, are married to one another.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers and persons who own more than ten percent of a registered class of our equity securities to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and other equity securities. Officers, directors and greater than ten percent shareholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. Based solely on our review of the copies of Forms 3, 4 and any amendments thereto furnished to us during the fiscal year completed December 31, 2016, and subsequently, none of our officers or directors have failed to file any required ownership reports.

Conflicts of Interest

Certain potential conflicts of interest are inherent in the relationships between our officers and directors and us.

From time to time, one or more of our affiliates may form or hold an ownership interest in and/or manage other businesses both related and unrelated to the type of business that we own and operate. These persons expect to continue to form, hold an ownership interest in and/or manage additional other businesses which may compete with our business with respect to operations, including financing and marketing, management time and services and potential customers. These activities may give rise to conflicts between or among the interests of us and other businesses with which our affiliates are associated. Our affiliates are in no way prohibited from undertaking such activities, and neither we nor our shareholders will have any right to require participation in such other activities.

Further, because we intend to transact business with some of our officers, directors and affiliates, as well as with firms in which some of our officers, directors or affiliates have a material interest, potential conflicts may arise between the respective interests of us and these related persons or entities. We believe that such transactions will be effected on terms at least as favorable to us as those available from unrelated third parties.

With respect to transactions involving real or apparent conflicts of interest, we have adopted policies and procedures which require that: (i) the fact of the relationship or interest giving rise to the potential conflict be disclosed or known to the directors who authorize or approve the transaction prior to such authorization or approval, (ii) the transaction be approved by a majority of our disinterested outside directors, and (iii) the transaction be fair and reasonable to us at the time it is authorized or approved by our directors.

Our policies and procedures regarding transactions involving potential conflicts of interest are not in writing. We understand that it will be difficult to enforce our policies and procedures and will rely and trust our officers and directors to follow our policies and procedures. We will implement our policies and procedures by requiring the officer or director who is not in compliance with our policies and procedures to remove himself and the other officers and directors will decide how to implement the policies and procedures, accordingly.

Corporate Governance

The Company promotes accountability for adherence to honest and ethical conduct; endeavors to provide full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with the Securities and Exchange Commission (the "SEC") and in other public communications made by the Company; and strives to be compliant with applicable governmental laws, rules and regulations.

Director Independence

We do not have any independent directors. Because our common stock is not currently listed on a national securities exchange, we have used the definition of “independence” of The NASDAQ Stock Market to make this determination. NASDAQ Listing Rule 5605(a)(2) provides that an “independent director” is a person other than an officer or employee of the company or any other individual having a relationship which, in the opinion of the company’s board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The NASDAQ listing rules provide that a director cannot be considered independent if:

- the director is, or at any time during the past three years was, an employee of the company;
- the director or a family member of the director accepted any compensation from the company in excess of \$120,000 during any period of 12 consecutive months within the three years preceding the independence determination (subject to certain exclusions, including, among other things, compensation for board or board committee service);
- a family member of the director is, or at any time during the past three years was, an executive officer of the company;
- the director or a family member of the director is a partner in, controlling stockholder of, or an executive officer of an entity to which the company made, or from which the company received, payments in the current or any of the past three fiscal years that exceed 5% of the recipient’s consolidated gross revenue for that year or \$200,000, whichever is greater (subject to certain exclusions);
- the director or a family member of the director is employed as an executive officer of an entity where, at any time during the past three years, any of the executive officers of the company served on the compensation committee of such other entity; or
- the director or a family member of the director is a current partner of the company’s outside auditor, or at any time during the past three years was a partner or employee of the company’s outside auditor, and who worked on the company’s audit.

Board Composition

Our business and affairs are managed under the direction of our board of directors, which upon the consummation of this offering will consist of two members. Directors serve for a term of one year and until their successors have been duly elected and qualified.

Director Independence

We are not required to have independent members of our board of directors, and do not anticipate having independent directors until such time as we are required to do so.

Committees of the Board

Our Company currently does not have nominating, compensation, or audit committees or committees performing similar functions nor does our Company have a written nominating, compensation or audit committee charter. Our directors believe that it is not necessary to have such committees, at this time, because the directors can adequately perform the functions of such committees.

In lieu of an audit committee, the Company’s board of directors is responsible for reviewing and making recommendations concerning the selection of outside auditors, reviewing the scope, results and effectiveness of the annual audit of the Company’s consolidated financial statements and other services provided by the Company’s independent public accountants. The board of directors, the Chief Executive Officer and the Chief Financial Officer of the Company review the Company’s internal accounting controls, practices and policies.

Audit Committee Financial Expert

Our board of directors has determined that we do not have a board member that qualifies as an “audit committee financial expert” as defined in Item 407(D)(5) of Regulation S-K, nor do we have a board member that qualifies as “independent” as the term is used in Item 7(d)(3)(iv)(B) of Schedule 14A under the Securities Exchange Act of 1934, as amended, and as defined by Rule 4200(a)(14) of the FINRA Rules.

We believe that our directors are capable of analyzing and evaluating our consolidated financial statements and understanding internal controls and procedures for financial reporting. The directors of our Company do not believe that it is necessary to have an audit committee because management believes that the board of directors can adequately perform the functions of an audit committee. In addition, we believe that retaining an independent director who would qualify as an “audit committee financial expert” would be overly costly and burdensome and is not warranted in our circumstances given the stage of our development and the fact that we have not generated any positive cash flows from operations to date.

Involvement in Certain Legal Proceedings

Our directors and our executive officers have not been involved in or a party in any of the following events or actions during the past ten years:

1. any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
2. any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
3. being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or
4. being found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.
5. Such person was found by a court of competent jurisdiction in a civil action or by the Commission to have violated any Federal or State securities law, and the judgment in such civil action or finding by the Commission has not been subsequently reversed, suspended, or vacated;
6. Such person was found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any Federal commodities law, and the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended or vacated;
7. Such person was the subject of, or a party to, any Federal or State judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of: (i) Any Federal or State securities or commodities law or regulation; or (ii) Any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order; or (iii) Any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
8. Such person was the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26))), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Code of Ethics

The Company has not formally adopted a written Code of Ethics that governs the Company’s employees, officers and directors as the Company is not required to do so. The board of directors evaluated the business of the Company and the number of employees and determined that since the business is operated by a small number of persons, general rules of fiduciary duty and federal and state criminal, business conduct and securities laws are adequate ethical guidelines. In the event our operations, employees and/or directors expand in the future, we may take actions to adopt a formal Code of Ethics.

Compensation Committee Interlocks and Insider Participation

As a smaller reporting company, the Company is not required to provide this disclosure.

Role of Board of Directors in Risk Oversight

Our board of directors oversees an enterprise-wide approach to risk management, designed to support the achievement of business objectives, including organizational and strategic objectives, to improve long-term organizational performance and enhance stockholder value. The involvement of our board of directors in setting our business strategy is a key part of its assessment of management’s plans for risk management and its determination of what constitutes an appropriate level of risk for our company. The participation of our board of directors in our risk oversight process includes receiving regular reports from members of senior management on areas of material risk to our company, including operational, financial, legal and regulatory, and strategic and reputational risks.

While our board of directors has the ultimate responsibility for the risk management process, senior management and various committees of our board of directors, when formed, will also have responsibility for certain areas of risk management. Our senior management team is responsible for day-to-day risk management and regularly reports on risks to our full board of directors or a relevant committee. Our finance and regulatory personnel serve as the primary monitoring and evaluation function for company-wide policies and procedures, and manage the day-to-day oversight of the risk management strategy for our ongoing business. This oversight includes identifying, evaluating, and addressing potential risks that may exist at the enterprise, strategic, financial, operational, compliance and reporting levels.

Director Compensation

All of the Company's directors are employees of the Company and such persons have not been separately compensated for their services to the Company as a director.

Limitation on Liability and Indemnification Matters

Our Certificate of Incorporation and bylaws provide that we will indemnify our directors and officers, and may indemnify our employees and other agents, to the fullest extent permitted by the Delaware General Corporation Law, which prohibits our Certificate of Incorporation from limiting the liability of our directors for the following:

- any breach of the director's duty of loyalty to the corporation or its shareholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions; or
- any transaction from which the director derived an improper personal benefit.

If Delaware law is amended to authorize corporate action further eliminating or limiting the personal liability of a director, then the liability of our directors will be eliminated or limited to the fullest extent permitted by Delaware law, as so amended. Our Articles of Incorporation does not eliminate a director's duty of care and in appropriate circumstances, equitable remedies, such as injunctive or other forms of non-monetary relief, remain available under Delaware law. This provision also does not affect a director's responsibilities under any other laws, such as the federal securities laws or other state or federal laws. Under our bylaws, we will also be empowered to purchase insurance on behalf of any person whom we are required or permitted to indemnify.

In addition to the indemnification required in our Certificate of Incorporation and bylaws, we have entered or will enter into indemnification agreements with each of our directors and officers. These agreements provide indemnification for certain expenses and liabilities incurred in connection with any action, suit, proceeding, or alternative dispute resolution mechanism, or hearing, inquiry, or investigation that may lead to the foregoing, to which they are a party, or are threatened to be made a party, by reason of the fact that they are or were a director, officer, employee, agent, or fiduciary of our company, or any of our subsidiaries, by reason of any action or inaction by them while serving as an officer, director, agent, or fiduciary, or by reason of the fact that they were serving at our request as a director, officer, employee, agent, or fiduciary of another entity. In the case of an action or proceeding by, or in the right of, our company or any of our subsidiaries, no indemnification will be provided for any claim where a court determines that the indemnified party is prohibited from receiving indemnification. We believe that these bylaw provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers. We also maintain directors' and officers' liability insurance.

The limitation of liability and indemnification provisions in our Certificate of Incorporation and bylaws may discourage shareholders from bringing a lawsuit against directors for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against directors and officers, even though an action, if successful, might benefit us and our shareholders. A shareholder's investment may be harmed to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions. Insofar as we may provide indemnification for liabilities arising under the Securities Act to our directors, officers, and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. There is no pending litigation or proceeding naming any of our directors or officers as to which indemnification is being sought, nor are we aware of any pending or threatened litigation that may result in claims for indemnification by any director or officer.

Item 11. Executive Compensation

The following is a discussion and analysis of compensation arrangements of our named executive officers, or NEOs. This discussion contains forward looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation programs. Actual compensation programs that we adopt may differ materially from currently planned programs as summarized in this discussion. As an “emerging growth company” as defined in the JOBS Act, we are not required to include a Compensation Discussion and Analysis section and have elected to comply with the scaled disclosure requirements applicable to emerging growth companies.

Summary Compensation Table

The particulars of the compensation paid to the following persons: (1) our principal executive officer; and (2) each of our two most highly compensated executive officers who were serving as executive officers at the end of the fiscal year ended December 31, 2017, who we will collectively refer to as the “named executive officers” of the Company, are set out in the following summary compensation table:

SUMMARY COMPENSATION TABLE									
Name and Principal Position	Year	Salary (\$)(1)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)(1)	Total (\$)(1)
Joseph Segelman, CEO	2017	180,000	0	270,000	0	0	0	\$ 16,738	\$ 466,738
	2016	180,000	0	0	0	0	0	\$ 43,239	\$ 223,239
	2015	165,000	0	0	2,500,000	0	0	0	\$ 2,665,000
Chaya Segelman, Secretary	2017	80,000	0	0	0	0	0	\$ 7,179	\$ 87,179
	2016	80,000	0	0	0	0	0	\$ 7,176	\$ 87,176
	2015	75,000	0	0	0	0	0	0	\$ 75,000

(1) amounts are deferred and have not been paid.

Other than as disclosed below, there are no compensatory plans or arrangements with respect to our executive officers resulting from their resignation, retirement or other termination of employment or from a change of control.

Grants of Plan-Based Awards Table

None of our named executive officers received any grants of stock, option awards or other plan-based awards during the years ended December 31, 2017 and 2016 except as described below in “Equity Compensation Plans and Other Benefit Plans” below.

Options Exercised and Stock Vested Table

None of our named executive officers exercised any stock options or restricted stock units during the years ended December 31, 2017 and 2016.

Outstanding Equity Awards at 2015 Year End

Except as described below in “Equity Compensation Plans and Other Benefit Plans”, the Company has not issued any awards to its named executive officers. The Company and its board of directors may grant awards as it sees fit to its employees as well as key consultants. See the discussion of “Equity Compensation Plans and Other Benefit Plans” below.

Agreements with Executive Officers

We do not have any employment or consulting agreements with any executive officers or directors except as follows:

Joseph Segelman

As of December 31, 2017, we have an employment agreement with our CEO. The initial term of the employment agreement expires on December 31, 2018, unless earlier terminated by us or CEO. The agreement provides for automatic one-year renewals, unless either we or CEO give notice of our or his intention not to extend at least 90 days prior to the expiration of any term. Under his employment agreement, CEO receives a minimum annual base salary of \$180,000. CEO is eligible to receive an annual performance bonus each year, if performance goals established by our board of directors are met, and is entitled to participate in customary benefit plans.

If we terminate CEO’s employment without cause, he will be entitled to the following: (i) payment of (x) accrued compensation and unpaid base salary through the date of such termination, (y) any amounts previously deferred by CEO and (z) the payment or reimbursement for expenses incurred prior to the date of such termination; (ii) an amount equal to 200% of the base salary and (iii) continued participation, at our expense, in our health and welfare programs for a period of two years after the date of termination.

For purposes of CEO’s employment agreement with us, a termination for cause will be deemed to have occurred upon the happening of the following, subject to a cure right: (i) his misappropriation or theft of our or any of our subsidiary’s funds or property; (ii) his conviction or entering of a plea of *nolo contendere* of any fraud, misappropriation, embezzlement or similar act, felony or crime involving dishonesty or moral turpitude; (iii) his engagement in any conduct that is materially injurious to us; (iv) his material breach of his employment agreement or material failure to perform any of his duties owed to us; (v) his commission of any act involving willful malfeasance or gross negligence or his failure to act involving material nonfeasance; or (vi) his material violation of the code of conduct of the Company or its subsidiaries or of any statutory or common law duty of loyalty to the Company or its subsidiaries.

In connection with his employment agreement, CEO was granted options to purchase 10,000,000 shares of our common stock in accordance with a share option agreement pursuant to the Company’s 2015 Incentive Equity Plan, which is described below. The share option agreement provides, among other things, that CEO’s options shall vest monthly over a two year period commencing on April 1, 2015. This award is also subject to accelerated vesting in certain circumstances, including in connection with certain terminations or the achievement of specified performance milestones including the successful offer and sale of all of the shares of common stock being offered by the Company pursuant to this filing.

Due to Related Party

During 2017, we received no advances from our CEO/director and incurred business expenses of \$1,234,249 (comprised of operating expenses of \$1,218,085, inventory purchases totaling \$5,650, website development costs and of \$9,573, and purchased equipment of \$940) and had repayments of \$941,443. We have a balance owed to the related party of \$721,434 and \$440,747 at December 31, 2017 and 2016, respectively. During 2017, we incurred \$180,000 of deferred compensation related to the CEO/director’s employment agreement and \$80,000 of deferred compensation related to the Secretary’s employment agreement. As of December 31, 2017 and 2016, accrued compensation – related party was \$1,036,000 and \$776,000, respectively.

Chaya Segelman

As of December 31, 2017, we have an employment agreement with our Secretary. The initial term of Secretary ‘s employment agreement expires on December 31, 2018, unless earlier terminated by us or Secretary. The agreement provides for automatic one-year renewals, unless either we or Secretary give notice of our or her intention not to extend at least 90 days prior to the expiration of any term. Under her employment agreement, Secretary receives a minimum annual base salary of \$80,000.

If we terminate Secretary’s employment without cause, she will be entitled to the following: (i) payment of (x) accrued compensation and unpaid base salary through the date of such termination, (y) any amounts previously deferred by Secretary and (z) the payment or reimbursement for expenses incurred prior to the date of such termination; (ii) an amount equal to 50% of the base salary and (iii) continued participation, at our expense, in our health and welfare programs for a period of two years after the date of termination. The definition of cause under Secretary’s employment agreement is the same as that in CEO’s employment agreement.

Owen deVries

On December 1, 2016, we entered into a consulting agreement with Owen deVries, CCI's CEO and director. The agreement calls for Mr. deVries to develop strategic partnerships and international business on our behalf for initial monthly payments of \$11,000. The agreement was amended in April 2017 to reduce the monthly payment to \$4,000. The agreement was terminated in December 2017, giving 90 day written notice.

Equity Compensation Plans and Other Benefit Plans

Other than as described below, the Company does not currently have any equity compensation plans and there are no arrangements or plans in which we provide pension, retirement or similar benefits for directors or executive officers. We have no material bonus or profit sharing plans pursuant to which cash or non-cash compensation is or may be paid to our directors or executive officers.

2015 Equity Incentive Plan

As of December 31, 2017, the board of directors and shareholders of the Company previously authorized the adoption and implementation of the Company's 2015 Plan. The principal purpose of the 2015 Plan is to attract, retain and motivate employees, officers, directors, consultants, agents, advisors and independent contractors of the Company and its related companies by providing them the opportunity to acquire a proprietary interest in the Company and to link their interests and efforts to the long-term interests of the Company's shareholders. The material terms of the 2015 Plan are summarized below.

Share Reserve. Under the 2015 Plan, an aggregate of 20,000,000 shares (with 9,496,800 shares remaining to be issued) of our common stock have initially been reserved for issuance pursuant to a variety of stock-based compensation awards, including stock options, stock appreciation rights, stock awards, restricted stock, restricted stock units and other stock and cash-based awards. To the extent that an award terminates, expires or lapses for any reason or an award is settled in cash without the delivery of shares, any shares subject to the award at such time will be available for future grants under the 2015 Plan. At December 31, 2016, options to purchase 10,000,000 shares of our common stock have been issued under the 2015 Plan to Joseph Segelman, our President and CEO, see "Executive Compensation — Agreements with Executive Officers" in this filing.

During the year ended December 31, 2017, we issued a total of 175,200 restricted common shares to employees, valued at \$16,920 (based on our stock price on the date of grant) as compensation pursuant to the Company's 2015 Equity Incentive Plan.

During the year ended December 31, 2017, we issued a total of 200,000 immediately vesting restricted common shares to a member of our Advisors, valued at \$20,000 (based on the fair value of the services on the date of grant) for outside advisory and consulting services pursuant to our 2015 Equity Incentive Plan.

As of December 31, 2016, we issued a total of 400,000 restricted common shares to our Advisors, valued at \$100,000 (based on the estimated fair value of the stock on the date of grant) for outside advisory and consulting services pursuant to our 2015 Equity Incentive Plan. One-twelfth (1/12) of the shares will be earned each month. We will revalue the shares at each vesting period and recognize expense for the portion of the shares earned. We recognized compensation expense of \$40,417 for the year ended December 31, 2017 (Successor), and \$6,250 for the one month ended December 31, 2016 (Successor). As of December 31, 2017, the Advisors had vested in 400,000 shares.

Administration. The 2015 Plan will be administered by the Company's board of directors as the "administrator". Except for the terms and conditions explicitly set forth in the 2015 Plan, the administrator shall have full power and exclusive authority, to the extent permitted by applicable law and subject to such orders or resolutions not inconsistent with the provisions of the 2015 Plan as may from time to time be adopted by the board to (i) select the eligible persons to whom awards may from time to time be granted under the 2015 Plan; (ii) determine the type or types of award to be granted to each participant under the 2015 Plan; (iii) determine the number of shares of common stock to be covered by each award granted under the 2015 Plan; (iv) determine the terms and conditions of any award granted under the 2015 Plan; (v) approve the forms of notice or agreement for use under the 2015 Plan; (vi) determine whether, to what extent and under what circumstances awards may be settled in cash, shares of Common Stock or other property or canceled or suspended; (vii) determine whether, to what extent and under what circumstances cash, shares of common stock, other property and other amounts payable with respect to an award shall be deferred either automatically or at the election of the participant; (viii) interpret and administer the 2015 Plan and any instrument evidencing an award or notice or agreement entered into under the 2015 Plan; (ix) establish such rules and regulations as it shall deem appropriate for the proper administration of the 2015 Plan; (x) delegate ministerial duties to such of the Company's employees as it so determines; and (xi) make any other determination and take any other action that the administrator deems necessary or desirable for administration of the 2015 Plan.

Eligibility. An award may be granted under the 2015 Plan to any employee, officer or director of the Company or a related company whom the administrator from time to time selects. An award may also be granted to any consultant, agent, advisor or independent contractor for bona fide services rendered to the Company or any related company that (a) are not in connection with the offer and sale of the Company's securities in a capital-raising transaction and (b) do not directly or indirectly promote or maintain a market for the Company's securities.

Awards. The 2015 Plan provides that the administrator may grant or issue stock options, stock appreciation rights, stock awards, restricted stock, restricted stock units and other stock and cash-based awards. Each award will be set forth in a separate agreement with the person receiving the award and will indicate the type, terms and conditions of the award.

Nonstatutory Stock Option, or NSOs, will provide for the right to purchase shares of our common stock at a specified price which may not be less than fair market value on the date of grant, and usually will become exercisable (at the discretion of the administrator) in one or more installments after the grant date, subject to the participant's continued employment or service with us and/or subject to the satisfaction of corporate performance targets and individual performance targets established by the administrator. NSOs may be granted for any term specified by the administrator that does not exceed ten years.

Incentive Stock Options, or ISOs, will be designed in a manner intended to comply with the provisions of Section 422 of the Code and will be subject to specified restrictions contained in the Code. Among such restrictions, ISOs must have an exercise price of not less than the fair market value of a share of common stock on the date of grant, may only be granted to employees, and must not be exercisable after a period of ten years measured from the date of grant. In the case of an ISO granted to an individual who owns (or is deemed to own) at least 10% of the total combined voting power of all classes of our capital stock, the 2015 Plan provides that the exercise price must be at least 110% of the fair market value of a share of common stock on the date of grant and the ISO must not be exercisable after a period of five years measured from the date of grant.

Restricted Stock may be granted to any eligible individual and made subject to such restrictions as may be determined by the administrator. Restricted stock, typically, may be forfeited for no consideration or repurchased by us at the original purchase price if the conditions or restrictions on vesting are not met. In general, restricted stock may not be sold or otherwise transferred until restrictions are removed or expire. Purchasers of restricted stock, unlike recipients of options, will have voting rights and the right to receive dividends, if any, prior to the time when the restrictions lapse; however, extraordinary dividends will generally be placed in escrow, and will not be released until restrictions are removed or expire.

Restricted Stock Units may be awarded to any eligible individual, typically without payment of consideration, but subject to vesting conditions based on continued employment or service or on performance criteria established by the administrator. Like restricted stock, restricted stock units may not be sold or otherwise transferred or hypothecated until vesting conditions are removed or expire. Unlike restricted stock, stock underlying restricted stock units will not be issued until the restricted stock units have vested, and recipients of restricted stock units generally will have no voting or dividend rights prior to the time when vesting conditions are satisfied.

Stock Appreciation Rights, or SARs, may be granted in connection with stock options or other awards, or separately. SARs granted in connection with stock options or other awards typically will provide for payments to the holder based upon increases in the price of our common stock over a set exercise price. The exercise price of any SAR granted under the 2015 Plan must be at least 100% of the fair market value of a share of our common stock on the date of grant. Except as required by Section 162(m) of the Code with respect to a SAR intended to qualify as performance-based compensation as described in Section 162(m) of the Code, there are no restrictions specified in the 2015 Plan on the exercise of SARs or the amount of gain realizable therefrom, although restrictions may be imposed by the administrator in the SAR agreements. SARs under the 2015 Plan will be settled in cash or shares of our common stock, or in a combination of both, at the election of the administrator.

Dividend Equivalents represent the value of the dividends, if any, per share paid by us, calculated with reference to the number of shares covered by the award. Dividend equivalents may be settled in cash or shares and at such times as determined by the compensation committee or board of directors, as applicable.

Qualified Performance-Based Awards. The administrator has the ability to grant restricted stock or restricted stock units as qualified performance-based awards under Section 162(m)(4)(C) of the Internal Revenue Code.

Change in Control. In the event of a change of control, as defined in the 2015 Plan, the administrator may, in its discretion and without limitation, (i) cancel outstanding awards in exchange for payments of cash, property or a combination thereof having an aggregate value equal to the value of such awards, (ii) substitute other property (including cash or other securities) for shares of common stock subject to outstanding awards, (iii) arrange for the assumption of awards, or replacement of awards with new awards based on other property or securities, and (iv) after giving participants an opportunity to exercise any outstanding stock options and SARs, terminate any or all unexercised options and SARs.

Adjustments of Awards. In the event of any stock dividend, stock split, combination or exchange of shares, merger, consolidation, spin-off, recapitalization, distribution of our assets to shareholders (other than normal cash dividends) or any other corporate event affecting the number of outstanding shares of our common stock or the share price of our common stock that would require adjustments to the 2015 Plan or any awards under the 2015 Plan in order to prevent the dilution or enlargement of the potential benefits intended to be made available thereunder, the administrator will make appropriate, proportionate adjustments to the aggregate number and type of shares subject to the 2015 Plan, the number and kind of shares subject to outstanding awards and terms and conditions of outstanding awards (including, without limitation, any applicable performance targets or criteria with respect to such awards), and the grant or exercise price per share of any outstanding awards under the 2015 Plan.

Amendment and Termination. Our board of directors may amend or modify the 2015 Plan at any time and from time to time. However, we must generally obtain stockholder approval to increase the number of shares available under the 2015 Plan (other than in connection with certain corporate events, as described above) and to the extent required by applicable law, rule or regulation (including any applicable stock exchange rule).

Termination. The board of directors may terminate the 2015 Plan at any time. No awards may be granted under the 2015 Plan after the tenth anniversary of the effective date of the 2015 Plan.

Indebtedness of Directors, Senior Officers, Executive Officers and Other Management

None of our directors or executive officers or any associate or affiliate of the Company during the last two fiscal years, is or has been indebted to the Company by way of guarantee, support agreement, letter of credit or other similar agreement or understanding currently outstanding.

Outstanding Equity Awards at Fiscal Year-End Table

The following table sets forth certain information concerning outstanding stock awards held by the Named Executive Officers for our year ended December 31, 2017:

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested (\$)
Joseph Segelman	-0-	-0-	10,000,000	0.005	2027	-0-	-0-	-0-	-0-

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth information relating to the beneficial ownership our common stock as of December 31, 2016 by (i) each person known to be the beneficial owner of more than 5% of the outstanding shares of common stock and (ii) each of our directors and executive officers. Unless otherwise noted below, we believe that all persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them. For purposes hereof, a person is deemed to be the beneficial owner of securities that can be acquired by such person within 60 days from the date hereof upon the exercise of warrants or options or the conversion of convertible securities. Each beneficial owner's percentage ownership is determined by assuming that any warrants, options or convertible securities that are held by such person (but not those held by any other person) and which are exercisable within 60 days from the date hereof, have been exercised.

Name and Address ⁽²⁾	Amount of Beneficial Ownership	Percent of Class ⁽¹⁾
Joseph Segelman ^{(3) (4) (10)}	20,000,000	35.0%
Chaya Segelman ^{(3) (10)}	2,500,000	4.4%
Australian Sapphire Corporation ⁽⁵⁾	5,000,000	8.8%
Coordinates Collection ⁽⁶⁾	5,500,000	9.6%
Alpha Capital Anstalt ⁽⁷⁾	5,705,290	9.99%
Brio Capital Master Fund Ltd. ⁽⁸⁾	5,705,290	9.99%
All Officers and Directors as a Group (2 Persons)	22,500,000 ⁽⁹⁾	39.4%

- (1) Based on 57,110,008 shares of common stock issued and outstanding. Shares of common stock subject to options or warrants currently exercisable or exercisable within 60 days, are deemed outstanding for purposes of computing the percentage of the person holding such options or warrants, but are not deemed outstanding for purposes of computing the percentage of any other person.
- (2) Unless otherwise noted, the address of each beneficial owner is c/o Reign Sapphire Corp., 9465 Wilshire Boulevard, Beverly Hills, CA 90212.
- (3) Indicates an officer and/or director of the Company.
- (4) Does not include 10,000,000 shares of authorized but unissued common stock, at an exercise price of \$0.005 per share that Mr. Segelman has the right to acquire upon exercise of options granted under the Company's 2015 Equity Incentive Plan as described in "Executive Compensation - Agreements with Executive Officers" elsewhere in this filing. The shares subject to such options have not been included since the options are not currently exercisable or exercisable within 60 days of the date of this filing and thus are not deemed to be currently outstanding and beneficially owned by Mr. Segelman as the holder of the options.
- (5) Mr. Joseph Segelman is the owner of all of the outstanding shares of Australian Sapphire Corporation and thus has beneficial ownership and voting and dispositive power over all of the common shares of the Company owned of record by Australian Sapphire Corporation, which shares are not included in the number of shares identified as being beneficially owned by Mr. Segelman in his individual capacity elsewhere in the table.
- (6) Coordinates Collection, Inc. is owned by FD9 Group, B.V. The address for Coordinates Collection, Inc. is 1933 S. Broadway, Los Angeles, CA 90007.
- (7) Consists of: (i) 3,333,354 common shares; and (ii) convertible notes in the total amount of \$718,752 and warrants to purchase common shares that are convertible and/or exercisable into 8,385,438 common shares as of the date of this filing. However, Alpha Capital Anstalt ("Alpha") is contractually limited to beneficial ownership of our common shares not to exceed 9.99% and this limitation has been taken into account in calculating the number of shares shown in the table for Alpha. Subject to certain conditions, Alpha holds an additional investment right to purchase additional common shares, convertible notes and warrants. See "Description of Securities—Convertible Securities" in this filing. The stockholder has advised us that voting and dispositive power of all of the common shares of the Company owned of record by the stockholder is held by Konrad Ackermann and Dr. Nicola Feuerstein, who are members of the board of directors of Alpha. The business address of Alpha is Lettstrasse 32, 9490 Vaduz, Lichtenstein.
- (8) Consists of: (i) 3,333,354 common shares; and (ii) convertible notes in the total amount of \$718,752 and warrants to purchase common shares that are convertible and/or exercisable into 8,385,438 common shares as of the date of this filing. However, Brio Capital Master Fund Ltd. ("Brio") is contractually limited to beneficial ownership of our common shares not to exceed 9.99% and this limitation has been taken into account in calculating the number of shares shown in the table for Brio. Brio holds an additional investment right to purchase additional common shares, convertible notes and warrants. See "Description of Securities—Convertible Securities" in this filing. The stockholder has advised us that voting and dispositive power of all of the common shares of the Company owned of record by the stockholder is held by Shaye Hirsch, who is a director of Brio. The business address of Brio is 100 Merrick Road, Suite 401W, Rockville Center NY 11570.

- (9) Does not include 5,000,000 shares owned of record by Australian Sapphire Corporation, which are owned beneficially and of record by Mr. Joseph Segelman and as to which Mr. Segelman exercises sole voting and dispositive power. See Note 5 above. Also does not include 10,000,000 shares of authorized but unissued common stock that Mr. Segelman has the right to acquire in the future as described in Note 4 above.
- (10) Currently held by the Segelman Family Trust.

We are not aware of any person who owns of record, or is known to own beneficially, five percent or more of our outstanding securities of any class, other than as set forth above. We do not have an investment advisor. There are no current arrangements which will result in a change in control.

Equity Compensation Plans

As of December 31, 2017, the board of directors and shareholders of the Company previously authorized the adoption and implementation of the Company's 2015 Plan. The principal purpose of the 2015 Plan is to attract, retain and motivate employees, officers, directors, consultants, agents, advisors and independent contractors of the Company and its related companies by providing them the opportunity to acquire a proprietary interest in the Company and to link their interests and efforts to the long-term interests of the Company's shareholders. Under the 2015 Plan, an aggregate of 20,000,000 shares of our common stock have initially been reserved for issuance pursuant to a variety of stock-based compensation awards, including stock options, stock appreciation rights, stock awards, restricted stock, restricted stock units and other stock and cash-based awards. The exercise price for each option may not be less than fair market value of the common stock on the date of grant, and shall vest as determined by the Company's board of directors but shall not exceed a ten-year period.

During the year ended December 31, 2017, we issued a total of 175,200 restricted common shares to our employees, valued at \$16,9220 (based on our stock price on the date of grant) as compensation pursuant to the Company's 2015 Equity Incentive Plan.

As of December 31, 2017, we issued a total of 600,000 restricted common shares to our Advisors, valued at \$120,000 (based on the estimated fair value of the stock on the date of grant) for outside advisory and consulting services pursuant to our 2015 Equity Incentive Plan. One-twelfth (1/12) of the shares will be earned each month. We will revalue the shares at each vesting period and recognize expense for the portion of the shares earned. We recognized compensation expense for the year ended December 31, 2017 of \$41,667 and \$6,250 for the one month ended December 31, 2016 (Predecessor) under general and administrative expenses in the accompanying consolidated Statements of Operations with \$13,750 remaining to be amortized. As of December 31, 2017, the Advisors had vested in 508,333 shares with 91,667 shares remaining to vest.

As of December 31, 2017, we previously granted to our CEO, options to purchase 10,000,000 shares of our common stock under the 2015 Plan, valued at \$2,500,000 (based on the Black Scholes valuation model on the date of grant). The Black-Scholes option-pricing model used the following weighted average assumptions as of December 31, 2016: (i) no dividend yield for each year, (ii) volatility of 35.6 percent, (iii) risk-free interest rate of 1.87 percent, (iv) stock price of \$0.25, (v) exercise price of \$0.005, and (vi) expected life of 6.0. The options will vest 50% on the first anniversary of the Grant Date ("First Year Vest") and the remaining 50% of the shares shall vest in twelve (12) equal installments on the first day of each calendar month following the first anniversary of the grant date beginning on June 1, 2016 and ending on June 1, 2017 ("Second Year Vest"), provided that CEO is continuously employed by us from the grant date through such applicable vesting date. Notwithstanding the foregoing, 100% of the shares of our common stock subject to the Option shall fully vest if we shall successfully sell all of the shares of our common stock included in the primary offering of such common stock by us pursuant to the registration statement on Form S-1 to be filed with the Securities and Exchange Commission within ninety (90) days of the Grant Date. The First Year Vest options will amortize to expense over a 12 month period beginning May 2015 through April 2016 and the Second Year Vest options will amortize to expense over a 24 month period beginning May 2015 through April 2017. The Company recognized expense of \$40,417 for the year ended December 31, 2017 (Successor), and \$24,302 for the one month ended December 31, 2016 (Successor), within stock based compensation in the accompanying consolidated Statement of Operations with no amounts remaining to be recognized. The options were valued using the Black-Scholes value option pricing model with the following inputs: volatility of 35.6%; risk-free interest rate of 1.87%; expected term of 6 years; and 0% dividend yield. As of December 31, 2017, all 10,000,000 of the options to purchase our common stock have vested.

The following represents a summary of the Equity Compensation grants and options awards outstanding at December 31, 2017 and changes during the years then ended:

2017

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plan (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	10,000,000	\$ 0.005	9,224,800
Equity compensation plans not approved by security holders	0	\$ —	—
Total	10,000,000	\$ 0.005	9,224,800

Item 13. Certain Relationships and Related Transactions, and Director Independence

Other than compensation arrangements, we describe below transactions and series of similar transactions, since January 1, 2016 (i.e., the last two completed fiscal years), to which we were a party or will be a party, in which the amounts involved exceeded or will exceed the lesser of \$120,000 or 1% of the average of our total assets at year-end for the last two completed fiscal years; and any of our directors, executive officers, or holders of more than 5% of our capital stock, or any member of the immediate family of the foregoing persons, had or will have a direct or indirect material interest. Compensation arrangements, including employment agreements, for our directors and named executive officers are described elsewhere in “Executive Compensation - Agreements with Executive Officers.”

Consulting Agreements

As of December 31, 2017, we accrued deferred compensation totaling \$709,000 with respect to a consulting agreement with our CEO. Such consulting agreement was terminated by mutual agreement of the parties and superseded by the employment agreement described in “Executive Compensation - Agreements with Executive Officers”. Deferred compensation includes \$495,000 related to the employment agreement and \$214,000 related to the consulting agreement.

As of December 31, 2017, we accrued deferred compensation totaling \$327,000 with respect to a consulting agreement with our Secretary. Such consulting agreement was terminated by mutual agreement of the parties as of March 31, 2015 and superseded by the employment agreement described in “Executive Compensation - Agreements with Executive Officers”. Deferred compensation includes \$213,333 related to the employment agreement and \$113,667 related to the consulting agreement.

CEO and Secretary are married to one another.

On December 1, 2016, we entered into a consulting agreement with Owen deVries, CCI’s CEO and director. The agreement calls for Mr. deVries to develop strategic partnerships and international business on our behalf for initial monthly payments of \$11,000. The agreement was amended in April 2017 to reduce the monthly payment to \$4,000. The agreement may be terminated given 90 day written notice.

Loan and Advances

Due to Related Party

During 2017, we received no advances from our CEO/director and incurred business expenses of \$1,234,249 (comprised of operating expenses of \$1,218,085, inventory purchases totaling \$5,650, website development costs of \$9,573, and purchased equipment of \$940) and had repayments of \$941,443. We have a balance owed to the related party of \$721,434 and \$440,747 at December 31, 2017 and 2016, respectively. During 2017, we incurred \$180,000 of deferred compensation related to the CEO/director’s employment agreement and \$80,000 of deferred compensation related to the Secretary’s employment agreement. As of December 31, 2017 and 2016, accrued compensation – related party was \$1,036,000 and \$776,000, respectively.

CCI had no employment agreement with its CEO and director but CCI still incurred compensation on behalf of the CEO and director. CCI incurred compensation expense of \$79,288 in the eleven months ended November 30, 2016, with no amounts due at November 30, 2016. During the eleven months ended November 30, 2016 the CEO and director received employee benefits totaling \$43,947. In addition, the CEO/director incurred business expenses and had repayments for business expenses of \$13,130 for the eleven months ended November 30, 2016.

Indemnification Agreements

We have entered or intend to enter into indemnification agreements with each of our directors and executive officers. These agreements, among other things, will require us to indemnify each individual to the fullest extent permitted by Delaware law, including indemnification of expenses such as attorneys' fees, judgments, fines and settlement amounts incurred by the individual in any action or proceeding, including any action or proceeding by or in right of us, arising out of the person's services as a director, officer or other employee.

Policies and Procedures for Related Party Transactions

Given our small size and limited financial resources, we have not adopted formal policies and procedures for the review, approval or ratification of transactions with our executive officer(s), director(s) and significant shareholders. We rely on our board to review related party transactions on an ongoing basis to prevent conflicts of interest. Our board reviews a transaction in light of the affiliations of the director, officer or employee and the affiliations of such person's immediate family. Transactions are presented to our board for approval before they are entered into or, if this is not possible, for ratification after the transaction has occurred. If our board finds that a conflict of interest exists, then it will determine the appropriate remedial action, if any. Our board approves or ratifies a transaction if it determines that the transaction is consistent with the best interests of the Company. We intend to establish formal policies and procedures in the future, once we have sufficient resources and have appointed additional directors, so that such transactions will be subject to the review, approval or ratification of our board of directors, or an appropriate committee thereof.

Item 14. Principal Accounting Fees and Services

Audit Fees

We have incurred aggregate fees billed and expected to be billed for the audit of our consolidated financial statements of \$69,000 for the year ended December 31, 2017 (Successor), and \$26,000 for the one month ended December 31, 2016 (Successor) plus the eleven months ended November 30, 2016 (Predecessor).

Tax Fees

We did not incur any fees for tax services for the year ended December 31, 2017 (Successor), and for the one month ended December 31, 2016 (Successor) plus the eleven months ended November 30, 2016 (Predecessor).

All Other Fees

We did not incur any other fees for the year ended December 31, 2017 (Successor), and for the one month ended December 31, 2016 (Successor) plus the eleven months ended November 30, 2016 (Predecessor),

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) The following documents are filed as a part of this Annual Report:

1. **Financial Statements. The following consolidated financial statements of the Company are included below:**

Report of Independent Registered Public Accounting Firm.

Consolidated Balance Sheets as of December 31, 2017 and 2016.

Consolidated Statement of Operations for the Year ended December 31, 2017 (Successor), for the One Month ended December 31, 2016 (Successor), and the eleven months ended November 30, 2016 (Predecessor).

Consolidated Statements of Shareholders' Deficit for the Year ended December 31, 2017 (Successor), for the One Month ended December 31, 2016 (Successor), and the eleven months ended November 30, 2016 (Predecessor).

Consolidated Statements of Cash Flows for the Year ended December 31, 2017 (Successor), for the One Month ended December 31, 2016 (Successor), and the eleven months ended November 30, 2016 (Predecessor).

Notes to Consolidated Financial Statements.

2. Financial Statement Schedule(s):

All schedules are omitted for the reason that the information is included in the consolidated financial statements or the notes thereto or that they are not required or are not applicable.

3. Exhibits:

Exhibit No.	Description
Exhibit Number	Description
<u>3.1*</u>	<u>Amended and Restated Certificate of Incorporation, as filed with the Secretary of State of the State of Delaware on December 22, 2015 and as currently in effect. (Filed as Exhibit 3.1 to the Current Report on Form 8-K filed by the Registrant on December 24, 2015 and incorporated herein by reference)</u>
<u>3.2*</u>	<u>Bylaws of the Registrant, as currently in effect (Filed as Exhibit 3.2 to the Registration Statement on Form S-1 filed by the Registrant on May 27, 2015, and incorporated herein by reference).</u>
<u>10.1*+</u>	<u>Form of Indemnification Agreement between the Registrant and each of its directors and executive officers (Filed as Exhibit 10.1 to the Registration Statement on Form S-1 filed by the Registrant on May 27, 2015, and incorporated herein by reference).</u>
<u>10.2*+</u>	<u>Employment Agreement, dated April 1, 2015, between the Registrant and Joseph Segelman (Filed as Exhibit 10.2 to the Registration Statement on Form S-1 filed by the Registrant on May 27, 2015, and incorporated herein by reference).</u>
<u>10.3*+</u>	<u>Employment Agreement, dated April 1, 2015, between the Registrant and Chava Segelman (Filed as Exhibit 10.3 to the Registration Statement on Form S-1 filed by the Registrant on May 27, 2015, and incorporated herein by reference).</u>
<u>10.4*+</u>	<u>2015 Equity Incentive Plan, as amended and currently in effect (Filed as Exhibit 10.8 to the Current Report on Form 8-K filed by the Registrant on December 24, 2015 and incorporated herein by reference)</u>
<u>10.5*+</u>	<u>Share Option Agreement, dated May 1, 2015, between the Registrant and Joseph Segelman (Filed as Exhibit 10.5 to the Registration Statement on Form S-1 filed by the Registrant on May 27, 2015, and incorporated herein by reference).</u>
<u>10.6*</u>	<u>Securities Purchase Agreement dated as of December 23, 2015 by and among the Registrant and the Purchasers defined and identified therein (Filed as Exhibit 10.1 to the Current Report on Form 8-K filed by the Registrant on December 24, 2015 and incorporated herein by reference)</u>
<u>10.7*</u>	<u>Form of Secured Convertible Note issued under the Securities Purchase Agreement included as Exhibit 10.6 (Filed as Exhibit 10.2 to the Current Report on Form 8-K filed by the Registrant on December 24, 2015 and incorporated herein by reference)</u>
<u>10.8*</u>	<u>Security Agreement dated as December 23, 2015 by and among the Company and the Collateral Agent and Secured Parties defined and identified therein. (Filed as Exhibit 10.3 to the Current Report on Form 8-K filed by the Registrant on December 24, 2015 and incorporated herein by reference)</u>

- [10.9*](#) [Corporate Guaranty dated as December 23, 2015 entered into by Australian Sapphire Corporation as guarantor for the benefit of the Collateral Agent and the Lenders defined and identified therein. \(Filed as Exhibit 10.4 to the Current Report on Form 8-K filed by the Registrant on December 24, 2015 and incorporated herein by reference\)](#)
- [10.10*](#) [Guarantor Security Agreement dated as December 23, 2015 by and among Australian Sapphire Corporation as guarantor and the Collateral Agent and Secured Parties defined and identified therein delivered in connection with the Corporate Guaranty included as Exhibit 10.9. \(Filed as Exhibit 10.5 to the Current Report on Form 8-K filed by the Registrant on December 24, 2015 and incorporated herein by reference\)](#)
- [10.11*](#) [Personal Guaranty dated as December 23, 2015 entered into by Joseph Segelman as guarantor for the benefit of the Collateral Agent and the Lenders defined and identified therein. \(Filed as Exhibit 10.6 to the Current Report on Form 8-K filed by the Registrant on December 24, 2015 and incorporated herein by reference\)](#)
- [10.12*](#) [Form of Common Stock Purchase Warrant issued under the Securities Purchase Agreement included as Exhibit 10.6 \(Filed as Exhibit 10.7 to the Current Report on Form 8-K filed by the Registrant on December 24, 2015 and incorporated herein by reference\)](#)
- [10.13*](#) [Asset Purchase Agreement dated December 1, 2016 \(Filed as Exhibit 10.1 to the Current Report on Form 8-K filed by the Registrant on December 1, 2016 and incorporated herein by reference\)](#)
- [10.14*](#) [Assignment and Assumption Agreement under the Asset Purchase Agreement dated December 1, 2016 \(Filed as Exhibit 10.2 to the Current Report on Form 8-K filed by the Registrant on December 1, 2016 and incorporated herein by reference\)](#)
- [10.15*](#) [Bill of Sale under the Asset Purchase Agreement dated December 1, 2016 \(Filed as Exhibit 10.3 to the Current Report on Form 8-K filed by the Registrant on December 1, 2016 and incorporated herein by reference\)](#)
- [10.16*](#) [Confidentiality and Proprietary Rights Agreement under the Asset Purchase Agreement dated December 1, 2016 \(Filed as Exhibit 10.4 to the Current Report on Form 8-K filed by the Registrant on December 1, 2016 and incorporated herein by reference\)](#)
- [10.17*](#) [Intellectual Property Assignment Agreement under the Asset Purchase Agreement dated December 1, 2016 \(Filed as Exhibit 10.5 to the Current Report on Form 8-K filed by the Registrant on December 1, 2016 and incorporated herein by reference\)](#)
- [10.18*](#) [Securities Purchase Agreement dated as of November 10, 2016 by and among the Registrant and the Purchasers defined and identified therein \(Filed as Exhibit 10.1 to the Current Report on Form 8-K filed by the Registrant on November 10, 2016 and incorporated herein by reference\)](#)
- [10.19*](#) [Form of Secured Convertible Note issued under the Securities Purchase Agreement included as Exhibit 10.1 \(Filed as Exhibit 10.2 to the Current Report on Form 8-K filed by the Registrant on November 10, 2016 and incorporated herein by reference\)](#)
- [10.20*](#) [Form of Common Stock Purchase Warrant issued under the Securities Purchase Agreement included as Exhibit 10.1 \(Filed as Exhibit 10.7 to the Current Report on Form 8-K filed by the Registrant on November 10, 2016 and incorporated herein by reference\)](#)
- [31.1](#) [Certification by Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14\(a\).](#)
- [32.1](#) [Certification by Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

101 The following materials from Reign Sapphire's Annual Report on Form 10-K for the year ended December 31, 2016 are formatted in XBRL (Extensible Business Reporting Language): (i) the Balance Sheets, (ii) the Statements of Operations, (iii) Statement of Shareholders' Deficit, (iv) the Statements of Cash Flow, and (v) Notes to Financial Statements.

* Previously filed.

+ Management contract or compensatory plan

All references to Registrant's Forms 8-K, 10-K and 10-Q include reference to File No. 333-204486

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Reign Sapphire Corporation
a Delaware corporation

Dated: April 2, 2018

By: /s/ Joseph Segelman
Joseph Segelman
Chief Executive Officer, Chief Financial Officer and Director
(Principal Executive Officer and Principal Accounting Officer)

REIGN CORPORATION

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

HALL&COMPANY *Certified Public Accountants, Inc.*
TAX, FINANCIAL AND MANAGEMENT CONSULTING SERVICES

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IRVINE, CA 92618
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To the Board of Directors and Stockholders
Of Reign Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Reign Corporation (the "Company") as of December 31, 2017 and 2016 (Successor), and the related consolidated statements of operations, changes in shareholders' deficit, and cash flows for the year ended December 31, 2017 (Successor) and for the one month ended December 31, 2016 (Successor), and the eleven months ended November 30, 2016 (Predecessor) of Coordinates Collections, Inc., and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2017 and 2016 (Successor), and the results of its consolidated operations and its consolidated cash flows for the year ended December 31, 2017 (Successor) and for the one month ended December 31, 2016 (Successor) and for the eleven months ended November 30, 2016 (Predecessor), in conformity with accounting principles generally accepted in the United States of America.

Substantial Doubt About the Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has suffered losses from operations and cash outflows from operating activities that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ HALL & COMPANY

Irvine, California
April 2, 2018
Serving as the Company's auditor since 2015

REIGN CORPORATION
CONSOLIDATED BALANCE SHEETS

	December 31, 2017 Successor	December 31, 2016 Successor
ASSETS		
Current assets:		
Cash	\$ 9,592	\$ 149,607
Accounts receivable	9,730	—
Inventory	726,140	723,602
Prepaid expenses	15,086	1,667
Total current assets	<u>760,548</u>	<u>874,876</u>
Equipment, net	25,278	38,050
Intangible assets, net	803,306	947,259
Goodwill	481,947	481,947
Total assets	<u>\$ 2,071,079</u>	<u>\$ 2,342,132</u>
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 194,023	\$ 31,940
Due to related party	721,434	440,747
Accrued compensation - related party	1,036,000	776,000
Deferred revenue	81,455	78,820
Common stock payable	79,625	—
Short term notes payable, less unamortized debt issuance costs of \$70,000	19,051	—
Convertible notes payable, less unamortized debt discount of \$224,904 and \$273,859 at December 31, 2017 and 2016, respectively	1,212,600	588,641
Derivative liabilities	470,839	153,663
Estimated fair value of contingent payments, net	287,957	424,511
Warrant liabilities	—	473,296
Other current liabilities	61,969	35,571
Total current liabilities	<u>4,164,953</u>	<u>3,003,189</u>
Long-term liabilities:		
Convertible notes, less unamortized debt discount of \$256,722 at December 31, 2016	—	30,780
Total long-term liabilities	<u>—</u>	<u>30,780</u>
Total liabilities	<u>4,164,953</u>	<u>3,033,969</u>
Commitments and contingencies		
Shareholders' deficit		
Preferred stock, \$0.0001 par value, 10,000,000 shares authorized, 1 and no shares issued and outstanding at December 31, 2017 and 2016, respectively	—	—
Common stock, \$0.0001 par value, 150,000,000 shares authorized; 53,276,676 and 43,414,687 shares issued and outstanding at December 31, 2017 and 2016, respectively	5,328	4,342
Additional paid-in-capital	8,281,793	5,433,552
Accumulated deficit	<u>(10,380,995)</u>	<u>(6,129,731)</u>
Total shareholders' deficit	<u>(2,093,874)</u>	<u>(691,837)</u>
Total liabilities and shareholders' deficit	<u>\$ 2,071,079</u>	<u>\$ 2,342,132</u>

See accompanying notes to consolidated financial statements

REIGN CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

	<u>For the Year Ended December 31, 2017 Successor</u>	<u>For the One Month Ended December 31, 2016 Successor</u>	<u>For the Eleven Months Ended November 30, 2016 Predecessor</u>
Net revenues	\$ 1,284,178	\$ 250,601	\$ 1,553,986
Cost of Sales	512,382	229,878	717,334
Gross Profit	771,796	20,723	836,652
Operating expenses:			
Advertising and marketing expenses	533,448	98,079	314,645
Stock based compensation - related party	1,167,820	24,302	—
General and administrative	1,504,815	104,281	1,026,271
Total operating expenses	<u>3,206,083</u>	<u>226,662</u>	<u>1,340,916</u>
Loss from operations	<u>(2,434,287)</u>	<u>(205,939)</u>	<u>(504,264)</u>
Other (income) expense:			
Change in fair value of warrant liabilities	181,896	(3,612)	—
Change in fair value of derivative liabilities	(86,856)	(68,331)	—
Extinguishment of debt	691,361	—	—
Modification of warrants and derivatives	238,935	—	—
Other income	—	—	(2,375)
Interest expense	790,841	65,146	130,499
Total other expense, net	<u>1,816,177</u>	<u>(6,797)</u>	<u>128,124</u>
Loss before income taxes	(4,250,464)	(199,142)	(632,388)
Income taxes	800	—	—
Net loss	<u>\$ (4,251,264)</u>	<u>\$ (199,142)</u>	<u>\$ (632,388)</u>
Net loss per share, basic and diluted	<u>\$ (0.09)</u>	<u>\$ (0.00)</u>	<u>\$ (0.06)</u>
Weighted average number of shares outstanding			
Basic and diluted	<u>47,093,401</u>	<u>43,163,881</u>	<u>10,032,000</u>

See accompanying notes to consolidated financial statements

REIGN CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT

	Preferred Stock		Common Stock		Additional Paid in Capital	Accumulated Deficit	Total Shareholders' Deficit
	Shares	Amount	Shares	Amount			
PREDECESSOR							
Balance as of January 1, 2015	—	\$ —	9,800,000	\$ 98	\$ 1,388,169	\$ (1,968,947)	\$ (580,680)
Issuance of preferred shares for cash - related party	200,000	2	—	—	199,998	—	200,000
Exchange of preferred shares for common shares in restructuring - related party	(200,000)	(2)	232,000	2	—	—	—
Net loss	—	—	—	—	—	(800,582)	(800,582)
Balance as of December 31, 2015	—	\$ —	10,032,000	\$ 100	\$ 1,588,167	\$ (2,769,529)	\$ (1,181,262)
Net loss	—	—	—	—	—	(632,388)	(632,388)
Balance as of November 30, 2016	—	\$ —	10,032,000	\$ 100	\$ 1,588,167	\$ (3,401,917)	\$ (1,813,650)
SUCCESSOR							
Balance as of December 1, 2016	—	\$ —	36,406,354	\$ 3,641	\$ 4,637,867	\$ (5,930,589)	\$ (1,289,081)
Shares issued in conjunction with CCI acquisition	—	—	7,000,000	700	769,300	—	770,000
Shares issued to advisory board for services	—	—	8,333	1	2,083	—	2,084
Stock based compensation - related party	—	—	—	—	24,302	—	24,302
Net loss	—	—	—	—	—	(199,142)	(199,142)
Balance as of December 31, 2016	—	\$ —	43,414,687	\$ 4,342	\$ 5,433,552	\$ (6,129,731)	\$ (691,837)
Shares issued to advisory board for services	—	—	341,667	34	55,383	—	55,417
Shares issued in conjunction with note payable	—	—	1,500,000	150	104,850	—	105,000
Issuance of common stock and warrants with short-term convertible notes	—	—	833,354	83	163,088	—	163,171
Stock based compensation - related party	—	—	—	—	45,391	—	45,391
Preferred right issued to CEO - related party	1	—	—	—	270,000	—	270,000
Shares issued for services	—	—	6,861,768	686	755,198	—	755,884
Shares issued for payment of accounts payable	—	—	150,000	15	14,970	—	14,985
Shares issued to employees for compensation	—	—	175,200	18	16,902	—	16,920
Reclassification of warrants to equity	—	—	—	—	1,422,459	—	1,422,459
Net loss	—	—	—	—	—	(4,251,264)	(4,251,264)
Balance as of December 31, 2017	1	\$ —	53,276,676	\$ 5,328	\$ 8,281,793	\$ (10,380,995)	\$ (2,093,874)

See accompanying notes to consolidated financial statements

REIGN CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended December 31, 2017 Successor	For the One Month Ended December 31, 2016 Successor	For the Eleven Months Ended November 30, 2016 Predecessor
Cash flows from operating activities:			
Net loss	\$ (4,251,264)	\$ (199,142)	\$ (632,388)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities			
Stock based compensation issued to employees	16,920	24,302	—
Stock based compensation - related party	45,391	—	—
Preferred share issued to CEO - related party	270,000	—	—
Depreciation expense	13,712	228	7,080
Amortization expense	222,081	16,568	62,581
Interest expense in conjunction with debt issuance	368,778	—	—
Accretion of debt discount	415,237	64,869	31,500
Change in derivative liabilities	(86,856)	(68,331)	—
Change in warrant liabilities	181,896	(3,612)	—
Modification of warrant and derivative liabilities	238,935	—	—
Loss on extinguishment of debt	691,361	—	—
Estimated fair market value of stock issued for services	811,301	2,084	—
Changes in operating assets and liabilities:			
Accounts receivable	(9,730)	—	5,335
Inventory	(2,538)	—	1,173
Prepaid expenses	(15,086)	733	3,902
Accounts payable	177,068	31,940	302,263
Due to related party	280,687	28,633	—
Accrued compensation - related party	260,000	21,667	—
Common stock payable	79,625	—	—
Deferred revenue	2,635	78,820	38,189
Estimated fair value of contingent payments, net	(136,554)	—	—
Other current liabilities	26,398	2,929	47,623
Net cash (used in) provided by operating activities	(400,003)	1,688	(132,742)
Cash flows from investing activities:			
Acquisition of intangible assets	(78,128)	(27,136)	(90,855)
Purchases of computer equipment	(940)	—	(128)
Net cash used in investing activities	(79,068)	(27,136)	(90,983)
Cash flows from financing activities:			
Proceeds from short-term convertible notes	250,005	—	—
Proceeds from short-term notes, net of debt issuance costs	149,504	—	225,600
Repayments of short term notes	(60,453)	—	(174,338)
Proceeds from short-term notes - related party	—	—	157,442
Net cash provided by financing activities	339,056	—	208,704
Net decrease in cash	(140,015)	(25,448)	(15,021)
Cash at beginning of period	149,607	175,055	42,332
Cash at end of period	\$ 9,592	\$ 149,607	\$ 27,311
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	\$ —	\$ —	\$ 448
Income taxes	\$ 800	\$ —	\$ —
Non-cash investing and financing activities:			
Common stock issued for payment of accounts payable	\$ 14,985	\$ —	\$ —
Common stock issued in conjunction with notes payable	\$ 105,000	\$ —	\$ —
Common stock issued to third party in conjunction with debt issuance	\$ 163,171	\$ —	\$ —
Warrants issued to third party in conjunction with debt issuance	\$ 290,612	\$ —	\$ —
Embedded derivative issued in conjunction with notes payable	\$ 165,000	\$ —	\$ —
Reclassification of warrants to equity	\$ 1,422,459	\$ —	\$ —
Intangibles acquired in conjunction with acquisition of CCI	\$ —	\$ 680,000	\$ —
Goodwill acquired in conjunction with acquisition of CCI	\$ —	\$ 481,947	\$ —
Equipment acquired in conjunction with acquisition of CCI	\$ —	\$ 32,564	\$ —
Common stock issued in conjunction with acquisition of CCI	\$ —	\$ 770,000	\$ —
Estimated fair value of contingent payments issued in conjunction with acquisition of CCI	\$ —	\$ 424,511	\$ —
Total debt discount at origination	\$ —	\$ —	\$ 31,500

See accompanying notes to consolidated financial statements

REIGN CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1 – ORGANIZATION AND PRINCIPAL ACTIVITIES

Corporate History and Background

On December 1, 2016, substantially all of the operating assets of Coordinates Collection, Inc. (“CCI” or “Coordinates Collection”) was acquired by Reign Sapphire Corporation (“RGNP” or the “Company”), (see “Acquisition of Assets Related to the Coordinates Collection Business”). RGNP is a Beverly Hills-based, direct-to-consumer, branded and custom jewelry company. As part of the Acquisition, we created a wholly owned subsidiary, Reign Brands, Inc. (“Reign Brands”), which is a Delaware corporation, and shall act as the operating entity for the acquired CCI assets. The acquisition method of accounting was used to record assets acquired and liabilities assumed by Successor. Such accounting generally results in increased amortization and depreciation reported in future periods. Accordingly, the accompanying consolidated financial statements of the Predecessor and Successor are not comparable in all material respects since those consolidated financial statements report financial position, results of operations, and cash flows of these two separate entities. CCI’s fixed assets and identifiable intangible assets acquired were recorded based upon their estimated fair values as of the closing date of the Acquisition. The excess of purchase price over the value of the net assets acquired was recorded as goodwill.

The accompanying consolidated financial statements have been presented on a comparative basis. For periods after the acquisition of the Coordinates Collection (since December 1, 2016), our financial results are referred to as “Successor” and its results of operations combines Reign Corporation operations and the Coordinates Collection operations. For periods prior to the acquisition of the Coordinates Collection brand, our financial results are referred to as “Predecessor” and its operations includes only the Coordinates Collection operations. Where tables are presented, a black line separates the Successor and Predecessor financial information to highlight the lack of comparability between the periods.

Predecessor

CCI, previously known as FD9 Group, Inc., markets and distributes classic custom jewelry through *Le Bloc* and custom jewelry, inscribed with location coordinates commemorating life’s special moments through *Coordinates Collection*. CCI was organized as a Delaware corporation in 2013 and is currently based in Los Angeles, California.

On December 21, 2015, the shareholders of CCI approved an amendment to the Articles of Incorporation to change the name to “Coordinates Collection Inc.”, increase the authorized number of shares of common stock from 1,000,000 to 15,000,000, par value \$0.0001, eliminate the authorized preferred stock, convert each outstanding share of common stock into 9.8 shares of common stock, and convert each outstanding share of preferred stock into 1.16 shares of common stock. This transaction was accounted for as a stock split. CCI has retroactively restated per share and the outstanding shares for weighted average shares used in the basic and diluted earnings per share calculations for all periods presented, as a result of the reorganization.

Successor

RGNP is a Beverly Hills-based, direct-to-consumer, branded and custom jewelry company with 4 niche brands: Reign Sapphires: ethically produced, direct mine-to-consumer sapphire jewelry targeting millennials, Coordinates Collection: custom jewelry, inscribed with location coordinates commemorating life’s special moments, and Le Bloc: classic customized jewelry and athleisure jewelry brand ION Collection by Jen Selter.

Reign Sapphire Corporation was established on December 15, 2014 in the State of Delaware as a vertically integrated “source to consumer” model for sapphires and sapphire jewelry. The Company acquired its Coordinates Collection and Le Bloc brands and the assets related to the production and sale of it on December 1, 2016 (See Note 4).

The Company is focusing its marketing initiatives on: (1) Direct-to-Consumer (“D2C”) ecommerce marketing to attract customers to the reignsappires.com website, (2) Business-to-Business (“B2B”) marketing and sales efforts, to establish distribution partners such as high-end fashion retailers.

The Company started as UWI Holdings Corporation (previously known as Australian Sapphire Corporation) (“UWI”) and was established on May 31, 2013 in the Province of New Brunswick, Canada. On December 31, 2014, UWI entered into an Agreement of Conveyance, Transfer and Assignment of Assets and Assumption of Obligations with Reign Corporation, pursuant to which UWI transferred all of its net assets to Reign. The sole shareholder of UWI along with his spouse retained 100% ownership of Reign and were issued 27,845,000 of Reign common shares in exchange for the 16,000,250 outstanding shares of UWI. There was no significant tax consequence to this exchange. As a result, Reign is considered to be the continuation of the predecessor UWI. All historical financial information prior to the reorganization is that of UWI.

Prior to the reorganization, the Company was authorized to issue 50,000,000 shares of common stock and 5,000,000 shares of preferred stock. On May 8, 2015, the Company’s Articles of incorporation were amended to increase the authorized common shares to 100,000,000 and preferred shares to 10,000,000. On December 22, 2015, the Company’s Articles of Incorporation were amended to increase the authorized number common shares to 150,000,000 with the authorized number of preferred shares remaining at 10,000,000.

On March 17, 2017, the shareholders of the Company approved an amendment to the Company’s Certificate of Incorporation to designate 1 share of the Company’s authorized 10,000,000 shares of Preferred Stock as Series A Preferred Stock (“Series A Preferred Stock”), which shall vote with the Common Stock, and shall be entitled to fifty-one percent (51%) of the total votes of Common Stock on all such matters voted on.

The Company has begun its planned principal operations, and accordingly, the Company has prepared its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

NOTE 2 – BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include all adjustments necessary for the fair presentation of the Company’s financial position for the periods presented.

The Company currently operates in one business segment. The Company is not organized by market and is managed and operated as one business. A single management team reports to the chief operating decision maker, the Chief Executive Officer, who comprehensively manages the entire business. The Company does not currently operate any separate lines of businesses or separate business entities.

Going Concern

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates, among other things, the realization of assets and satisfaction of liabilities in the normal course of business. The Company had an accumulated deficit of approximately \$10,381,000 and \$6,130,000 at December 31, 2017 and 2016, respectively, had a working capital deficit of \$3,404,000 and \$2,128,000 at December 31, 2017 and 2016, respectively, had a net loss of approximately \$4,251,000 for the year ended December 31, 2017 (Successor) and \$832,000 for the one month ended December 31, 2016 (Successor) plus the eleven months ended November 30, 2016 (Predecessor), and net cash used in operating activities of approximately \$400,000 and \$131,000 for the year ended December 31, 2017 (Successor) and for the one month ended December 31, 2016 (Successor) plus the eleven months ended November 30, 2016 (Predecessor), respectively, with limited revenue earned since inception, and a lack of operational history. These matters raise substantial doubt about the Company’s ability to continue as a going concern.

While the Company is attempting to expand operations and increase revenues, the Company’s cash position may not be significant enough to support the Company’s daily operations. Management intends to raise additional funds by way of a public or private offering. Management believes that the actions presently being taken to further implement its business plan and generate revenues provide the opportunity for the Company to continue as a going concern. While management believes in the viability of its strategy to generate revenues and in its ability to raise additional funds, there can be no assurances to that effect or on terms acceptable to the Company. The ability of the Company to continue as a going concern is dependent upon the Company’s ability to further implement its business plan and generate revenues. Our current burn rate to maintain the minimal level of operations for us to be in a position to execute our business plan upon funding is anticipated to be no greater than \$25,000 per month in cash and Joseph Segelman, our President and CEO, has agreed to underwrite these costs until we are then able to begin execution of our business plan. In addition, until we begin execution of our business plan, we will continue to defer and accrue salaries and thus will not require cash to make payments under employment agreements.

The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Company is presented to assist in understanding the Company's consolidated financial statements. The consolidated financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to GAAP and have been consistently applied in the preparation of the consolidated financial statements.

Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Reign Brands, Inc. All significant intercompany accounts and transactions are eliminated in consolidation.

Use of Estimates

The preparation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of net sales and expenses during the reported periods. Actual results may differ from those estimates and such differences may be material to the consolidated financial statements. The more significant estimates and assumptions by management include among others: inventory valuation, derivative liabilities, warrant liabilities, common stock and option valuation, valuation of acquired intangible assets, and the recoverability of intangibles. The current economic environment has increased the degree of uncertainty inherent in these estimates and assumptions.

Cash

The Company's cash is held in bank accounts in the United States and is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Company has not experienced any cash losses.

Income Taxes

Income taxes are accounted for under an asset and liability approach. This process involves calculating the temporary and permanent differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The temporary differences result in deferred tax assets and liabilities, which would be recorded on the Balance Sheets in accordance with ASC 740, which established financial accounting and reporting standards for the effect of income taxes. The likelihood that its deferred tax assets will be recovered from future taxable income must be assessed and, to the extent that recovery is not likely, a valuation allowance is established. Changes in the valuation allowance in a period are recorded through the income tax provision in the consolidated Statements of Operations.

ASC 740-10-30 was adopted from the date of its inception. ASC 740-10 clarifies the accounting for uncertainty in income taxes recognized in an entity's consolidated financial statements and prescribes a recognition threshold and measurement attributes for financial statement disclosure of tax positions taken or expected to be taken on a tax return. Under ASC 740-10, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Additionally, ASC 740-10 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As a result of the implementation of ASC 740-10, the Company does not have a liability for unrecognized income tax benefits.

Advertising and Marketing Costs

Advertising and marketing costs are recorded as general and administrative expenses when they are incurred. Advertising and marketing expenses were recorded of approximately \$533,000 for the year ended December 31, 2017 (Successor), and approximately \$413,000 for the one month ended December 31, 2016 (Successor) plus the eleven months ended November 30, 2016 (Predecessor).

Comprehensive Income

Comprehensive income is reported in accordance with FASB ASC Topic 220 "Comprehensive Income," which established standards for reporting and displaying comprehensive income and its components in a financial statement that is displayed with the same prominence as other financial statements.

Total comprehensive income is defined as all changes in shareholders' equity during a period, other than those resulting from investments by and distributions to shareholders (i.e., issuance of equity securities and dividends). Generally, total comprehensive income (loss) equals net income (loss) plus or minus adjustments for currency translation. There are no items other than net loss affecting comprehensive loss for the year ended December 31, 2017 (Successor), and for the one month ended December 31, 2016 (Successor) plus the eleven months ended November 30, 2016 (Predecessor).

Foreign Currency - Functional and Presentation Currency

The functional currency represents the currency of the primary economic environment in which the entity operates. Management has determined the functional currency of the Company to be the USD, as sales prices and major costs of operating expenses are primarily influenced by fluctuations in the USD, and with its Chief Executive Officer and director ("CEO"), and employees of the Company headquartered and operating in the United States.

The results of transactions in foreign currency are remeasured into the functional currency at the average rate of exchange during the reporting period. The Company had no aggregate net foreign currency remeasurements included in general and administrative expenses in the accompanying consolidated statements of operations for the year ended December 31, 2017 (Successor), and for the one month ended December 31, 2016 (Successor) plus the eleven months ended November 30, 2016 (Predecessor).

Assets and liabilities denominated in foreign currencies at the balance sheet date are translated into the Company's reporting currency of USD at the exchange rates prevailing at the balance sheet date. All translation adjustments resulting from the translation of the consolidated financial statements into the reporting currency at USD are dealt with as a separate component within shareholders' equity. There were no translation adjustments for the year ended December 31, 2017 (Successor), and for the one month ended December 31, 2016 (Successor) plus the eleven months ended November 30, 2016 (Predecessor).

Revenue Recognition

Revenues are recognized in accordance with FASB ASC Topic 605, "Revenue Recognition", and with the guidelines of the Securities and Exchange Commission ("SEC") Staff Accounting Bulletin ("SAB") No. 104 "Revenue Recognition".

Under SAB 104, four conditions must be met before revenue can be recognized: (i) there is persuasive evidence that an arrangement exists, (ii) delivery has occurred or service has been rendered, (iii) the price is fixed or determinable, and (iv) collection is reasonably assured.

Revenue is recognized from product sales when the product is shipped to the customer, provided that collection of the resulting receivable is reasonably assured. Credit is granted generally for terms of 7 to 90 days, based on credit evaluations. Discounts and refunds are recorded as a reduction of revenue.

There is a no return policy. The return policy is currently being evaluated to be more in line with industry standards.

Inventories

Reign Sapphire

Inventories are stated at the lower of cost or market (net realizable value) on a lot basis each quarter. A lot is determined by the cut, clarity, size, and weight of the sapphires. Inventory consists of sapphire jewels that meet rigorous grading criteria and are of cuts and sizes most commonly used in the jewelry industry. As of December 31, 2017, the Company carried primarily loose sapphire jewels and loose sapphire jewels held as samples. Samples are used to show potential customers what the jewelry would look like. Promotional items given to customers that are not expected to be returned will be removed from inventory and expensed. There have been no promotional items given to customers as of December 31, 2017. The Company performs its own in-house assessment based on gem guide and the current market price for metals to value its inventory on an annual basis or if circumstances dictate sooner to determine if the estimated fair value is greater or less than cost. In addition, the inventory is reviewed each quarter by the Company against industry prices from gem-guide and if there is a potential impairment, the Company would appraise the inventory. The estimated fair value is subject to significant change due to changes in popularity of cut, perceived grade of the clarity of the sapphires, the number, type and size of inclusions, the availability of other similar quality and size sapphires, and other factors. As a result, the internal assessed value of the sapphires could be significantly lower from the current estimated fair value. Loose sapphire jewels do not degrade in quality over time. The estimated fair value per management's internal assessment is greater than the cost, therefore, there is no indicator of impairment as of December 31, 2017.

CCI and Le Bloc

CCI and Le Bloc products are outsourced to a third party for manufacture, made to order, and when completed are shipped to the customer. The inventory for CCI and Le Bloc are considered immaterial as of December 31, 2017 and December 31, 2016.

Property and Equipment

Property and equipment are carried at cost and are depreciated on a straight-line basis over the estimated useful lives of the assets, generally five years. The cost of repairs and maintenance is expensed as incurred; major replacements and improvements are capitalized. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gains or losses are included in income in the year of disposition. Fixed assets are examined for the possibility of decreases in value when events or changes in circumstances reflect the fact that their recorded value may not be recoverable.

Business Combinations

Amounts paid for acquisitions are allocated to the assets acquired and liabilities assumed based on their estimated fair value at the date of acquisition. The fair value of identifiable intangible assets is based on detailed valuations that use information and assumptions provided by management, including expected future cash flows. We allocate any excess purchase price over the fair value of the net assets and liabilities acquired to goodwill. Identifiable intangible assets with finite lives are amortized over their useful lives. Acquisition-related costs, including advisory, legal, accounting, valuation and other costs, are expensed in the periods in which the costs are incurred. The results of operations of acquired businesses are included in the consolidated financial statements from the acquisition date.

Intangible Assets and Goodwill

Goodwill is the cost of an acquisition less the fair value of the net assets of the acquired business.

Intangible assets consist primarily of tradenames, proprietary designs, developed technology – website, and developed technology – Ipad application. Our intangible assets are being amortized on a straight-line basis over a period of three to ten years.

Impairment of Long-lived Assets and Goodwill

We evaluate goodwill for impairment annually in the fourth quarter, and whenever events or changes in circumstances indicate it is more likely than not that the fair value of a reporting unit containing goodwill is less than its carrying amount. The goodwill impairment test consists of a two-step process, if necessary. The first step is to compare the fair value of a reporting unit to its carrying value, including goodwill. We typically use discounted cash flow models to determine the fair value of a reporting unit. The assumptions used in these models are consistent with those we believe hypothetical marketplace participants would use. If the fair value of the reporting unit is less than its carrying value, the second step of the impairment test must be performed in order to determine the amount of impairment loss, if any. The second step compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds its implied fair value, an impairment charge is recognized in an amount equal to that excess. There are no impairments as of December 31, 2017 and 2016.

We periodically evaluate whether the carrying value of property, equipment and intangible assets has been impaired when circumstances indicate the carrying value of those assets may not be recoverable. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If the carrying value is not recoverable, the impairment loss is measured as the excess of the asset's carrying value over its fair value. There are no impairments as of December 31, 2017 and 2016.

Our impairment analyses require management to apply judgment in estimating future cash flows as well as asset fair values, including forecasting useful lives of the assets, assessing the probability of different outcomes, and selecting the discount rate that reflects the risk inherent in future cash flows. If the carrying value is not recoverable, we assess the fair value of long-lived assets using commonly accepted techniques, and may use more than one method, including, but not limited to, recent third party comparable sales and discounted cash flow models. If actual results are not consistent with our assumptions and estimates, or our assumptions and estimates change due to new information, we may be exposed to an impairment charge in the future.

Deferred revenue

Deferred revenue consists of customer orders paid in advance of the delivery of the order. Deferred revenue is classified as short-term as the typical order ships within approximately three weeks of placing the order. Deferred revenue is recognized as revenue when the product is shipped to the customer and all other revenue recognition criteria have been met.

Fair Value of Financial Instruments

The provisions of accounting guidance, FASB Topic ASC 825 requires all entities to disclose the fair value of financial instruments, both assets and liabilities recognized and not recognized on the balance sheet, for which it is practicable to estimate fair value, and defines fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. As of December 31, 2017 and 2016, the fair value of cash, accounts receivable, accounts payable, accrued expenses, notes payable, and convertible debt approximated carrying value due to the short maturity of the instruments, quoted market prices or interest rates which fluctuate with market rates.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three levels of inputs, of which the first two are considered observable and the last unobservable, as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the measurement of the fair value of the assets or liabilities

The carrying value of financial assets and liabilities recorded at fair value is measured on a recurring or nonrecurring basis. Financial assets and liabilities measured on a non-recurring basis are those that are adjusted to fair value when a significant event occurs. There were no financial assets or liabilities carried and measured on a nonrecurring basis during the reporting periods. Financial assets and liabilities measured on a recurring basis are those that are adjusted to fair value each time a financial statement is prepared. The warrant and the embedded derivative liabilities are recognized at fair value on a recurring basis at December 31, 2017 and are Level 3 measurements (see Note 9). There have been no transfers between levels.

Debt

The Company issues debt that may have separate warrants, conversion features, or no equity-linked attributes.

Debt with warrants – When the Company issues debt with warrants, the Company treats the warrants as a debt discount, record as a contra-liability against the debt, and amortize the balance over the life of the underlying debt as amortization of debt discount expense in the consolidated statements of operations. When the warrants require equity treatment under ASC 815, the offset to the contra-liability is recorded as additional paid in capital in our consolidated balance sheet. When the Company issues debt with warrants that require liability treatment under ASC 815, such as a clause requiring repricing, the warrants are considered to be a derivative that is recorded as a liability at fair value. If the initial value of the warrant derivative liability is higher than the fair value of the associated debt, the excess is recognized immediately as interest expense. The warrant derivative liability is adjusted to its fair value at the end of each reporting period, with the change being recorded as expense or gain to Other (income) expense in the consolidated Statements of Operations. If the debt is retired early, the associated debt discount is then recognized immediately as amortization of debt discount expense in the consolidated statement of operations. The debt is treated as conventional debt.

Convertible debt – derivative treatment – When the Company issues debt with a conversion feature, we must first assess whether the conversion feature meets the requirements to be treated as a derivative, as follows: a) one or more underlyings, typically the price of our common stock; b) one or more notional amounts or payment provisions or both, generally the number of shares upon conversion; c) no initial net investment, which typically excludes the amount borrowed; and d) net settlement provisions, which in the case of convertible debt generally means the stock received upon conversion can be readily sold for cash. An embedded equity-linked component that meets the definition of a derivative does not have to be separated from the host instrument if the component qualifies for the scope exception for certain contracts involving an issuer's own equity. The scope exception applies if the contract is both a) indexed to its own stock; and b) classified in shareholders' equity in its statement of financial position.

If the conversion feature within convertible debt meets the requirements to be treated as a derivative, we estimate the fair value of the convertible debt derivative using Monte Carlo Method upon the date of issuance. If the fair value of the convertible debt derivative is higher than the face value of the convertible debt, the excess is immediately recognized as interest expense. Otherwise, the fair value of the convertible debt derivative is recorded as a liability with an offsetting amount recorded as a debt discount, which offsets the carrying amount of the debt. The convertible debt derivative is revalued at the end of each reporting period and any change in fair value is recorded as a gain or loss in the statement of operations. The debt discount is amortized through interest expense over the life of the debt.

Convertible debt – beneficial conversion feature– If the conversion feature is not treated as a derivative, we assess whether it is a beneficial conversion feature (“BCF”). A BCF exists if the conversion price of the convertible debt instrument is less than the stock price on the commitment date. This typically occurs when the conversion price is less than the fair value of the stock on the date the instrument was issued. The value of a BCF is equal to the intrinsic value of the feature, the difference between the conversion price and the common stock into which it is convertible, and is recorded as additional paid in capital and as a debt discount in the consolidated balance sheet. The Company amortizes the balance over the life of the underlying debt as amortization of debt discount expense in the statement of operations. If the debt is retired early, the associated debt discount is then recognized immediately as amortization of debt discount expense in the consolidated Statement of Operations.

If the conversion feature does not qualify for either the derivative treatment or as a BCF, the convertible debt is treated as traditional debt.

Employee Stock Based Compensation

Stock based compensation issued to employees and members of our board of directors is measured at the date of grant based on the estimated fair value of the award, net of estimated forfeitures. The grant date fair value of a stock based award is recognized as an expense over the requisite service period of the award on a straight-line basis.

For purposes of determining the variables used in the calculation of stock based compensation issued to employees the Company performs an analysis of current market data and historical data to calculate an estimate of implied volatility, the expected term of the option and the expected forfeiture rate. With the exception of the expected forfeiture rate, which is not an input, we use these estimates as variables in the Black-Scholes option pricing model. Depending upon the number of stock options granted any fluctuations in these calculations could have a material effect on the results presented in our consolidated statements of operations. In addition, any differences between estimated forfeitures and actual forfeitures could also have a material impact on our consolidated financial statements.

Non-Employee Stock Based Compensation

Issuances of the Company’s common stock or warrants for acquiring goods or services are measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. The measurement date for the fair value of the equity instruments issued to consultants or vendors is determined at the earlier of (i) the date at which a commitment for performance to earn the equity instruments is reached (a “performance commitment” which would include a penalty considered to be of a magnitude that is a sufficiently large disincentive for nonperformance) or (ii) the date at which performance is complete. Although situations may arise in which counter performance may be required over a period of time, the equity award granted to the party performing the service is fully vested and non-forfeitable on the date of the agreement. As a result, in this situation in which vesting periods do not exist as the instruments fully vested on the date of agreement, the Company determines such date to be the measurement date and will record the estimated fair market value of the instruments granted as a prepaid expense and amortize such amount to general and administrative expense in the accompanying statement of operations over the contract period. When it is appropriate for the Company to recognize the cost of a transaction during financial reporting periods prior to the measurement date, for purposes of recognition of costs during those periods, the equity instrument is measured at the then-current fair values at each of those interim financial reporting dates.

Non-Cash Equity Transactions

Shares of equity instruments issued for non-cash consideration are recorded at the fair value of the consideration received based on the market value of services to be rendered, or at the value of the stock given, considered in reference to contemporaneous cash sale of stock.

Earnings per Share

Diluted earnings (loss) per share are computed on the basis of the weighted average number of common shares (including common stock subject to redemption) plus dilutive potential common shares outstanding for the reporting period. In periods where losses are reported, the weighted-average number of common stock outstanding excludes common stock equivalents, because their inclusion would be anti-dilutive.

The total number of potential additional dilutive securities outstanding for the year ended December 31, 2017 (Successor), and for the one month ended December 31, 2016 (Successor) plus the eleven months ended November 30, 2016 (Predecessor), was none since the Company had net losses and any additional potential common shares would have an anti-dilutive effect.

Related Parties

Related parties are any entities or individuals that, through employment, ownership or other means, possess the ability to direct or cause the direction of the management and policies of the Company.

Concentrations, Risks, and Uncertainties

Business Risk

Substantial business risks and uncertainties are inherent to an entity, including the potential risk of business failure.

The Company is headquartered and operates in the United States. To date, the Company has generated limited revenues from operations. As the Company generates significant revenues from operations, business activities will also include Australia and Asia and geographic segment reporting will be provided. There can be no assurance that the Company will be able to successfully continue to produce its products and failure to do so would have a material adverse effect on the Company's financial position, results of operations and cash flows. Also, the success of the Company's operations is subject to numerous contingencies, some of which are beyond management's control. These contingencies include general economic conditions, price of raw material, competition, governmental and political conditions, and changes in regulations. Because the Company is dependent on foreign trade in Australia and Asia, the Company is subject to various additional political, economic and other uncertainties. Among other risks, the Company's operations will be subject to risk of restrictions on transfer of funds, domestic and international customs, changing taxation policies, foreign exchange restrictions, and political and governmental regulations.

The Company has business activities in Australia and Asia, which may give rise to significant foreign currency risks from fluctuations and the degree of volatility of foreign exchange rates between USD and the Australian currency AUD. The results of operations denominated in foreign currency are translated at the average rate of exchange during the reporting period. The Company had no aggregate net foreign currency transactions included in the income statement for the year ended December 31, 2017 (Successor), and for the one month ended December 31, 2016 (Successor) plus the eleven months ended November 30, 2016 (Predecessor).

Interest rate risk

Financial assets and liabilities do not have material interest rate risk.

Credit risk

The Company is exposed to credit risk from its cash in banks and accounts receivable. The credit risk on cash in banks is limited because the counterparties are recognized financial institutions.

There was one customer that accounted for 12% of total revenue for the year ended December 31, 2017 (Successor), and no customers that accounted for 10% or more of total revenue for the one month ended December 31, 2016 (Successor) plus the eleven months ended November 30, 2016 (Predecessor).

Foreign currency risk

The Company has transactions settled in AUD and British Pound. Thus, the Company has foreign currency risk exposure.

Seasonality

The business is subject to substantial seasonal fluctuations. Historically, a significant portion of net sales and net earnings have been realized during the period from October through December.

Major Suppliers

The Company does not manufacture its own products and currently depends primarily upon ASK Gold to manufacture its products. Pursuant to the acquisition of CCI (see Note 4), the Company issued ASK Gold 1,000,000 shares of the 7,000,000 shares issued in connection to the transaction.

In the event that the manufacturing provided by ASK Gold were discontinued, it is believed that alternate suppliers could be identified which would be able to provide it with sufficient levels of products at terms similar to those of ASK Gold.

Recent Accounting Pronouncements

FASB ASU 2017-11 "*Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480) and Derivatives and Hedging (Topic 815)*" - In July 2017, the FASB issued 2017-11. The guidance eliminates the requirement to consider "down round" features when determining whether certain equity-linked financial instruments or embedded features are indexed to an entity's own stock. Our warrants issued with our convertible notes are treated as derivative instruments, because they include a "down round" feature. The ASU is effective for annual periods beginning after December 15, 2018, and for interim periods within those years, with early adoption permitted. Early adoption of this guidance could have a significant impact on our financial statements, as it would effectively eliminate the warrant derivative liability and the gain or loss from changes in the fair value of the warrant derivative liability. We are currently assessing whether to early adopt this standard.

FASB ASU 2017-09 "*Scope of Modification Accounting (Topic 718)*" - In May 2017, the FASB issued 2017-09. The guidance clarifies the accounting for when the terms of a share-based award are modified. The ASU is effective for annual reporting periods beginning after December 15, 2017, and for interim periods within those years, with early adoption permitted. This new guidance would only impact our consolidated financial statements if, in the future, we modified the terms of any of our share-based awards.

FASB ASU 2017-04 "*Simplifying the Test for Goodwill Impairment (Topic 350)*" - In January 2017, the FASB issued 2017-04. The guidance removes "Step Two" of the goodwill impairment test, which required a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The ASU is effective for annual reporting periods beginning after December 15, 2019, and for interim periods within those years, with early adoption permitted. We do not expect this ASU to have a significant impact on our consolidated financial statements and related disclosures.

FASB ASU 2017-01 "*Clarifying the Definition of a Business (Topic 805)*" - In January 2017, the FASB issued 2017-1. The new guidance that changes the definition of a business to assist entities with evaluating when a set of transferred assets and activities is a business. The guidance requires an entity to evaluate if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets; if so, the set of transferred assets and activities is not a business. The guidance also requires a business to include at least one substantive process and narrows the definition of outputs by more closely aligning it with how outputs are described in ASC 606. The ASU is effective for annual reporting periods beginning after December 15, 2017, and for interim periods within those years. Adoption of this ASU is not expected to have a significant impact on our consolidated results of operations, cash flows and financial position.

FASB ASU 2016-15 “*Statement of Cash Flows (Topic 230)*” – In August 2016, the FASB issued 2016-15. Stakeholders indicated that there is a diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. This ASU is effective for annual reporting periods beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. Adoption of this ASU is not expected to have a significant impact on our statement of cash flows.

FASB ASU 2016-12 “*Revenue from Contracts with Customers (Topic 606)*” – In May 2016, the FASB issued 2016-12. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2016-12 provides clarification on assessing collectability, presentation of sales taxes, noncash consideration, and completed contracts and contract modifications. This ASU is effective for annual reporting periods beginning after December 15, 2017, with the option to adopt as early as December 15, 2016. We are currently assessing the impact of adoption of this ASU on our consolidated results of operations, cash flows and financial position.

FASB ASU 2016-11 “*Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815)*” – In May 2016, the FASB issued 2016-11, which clarifies guidance on assessing whether an entity is a principal or an agent in a revenue transaction. This conclusion impacts whether an entity reports revenue on a gross or net basis. This ASU is effective for annual reporting periods beginning after December 15, 2017, with the option to adopt as early as December 15, 2016. Adoption of this ASU is not expected to have a significant impact on our consolidated financial statements.

FASB ASU 2016-10 “*Revenue from Contracts with Customers (Topic 606)*” – In April 2016, the FASB issued ASU 2016-10, clarify identifying performance obligations and the licensing implementation guidance, while retaining the related principles for those areas. This ASU is effective for annual reporting periods beginning after December 15, 2017, with the option to adopt as early as December 15, 2016. Adoption of this ASU is not expected to have a significant impact on our consolidated financial statements.

FASB ASU 2016-09 “*Compensation – Stock Compensation (Topic 718)*” – In March 2016, the FASB issued ASU 2016-09, which includes multiple provisions intended to simplify various aspects of accounting for share-based payments. The new guidance will require entities to recognize all income tax effects of awards in the income statement when the awards vest or are settled. It also will allow entities to make a policy election to account for forfeitures as they occur. This ASU is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. We do not expect this standard will have a significant impact on our consolidated financial statements and related disclosures.

FASB ASU 2016-02 “*Leases (Topic 842)*” – In February 2016, the FASB issued ASU 2016-02, which will require lessees to recognize almost all leases on their balance sheet as a right-of-use asset and a lease liability. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Classification will be based on criteria that are largely similar to those applied in current lease accounting, but without explicit bright lines. Lessor accounting is similar to the current model, but updated to align with certain changes to the lessee model and the new revenue recognition standard. This ASU is effective for fiscal years beginning after December 18, 2018, including interim periods within those fiscal years. We are currently evaluating the potential impact this standard will have on our consolidated financial statements and related disclosures.

FASB ASU 2015-17 “*Income Taxes (Topic 740)*” – In November 2015, the FASB issued ASU 2015-17, which simplifies the presentation of deferred tax assets and liabilities on the balance sheet. Previous GAAP required an entity to separate deferred income tax liabilities and assets into current and noncurrent amounts on the balance sheet. The amendment requires that deferred tax liabilities and assets be classified as noncurrent in a classified balance sheet. This ASU is effective for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. We are currently evaluating the potential impact this standard will have on our consolidated financial statements and related disclosures.

NOTE 4 – ACQUISITION OF COORDINATES COLLECTION

On December 1, 2016, the Company acquired substantially all of the operating assets of CCI (the “Acquisition”). CCI is engaged in the marketing and distribution of Coordinates Collection and Le Bloc customized jewelry. Upon the closing of the Acquisition, we received substantially all of the operating assets of CCI, consisting of fixed assets and intellectual property. As part of the Acquisition, the Company created a wholly owned subsidiary, Reign Brands, and shall act as the operating entity for the acquired CCI assets.

The purchase price of the operating assets of CCI was the issuance 7,000,000 shares of common stock (of which 1,000,000 shares were issued to ASK Gold, a major supplier) (see Note 3) valued at \$770,000 (based on our stock price on the date of issuance). In addition, there is a cash payment of \$500,000 contingent upon a future offering and earn out payments for all sales of CCI and RGNP products sold via CCI sales channels for the 2017, 2018, 2019 and 2020 calendar years. The estimated fair value of the contingent payments totaled \$424,511 and was recognized as a liability in the accompanying consolidated Balance sheet as of December 31, 2016. The Company accounted for the Acquisition using the acquisition method of accounting.

Total Purchase Consideration:	
Common stock issued	\$ 770,000
Estimated fair value of contingent payments	424,511
	<u>\$ 1,194,511</u>

The following table summarizes the estimated fair values of the tangible and intangible assets acquired as of the date of Acquisition:

Net assets acquired:	
Equipment	\$ 32,564
Developed technology - website	117,500
Developed technology – Ipad application	117,500
Tradenname	365,000
Proprietary design	80,000
Goodwill	481,947
	<u>\$ 1,194,511</u>

Goodwill is the excess of the purchase price over the fair value of the underlying net tangible and identifiable intangible assets. In accordance with applicable accounting standards, goodwill is not amortized but instead is tested for impairment at least annually or more frequently if certain indicators are present.

NOTE 5 – INVENTORY

Inventories consisted of the following as of:

	December 31, 2017	December 31, 2016
Raw materials	\$ 474,983	\$ 478,096
Work-in-process	117,012	111,361
Samples	134,145	134,145
	<u>\$ 726,140</u>	<u>\$ 723,602</u>

NOTE 6 – EQUIPMENT

Equipment consisted of the following as of:

	Estimated Life	December 31, 2017	December 31, 2016
Office equipment	5 years	\$ 3,391	\$ 2,451
Computer equipment	3 years	39,311	39,311
Accumulated depreciation		(17,424)	(3,712)
		<u>\$ 25,278</u>	<u>\$ 38,050</u>

Depreciation expense was \$13,712 for the year ended December 31, 2017 (Successor), and \$7,308 for the one month ended December 31, 2016 (Successor) plus the eleven months ended November 30, 2016 (Predecessor), and is classified in general and administrative expenses in the consolidated Statements of Operations.

NOTE 7 – INTANGIBLE ASSETS AND GOODWILL

Intangible assets, net consisted of the following as of:

	Estimated Life	December 31, 2017	December 31, 2016
Trademarks	3.3 – 4.5 years	\$ 260,000	\$ 260,000
Website	3 years	113,253	35,125
Acquired tradename	10 years	365,000	365,000
Acquired proprietary design	5 years	80,000	80,000
Acquired developed technology - website	3 years	117,500	117,500
Acquired developed technology – Ipad application	3 years	117,500	117,500
Accumulated amortization		(249,947)	(27,866)
		<u>\$ 803,306</u>	<u>\$ 947,259</u>
	Estimated Life	December 31, 2017	December 31, 2016
Goodwill	indefinite	481,947	481,947

Amortization expense was \$222,081 for the year ended December 31, 2017 (Successor), and \$79,149 for the one month ended December 31, 2016 (Successor) plus the eleven months ended November 30, 2016 (Predecessor) and is classified in general and administrative expenses in the accompanying consolidated Statements of Operations.

Future amortization expense related to intangible assets are approximately as follows:

	Acquired			Total
	Trademarks	Website	Intangibles	
2018	\$ 65,186	\$ 37,751	\$ 130,833	\$ 233,770
2019	62,907	37,084	124,306	224,297
2020	37,818	11,690	52,500	102,008
2021	12,606	—	51,167	63,773
2022	—	—	36,500	36,500
Thereafter	—	—	142,958	142,958
	<u>\$ 178,517</u>	<u>\$ 86,525</u>	<u>\$ 538,264</u>	<u>\$ 803,306</u>

NOTE 8 – DUE TO RELATED PARTY

During 2017, the Company received no advances from our CEO/director and incurred business expenses of \$1,234,249 (comprised of operating expenses of \$1,218,085, inventory purchases totaling \$5,650, website development costs of \$9,573, and purchased equipment of \$940) and had repayments of \$941,443. We have a balance owed to the related party of \$721,434 and \$440,747 at December 31, 2017 and 2016, respectively. During 2017, the Company incurred \$180,000 of deferred compensation related to the CEO/director's employment agreement and \$80,000 of deferred compensation related to the Secretary's employment agreement. As of December 31, 2017 and 2016, accrued compensation – related party was \$1,036,000 and \$776,000, respectively.

CCI had no employment agreement with its CEO and director during the eleven months ended November 30, 2016 but CCI still incurred compensation on behalf of the CEO and director. CCI incurred compensation expense of \$79,288 in the eleven months ended November 30, 2016 (Predecessor), with no amounts due at November 30, 2016 (Predecessor). During the eleven months ended November 30, 2016 (Predecessor), the CEO and director received employee benefits totaling \$43,947. In addition, the CEO/director incurred business expenses and had repayments for business expenses of \$13,130 for the eleven months ended November 30, 2016 (Predecessor).

NOTE 9 – CONVERTIBLE NOTES PAYABLE

The following represents a summary of the convertible debt terms at December 31, 2017:

	Amount of Note	Debt Discount	Maturity Date	Conversion Price	Number of Warrants	Exercise Price	Warrants Exercisable thru
November 2017 Note	\$ 287,502	\$ (224,904)	6/30/2018	\$ 0.08	10,781,250	\$ 0.15	11/10/2022
November 2016 Note	287,502	—	6/30/2018	\$ 0.08	3,593,776	\$ 0.15	11/10/2022
December 2015 Note	862,500	—	6/30/2018	\$ 0.08	3,593,776	\$ 0.15	11/10/2022
Total	<u>\$ 1,437,504</u>	<u>\$ (224,904)</u>			<u>17,968,802</u>		

November 2017

On November 10, 2017, the Company entered into a Securities Purchase Agreement (the "November 2017 Purchase Agreement") with respect to the sale and issuance to certain institutional investors Alpha Capital Anstalt and Brio Capital Master Fund Ltd. (collectively "November 2017 Purchasers") of up to (i) 833,354 shares of the Company's Common Stock (the "November 2017 Incentive Shares"); (ii) \$287,502 aggregate principal amount of Secured Convertible Notes (the "November 2017 Notes") and (iii) Common Stock Purchase Warrants to purchase up to an aggregate of 3,593,776, shares of the Company's Common Stock (the "November 2017 Warrants"). The November 2017 Incentive Shares, November 2017 Notes and November 2017 Warrants were issued on November 10, 2017 (the "November 2017 Original Issue Date"). November 2017 Purchasers received (i) November 2017 Incentive Shares at the rate of 2.8986 November 2017 Incentive Shares for each \$1.00 of November 2017 Note principal issued to such November 2017 Purchaser; (ii) a November 2017 Note with a principal amount of \$1.00 for each \$0.86956 for each \$1.00 paid by each purchaser for such purchaser's November 2017 Note; and (iii) November 2017 Warrants to purchase up to a number of shares of Common Stock equal to 100% of such purchaser's November 2017 Note principal amount divided by \$0.08 ("Purchaser Conversion Price"), the conversion price in effect on the Initial Closing Date, with a per share exercise price equal to \$0.15, as amended on November 16, 2017, subject to adjustment. The aggregate cash subscription amount received by the Company from the purchasers for the issuance of the November 2017 Incentive Shares, November 2017 Notes and November 2017 Warrants was approximately \$250,002 (the "Subscription Amount") which was issued at a \$37,500 original issue discount from the face value of the Note.

The November 2017 Notes mature on June 30, 2018, as amended on November 16, 2017, and provide for interest to accrue at an interest rate equal to the lesser of 15% per annum or the maximum rate permitted under applicable law after the occurrence of any event of default as provided in the November 2017 Notes. At any time after the November 2017 Original Issue Date, the holders, at their option, may convert the outstanding principal balance and accrued interest into shares of our Common Stock. The initial conversion price for the principal and interest in connection with voluntary conversions by a holder of a Note is \$0.08 per share, subject to adjustment as provided therein. Each November 2017 Note, for example, is subject to adjustment upon certain events such as stock splits and has full ratchet anti-dilution protections for issuance of securities by us at a price that is lower than the conversion price. Each November 2017 Note also contains certain negative covenants, including prohibitions on incurrence of indebtedness, liens, charter amendments, dividends, redemption. None of the holders of the November 2017 Note have the right to convert any portion of their November 2017 Note if it (together with its affiliates) would beneficially own in excess of 9.99% of the number of shares of Common Stock outstanding immediately after giving effect to the exercise. The November 2017 Notes include customary events of default, including, among other things, payment defaults, covenant breaches, certain representations and warranties, certain events of bankruptcy, liquidation and suspension of the Company's Common Stock from trading. If such an event of default occurs, the holders of the November 2017 Notes may be entitled to take various actions, which may include the acceleration of amounts due under the November 2017 Notes and accrual of interest as described above. The November 2017 Notes are collectively collateralized by substantially all of the Company's assets and guarantees of payment of the November 2017 Notes have also been delivered by Joseph Segelman, the Chief Executive Officer and President of the Company, and Australian Sapphire Corporation ("ASC"), a shareholder of the Company which is wholly-owned by Joseph Segelman, guaranteed payment of all amounts owed under the November 2017 Notes, subject to the terms of such guaranty agreements.

The November 2017 Purchase Agreement is being entered into in accordance with the halachically accepted exemptions on the paying of interest payments in business transactions known as “heter iska”. The Company is still accounting for the interest in accordance with GAAP.

Optional Redemption

The November 2017 Notes provide that commencing six (6) months after the November 2017 Original Issue Date, the Company will have the option of prepaying the outstanding principal amount of the November 2017 Notes (an “November 2017 Optional Redemption”), in whole or in part, by paying to the holders a sum of money in cash equal to one hundred percent (100%) of the principal amount to be redeemed, together with accrued but unpaid interest thereon, if any, and any and all other sums due, accrued or payable to the holder arising under the November 2017 Note through the November 2017 Redemption Payment Date and 2.8986 shares of the Company’s Common Stock for each \$1.00 of November 2017 Note principal amount being redeemed. A Notice of Redemption, if given, may be given on the first Trading Day following twenty (20) consecutive Trading Days during which all of the “Equity Conditions”, as defined, have been in effect. No derivative liability has been recorded as of December 31, 2017, as redemption was contingent.

Purchaser Conversion

The November 2017 Purchaser has the right at any time after the November 2017 Original Issue Date until the outstanding balance of the Note has been paid in full, to convert all or any part of the outstanding balance into shares (“November 2017 Purchaser Conversion Shares”) of the Company’s common stock, of the portion of the outstanding balance being converted (the “November 2017 Conversion Amount”) divided by the November 2017 Purchaser Conversion Price of \$0.08, subject to potential future adjustments described below. If the total outstanding balance of the November 2017 Note were convertible as of December 31, 2017, the November 2017 Note would have been convertible into 3,593,776 shares of our common stock.

The Company evaluated the note under the requirements of ASC 480 “Distinguishing Liabilities From Equity” and concluded that the Note does not fall within the scope of ASC 480. The Company next evaluated the November 2017 Note under the requirements of ASC 815 “Derivatives and Hedging”. Due to the existence of the anti-dilution provision which reduces the November 2017 Purchaser Conversion Price in the event of subsequent dilutive issuances by the Company below the November 2017 Purchaser Conversion Price as described above, the November 2017 Purchaser Conversion feature does not meet the definition of “indexed to” our stock, and the scope exception to ASC 815’s derivative accounting provisions does not apply. The Company also evaluated the embedded derivative criteria in ASC 815, and concluded that the Purchaser Conversion feature meets all of the embedded derivative criteria in ASC 815, and therefore, the November 2017 Purchaser Conversion feature meets the definition of an embedded derivative that should be separated from the note and accounted for as a derivative liability.

The embedded derivative was recorded as a derivative liability on the consolidated Balance Sheet at its fair value of \$165,000 at the date of issuance. At each subsequent reporting date, the fair value of the embedded derivative liability will be remeasured and changes in the fair value will be recorded in the consolidated Statements of Operations. At December 31, 2017, the embedded derivative was re-measured at fair value that was determined to be \$63,000. During the year ended December 31, 2017, the Company recorded a gain of \$97,000 on embedded derivative re-valuation.

On November 16, 2017, the November 2017 Notes were modified in accordance with ASC 470-50-40 and ASC 815 and the Company re-measured the embedded derivative at fair value, which was determined to be \$155,000 and recorded a modification of derivative liability charge of \$5,000.

The fair value of the embedded derivative liability is measured in accordance with ASC 820 "Fair Value Measurement", using "Monte Carlo Method" modeling incorporating the following inputs:

	<u>December 31, 2017</u>	<u>November 10, 2017</u>
Expected dividend yield	0.00%	0.00%
Expected stock-price volatility	47.5%	55.0%
Risk-free interest rate	1.53%	1.54%
Expected term of options (years)	0.5	1.5
Stock price	\$ 0.12	\$ 0.20
Conversion price	\$ 0.08	\$ 0.08

November 2017 Purchaser Warrants

The November 2017 Purchaser Warrants allow the November 2017 Purchaser to purchase up to a number of shares of common stock equal to 100% of such purchaser's Note principal amount divided by \$0.08, with a per share exercise price equal to \$0.15, subject to adjustment.

The term of the Purchaser Warrants is at any time on or after the six (6) month anniversary of the November 2017 Original Issue Date and on or prior to the five (5) year anniversary of the November 2017 Initial Trading Date of our common stock on a Trading Market.

The exercise price of the November 2017 Purchaser Warrants is \$0.15 per share of our common stock, as may be adjusted from time to time pursuant to the antidilution provisions of the November 2017 Purchaser Warrants.

The November 2017 Purchaser Warrants are exercisable by the November 2017 Purchaser in whole or in part, as either a cash exercise or as a "cashless" exercise.

The Company evaluated the November 2017 Warrants under ASC 480 "Distinguishing Liabilities From Equity" and ASC 815 "Derivatives and Hedging". Due to the existence of the antidilution provision, which reduces the November 2017 Exercise Price and November 2017 Conversion Price in the event of subsequent November 2017 Dilutive Issuances, the November 2017 Purchaser Warrants are not indexed to our common stock, and the Company has determined that the November 2017 Purchaser Warrants meet the definition of a derivative under ASC 815. Accordingly, the November 2017 Purchaser Warrants were recorded as derivative liabilities in the consolidated Balance Sheet at their fair value of \$290,612 at the date of issuance. At each subsequent reporting date, the fair value of the Purchaser Warrants will be remeasured and changes in the fair value will be reported in the consolidated Statements of Operations. On November 16, 2017, the November 2017 Warrants were modified in accordance with ASC 470-50-40 and ASC 815 which eliminated the antidilution provision of the exercise price, fixed the exercise price at \$0.15 per share, and fixed the number of shares the warrants can be exercised into; thereby eliminating the requirement for derivative accounting and liability classification. As a result, immediately prior to the modification, the Company recognized a loss of \$181,896 to change in fair value of warrant liabilities under Other (income) expense in the accompanying consolidated Statements of Operations comprised of:

	<u>Change in Fair Value of Warrant Liability</u>
November 2017 Note	\$ (19,938)
November 2016 Note	74,514
December 2015 Note	127,320
Total	<u>\$ 181,896</u>

Subsequent to the modification, the Company recognized a loss of \$238,935 to modification of warrant and derivatives in the accompanying consolidated Statements of Operations comprised of:

	<u>Modification of</u>		
	<u>Warrant Liability</u>	<u>Derivative Liability</u>	<u>Total</u>
November 2017 Note	\$ 13,819	\$ (5,000)	\$ 8,819
November 2016 Note	28,993	15,301	44,294
December 2015 Note	182,173	3,649	185,822
Total	<u>\$ 224,985</u>	<u>\$ 13,950</u>	<u>\$ 238,935</u>

In addition, the warrant re-valuation was reclassified to additional paid-in-capital resulting in a warrant liability of \$0 as of November 16, 2017. The reclassification to additional paid-in-capital is comprised of:

	<u>Reclassification of Warrant liability to Equity</u>
November 2017 Note	\$ 284,493
November 2016 Note	284,493
December 2015 Note	853,473
Total	<u>\$ 1,422,459</u>

The fair value of the November 2017 Purchaser Warrants is measured in accordance with ASC 820 “Fair Value Measurement”, using “Monte Carlo simulation” modeling, incorporating the following inputs:

	<u>December 31, 2017</u>	<u>November 10, 2017</u>
Expected dividend yield	0.00%	0.00%
Expected stock-price volatility	47.5%	55.0%
Risk-free interest rate	2.07%	2.06%
Expected term of options (years)	0.5	1.5
Stock price	\$ 0.12	\$ 0.20
Exercise price	\$ 0.15	\$ 0.08

November 2017 Purchaser Common Stock

The November 2017 Purchasers were issued a total of 833,354 shares of the Company’s common stock, valued at \$163,171 (based on the stock price on the date of issuance).

Debt Discount

The Company issued the November 2017 Notes with warrants and conversion features that require liability treatment under ASC 815. As such, the proceeds of the notes were allocated, based on fair values, as follows: original issue discount of \$37,497, \$163,171 to the common shares issued; \$290,612 to the warrants granted; and \$165,000 to the embedded derivative, resulting in a debt discount to such notes of \$287,502 with the remaining amount of approximately \$369,000 expensed at inception of the note. The debt discount is accreted over the term of the convertible notes to interest expense in the accompanying consolidated Statements of Operations.

The Company recorded debt discount accretion of \$62,598 to interest expense in the consolidated Statements of Operations during the year ended December 31, 2017 and has an unamortized debt discount of \$224,904 as of December 31, 2017.

November 2016

As of December 31, 2016, the Company previously entered into a Securities Purchase Agreement (the “November 2016 Purchase Agreement”) with respect to the sale and issuance to certain institutional investors Alpha Capital Anstalt and Brio Capital Master Fund Ltd. (collectively “November 2016 Purchasers”) of up to (i) 833,354 shares of the Company’s Common Stock (the “November 2016 Incentive Shares”); (ii) \$287,502 aggregate principal amount of Secured Convertible Notes (the “November 2016 Notes”) and (iii) Common Stock Purchase Warrants to purchase up to an aggregate of 3,593,775, as amended, shares of the Company’s Common Stock (the “November 2016 Warrants”). The November 2016 Incentive Shares, November 2016 Notes and November 2016 Warrants were issued on November 10, 2016 (the “November 2016 Original Issue Date”). November 2016 Purchasers received (i) November 2016 Incentive Shares at the rate of 2.8986 November 2016 Incentive Shares for each \$1.00 of November 2016 Note principal issued to such November 2016 Purchaser; (ii) a November 2016 Note with a principal amount of \$1.00 for each \$0.86956 for each \$1.00 paid by each purchaser for such purchaser’s November 2016 Note; and (iii) November 2016 Warrants to purchase up to a number of shares of Common Stock equal to 100% of such purchaser’s November 2016 Note principal amount divided by \$0.12 (“Purchaser Conversion Price”), the conversion price in effect on the Initial Closing Date, as amended on May 30, 2017 to \$0.08, with a per share exercise price equal to \$0.30, subject to adjustment. The aggregate cash subscription amount received by the Company from the purchasers for the issuance of the November 2016 Incentive Shares, November 2016 Notes and November 2016 Warrants was approximately \$244,945 (the “Subscription Amount”) which was issued at a \$42,557 original issue discount from the face value of the Note.

The November 2016 Notes mature on June 30, 2018, as amended on November 16, 2017, and provide for interest to accrue at an interest rate equal to the lesser of 15% per annum or the maximum rate permitted under applicable law after the occurrence of any event of default as provided in the November 2016 Notes. At any time after the November 2016 Original Issue Date, the holders, at their option, may convert the outstanding principal balance and accrued interest into shares of our Common Stock. The initial conversion price for the principal and interest in connection with voluntary conversions by a holder of a Note was \$0.12 per share, as amended on May 30, 2017 to \$0.08, subject to adjustment as provided therein. Each November 2016 Note, for example, is subject to adjustment upon certain events such as stock splits and has full ratchet anti-dilution protections for issuance of securities by us at a price that is lower than the conversion price. Each November 2016 Note also contains certain negative covenants, including prohibitions on incurrence of indebtedness, liens, charter amendments, dividends, redemption. None of the holders of the November 2016 Note have the right to convert any portion of their November 2016 Note if it (together with its affiliates) would beneficially own in excess of 9.99% of the number of shares of Common Stock outstanding immediately after giving effect to the exercise. The November 2016 Notes include customary events of default, including, among other things, payment defaults, covenant breaches, certain representations and warranties, certain events of bankruptcy, liquidation and suspension of the Company's Common Stock from trading. If such an event of default occurs, the holders of the November 2016 Notes may be entitled to take various actions, which may include the acceleration of amounts due under the November 2016 Notes and accrual of interest as described above. The November 2016 Notes are collectively collateralized by substantially all of the Company's assets and guarantees of payment of the November 2016 Notes have also been delivered by Joseph Segelman, the Chief Executive Officer and President of the Company, and Australian Sapphire Corporation ("ASC"), a shareholder of the Company which is wholly-owned by Joseph Segelman, guaranteed payment of all amounts owed under the November 2016 Notes, subject to the terms of such guaranty agreements.

The November 2016 Purchase Agreement is being entered into in accordance with the halachically accepted exemptions on the paying of interest payments in business transactions known as "heter iska". The Company is still accounting for the interest in accordance with GAAP.

As a result of the failure to timely file our 2016 Form 10-K for the year ended December 31, 2016 and our Form 10-Q for the three month period ended March 31, 2017, the November 2016 and December 2015 Notes were in default. On May 30, 2017, the Company entered into a Second Consent, Waiver and Modification Agreement (the "Agreement") with certain purchasers of convertible promissory notes (the "Notes") pursuant to securities purchase agreements dated December 23, 2015 and November 10, 2016, which were amended pursuant to a Consent, Waiver and Modification Agreement dated October 13, 2016. The waivers contained in the Agreement were related to a waiver of the right to participate in additional offerings by the Company, allowing shares of the Company's common stock to be issued pursuant to a private offering at a price of not less than \$0.08 per share as well as warrants exercisable for a period of five years at \$0.15 per share, as amended on November 16, 2017, adjusting the conversion price of the Notes issued to the purchasers to \$0.08 per share, extending the maturity date of the December 23, 2015 convertible promissory notes to December 31, 2018 and waiving default provisions listed in the Notes related to the Company's failure to timely file its Form 10-K for the year ended December 31, 2016 and the Form 10-Q for the three month period ended March 31, 2017. Based on ASC 470-50-40, *Extinguishments of Debt*, the Company recognized \$691,371 as an extinguishment of debt under Other (income) expense in the accompanying consolidated Statements of Operations for the year ended December 31, 2017 (Successor). The extinguishment of debt is comprised of changes in the fair value of warrant and derivative liabilities due to the amendment of the notes that were measured immediately prior to and subsequent to the amendment that resulted in extinguishment loss of \$176,022 for the December 2015 Purchaser Warrants, \$75,648 for the November 2016 Purchaser Warrants, \$183,250 for the December 2015 Purchaser Conversion Shares, and \$41,842 for the November 2016 Purchaser Conversion Shares, as well as \$178,409 for the unamortized debt discount associated with the November 2016 Notes and \$36,200 for the unamortized debt discount associated with the December 2015 Notes.

Optional Redemption

The November 2016 Notes provide that commencing six (6) months after the November 2016 Original Issue Date, the Company will have the option of prepaying the outstanding principal amount of the November 2016 Notes (an "November 2016 Optional Redemption"), in whole or in part, by paying to the holders a sum of money in cash equal to one hundred percent (100%) of the principal amount to be redeemed, together with accrued but unpaid interest thereon, if any, and any and all other sums due, accrued or payable to the holder arising under the November 2016 Note through the November 2016 Redemption Payment Date and 2.8986 shares of the Company's Common Stock for each \$1.00 of November 2016 Note principal amount being redeemed. A Notice of Redemption, if given, may be given on the first Trading Day following twenty (20) consecutive Trading Days during which all of the "Equity Conditions", as defined, have been in effect.

The Company evaluated the Optional Redemption in ASC 815, and concluded that the Optional Redemption meets the criteria in ASC 815, and therefore, is accounted for as a liability.

As of December 31, 2017, the Optional Redemption was recorded as a derivative liability on the consolidated Balance Sheet using “Monte Carlo Method” modeling and at each subsequent reporting date, the fair value of the Optional Redemption liability will be re-measured and changes in the fair value will be recorded in the consolidated Statements of Operations. The Optional Redemption liability fair value was originally valued at \$35,015 and was re-measured at fair value to be \$38,960 at December 31, 2017. During the year ended December 31, 2017, the Company recorded a loss of \$34,643 on Optional Redemption valuation and no derivative liability has been recorded at December 31, 2016, as redemption was contingent.

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Expected dividend yield	0.00%	0.00%
Expected stock-price volatility	47.5%	55.0%
Risk-free interest rate	1.53%	1.47%
Expected term of options (years)	0.5	1.5-5
Stock price	\$ 0.12	\$ 0.11
Conversion price	\$ 0.08	\$ 0.12

Purchaser Conversion

The November 2016 Purchaser has the right at any time after the November 2016 Original Issue Date until the outstanding balance of the Note has been paid in full, to convert all or any part of the outstanding balance into shares (“November 2016 Purchaser Conversion Shares”) of the Company’s common stock, of the portion of the outstanding balance being converted (the “November 2016 Conversion Amount”) divided by the November 2016 Purchaser Conversion Price of \$0.08, as amended on May 30, 2017, subject to potential future adjustments described below. If the total outstanding balance of the November 2016 Note were convertible as of December 31, 2017, the November 2016 Note would have been convertible into 3,593,775 shares of our common stock.

The Company evaluated the note under the requirements of ASC 480 “Distinguishing Liabilities From Equity” and concluded that the Note does not fall within the scope of ASC 480. The Company next evaluated the November 2016 Note under the requirements of ASC 815 “Derivatives and Hedging”. Due to the existence of the anti-dilution provision which reduces the November 2016 Purchaser Conversion Price in the event of subsequent dilutive issuances by the Company below the November 2016 Purchaser Conversion Price as described above, the November 2016 Purchaser Conversion feature does not meet the definition of “indexed to” our stock, and the scope exception to ASC 815’s derivative accounting provisions does not apply. The Company also evaluated the embedded derivative criteria in ASC 815, and concluded that the Purchaser Conversion feature meets all of the embedded derivative criteria in ASC 815, and therefore, the November 2016 Purchaser Conversion feature meets the definition of an embedded derivative that should be separated from the note and accounted for as a derivative liability.

The embedded derivative was recorded as a derivative liability on the consolidated Balance Sheet at its fair value of \$32,016 at the date of issuance. At each subsequent reporting date, the fair value of the embedded derivative liability will be re-measured and changes in the fair value will be recorded in the consolidated Statements of Operations. At December 31, 2017, the embedded derivative was re-measured at fair value that was determined to be \$63,000. During the year ended December 31, 2017 and the one month ended December 31, 2016, the Company recorded a gain of \$14,088 and a gain of \$8,021, respectively, on embedded derivative re-valuation, respectively.

The fair value of the embedded derivative liability is measured in accordance with ASC 820 “Fair Value Measurement”, using “Monte Carlo Method” modeling incorporating the following inputs:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Expected dividend yield	0.00%	0.00%
Expected stock-price volatility	47.5%	55.0%
Risk-free interest rate	1.53%	1.47%
Expected term of options (years)	0.5	1.5-5
Stock price	\$ 0.12	\$ 0.11
Conversion price	\$ 0.08	\$ 0.12

November 2016 Purchaser Warrants

The November 2016 Purchaser Warrants allow the November 2016 Purchaser to purchase up to a number of shares of common stock equal to 100% of such purchaser’s Note principal amount divided by \$0.08, as amended on May 30, 2017, with a per share exercise price equal to \$0.15, as amended on November 16, 2017, subject to adjustment.

The term of the Purchaser Warrants is at any time on or after the six (6) month anniversary of the November 2016 Original Issue Date and on or prior to the five (5) year anniversary of the November 2016 Initial Trading Date of our common stock on a Trading Market.

The exercise price of the November 2016 Purchaser Warrants is \$0.15, as amended on November 16, 2017, per share of our common stock, as may be adjusted from time to time pursuant to the antidilution provisions of the November 2016 Purchaser Warrants.

The November 2016 Purchaser Warrants are exercisable by the November 2016 Purchaser in whole or in part, as either a cash exercise or as a “cashless” exercise.

The Company evaluated the November 2016 Warrants under ASC 480 “Distinguishing Liabilities From Equity” and ASC 815 “Derivatives and Hedging”. Due to the existence of the antidilution provision, which reduces the November 2016 Exercise Price and November 2016 Conversion Price in the event of subsequent November 2016 Dilutive Issuances, the November 2016 Purchaser Warrants are not indexed to our common stock, and the Company has determined that the November 2016 Purchaser Warrants meet the definition of a derivative under ASC 815. Accordingly, the November 2016 Purchaser Warrants were recorded as derivative liabilities in the consolidated Balance Sheet at their fair value of \$108,597 at the date of issuance. At each subsequent reporting date, the fair value of the Purchaser Warrants will be remeasured and changes in the fair value will be reported in the consolidated Statements of Operations. On November 16, 2017, the November 2016 Warrants were modified in accordance with ASC 470-50-40 and ASC 815 which eliminated the antidilution provision of the exercise price, fixed the exercise price at \$0.15 per share, and fixed the number of shares the warrants can be exercised into; thereby eliminating the requirement for derivative accounting and liability classification. As a result, immediately prior to the modification, the Company recognized a loss of \$181,896 to change in fair value of warrant liabilities under Other (income) expense in the accompanying consolidated Statements of Operations comprised of:

	<u>Change in Fair Value of Warrant Liability</u>
November 2017 Note	\$ (19,938)
November 2016 Note	74,514
December 2015 Note	127,320
Total	<u>\$ 181,896</u>

Subsequent to the modification, the Company recognized a loss of \$238,935 to modification of warrant and derivatives in the accompanying consolidated Statements of Operations comprised of:

	<u>Modification of</u>		
	<u>Warrant Liability</u>	<u>Derivative Liability</u>	<u>Total</u>
November 2017 Note	\$ 13,819	\$ (5,000)	\$ 8,819
November 2016 Note	28,993	15,301	44,294
December 2015 Note	182,173	3,649	185,822
Total	<u>\$ 224,985</u>	<u>\$ 13,950</u>	<u>\$ 238,935</u>

In addition, the warrant re-valuation was reclassified to additional paid-in-capital resulting in a warrant liability of \$0 as of November 16, 2017. The reclassification to additional paid-in-capital is comprised of:

	<u>Reclassification of Warrant liability to Equity</u>
November 2017 Note	\$ 284,493
November 2016 Note	284,493
December 2015 Note	853,473
Total	<u>\$ 1,422,459</u>

The fair value of the November 2016 Purchaser Warrants is measured in accordance with ASC 820 “Fair Value Measurement”, using “Monte Carlo simulation” modeling, incorporating the following inputs:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Expected dividend yield	0.00%	0.00%
Expected stock-price volatility	47.5%	55.0%
Risk-free interest rate	2.07%	1.93%
Expected term of options (years)	0.5	1.5-5
Stock price	\$ 0.12	\$ 0.11
Exercise price	\$ 0.15	\$ 0.30

November 2016 Purchaser Common Stock

The November 2016 Purchasers were issued a total of 833,354 shares of the Company’s common stock, valued at \$100,002 (based on the stock price on the date of issuance).

As of December 31, 2016, the total proceeds of \$244,945 previously received by the Company for the November 2016 Note, November 2016 Purchaser Common Stock, and November 2016 Purchaser Warrants, was allocated first to the November 2016 Purchaser Common Stock, November 2016 Purchaser Warrants, and embedded derivative liabilities at their initial fair values determined at the issuance date. Since the difference between the full fair value of November 2016 Purchaser Common Stock, November 2016 Purchaser Warrants, and embedded derivative liabilities of \$240,615 was less than the proceeds of \$244,945, no additional amounts were recorded.

Debt Discount

The Company issued the November 2016 Notes with warrants and conversion features that require liability treatment under ASC 815. As such, the proceeds of the notes were allocated, based on fair values, as follows: \$100,002 to the common shares issued; \$108,567 to the warrants granted; \$42,557 to the original issue discount; and \$32,016 to the embedded derivative, resulting in a debt discount to such notes of \$283,172. The debt discount is accreted over the term of the convertible notes to interest expense in the accompanying consolidated Statements of Operations.

The Company recorded debt discount accretion of \$78,313 and \$16,078 to interest expense in the consolidated Statements of Operations during the year ended December 31, 2017 and the one month ended December 31, 2016, respectively, and has an unamortized debt discount of \$0 as of December 31, 2017.

December 2015

As of December 31, 2016, the Company previously entered into a Securities Purchase Agreement (the “Purchase Agreement”) with respect to the sale and issuance to certain institutional investors Alpha Capital Anstalt and Brio Capital Master Fund Ltd. (collectively “Purchasers”) of up to (i) 2,500,000 shares of the Company’s Common Stock (the “December 2015 Incentive Shares”); (ii) \$862,500 aggregate principal amount of Secured Convertible Notes (the “December 2015 Notes”) and (iii) December 2015 Common Stock Purchase Warrants to purchase up to an aggregate of 10,781,250, as amended, shares of the Company’s Common Stock (the “December 2015 Warrants”). The December 2015 Incentive Shares, December 2015 Notes and December 2015 Warrants were issued on December 23, 2015 (the “Original Issue Date”). December 2015 Purchasers received (i) December 2015 Incentive Shares at the rate of 2.8986 December 2015 Incentive Shares for each \$1.00 of December 2015 Note principal issued to such December 2015 Purchaser; (ii) a December 2015 Note with a principal amount of \$1.00 for each \$0.86956 for each \$1.00 paid by each purchaser for such purchaser’s December 2015 Note; and (iii) December 2015 Warrants to purchase up to a number of shares of Common Stock equal to 100% of such purchaser’s December 2015 Note principal amount divided by \$0.12 (“December 2015 Purchaser Conversion Price”), the conversion price in effect on the Initial Closing Date, as amended on May 30, 2017 to \$0.08, with a per share exercise price equal to \$0.15, as amended on November 16, 2017, subject to adjustment. The aggregate cash subscription amount received by the Company from the purchasers for the issuance of the December 2015 Incentive Shares, December 2015 Notes and December 2015 Warrants was approximately \$724,500 (the “December 2015 Subscription Amount”) which was issued at a \$138,000 original issue discount from the face value of the December 2015 Note.

The December 2015 Notes mature on December 31, 2018, as amended on November 16, 2017, and provide for interest to accrue at an interest rate equal to the lesser of 15% per annum or the maximum rate permitted under applicable law after the occurrence of any event of default as provided in the December 2015 Notes. At any time after the December 2015 Original Issue Date, the holders, at their option, may convert the outstanding principal balance and accrued interest into shares of the Company's Common Stock. The initial conversion price for the principal and interest in connection with voluntary conversions by a holder of a December 2015 Note was \$0.12 per share, as amended on May 30, 2017 to \$0.08, subject to adjustment as provided therein. Each December 2015 Note, for example, is subject to adjustment upon certain events such as stock splits and has full ratchet anti-dilution protections for issuance of securities by us at a price that is lower than the conversion price. Each December 2015 Note also contains certain negative covenants, including prohibitions on incurrence of indebtedness, liens, charter amendments, dividends, redemption. None of the holders of the December 2015 Note have the right to convert any portion of their December 2015 Note if it (together with its affiliates) would beneficially own in excess of 9.99% of the number of shares of Common Stock outstanding immediately after giving effect to the exercise. The December 2015 Notes include customary events of default, including, among other things, payment defaults, covenant breaches, certain representations and warranties, certain events of bankruptcy, liquidation and suspension of the Company's Common Stock from trading. If such an event of default occurs, the holders of the December 2015 Notes may be entitled to take various actions, which may include the acceleration of amounts due under the December 2015 Notes and accrual of interest as described above. The December 2015 Notes are collectively collateralized by substantially all of our assets and guarantees of payment of the December 2015 Notes have also been delivered by Joseph Segelman, the Chief Executive Officer and President of the Company, and Australian Sapphire Corporation ("ASC"), a shareholder of the Company which is wholly-owned by Joseph Segelman, guaranteed payment of all amounts owed under the December 2015 Notes, subject to the terms of such guaranty agreements.

In addition, until one year after the initial trading date of a Registration Statement which registers all then outstanding or issuable underlying shares, the December 2015 Purchasers shall have the right to participate in an amount of subsequent financing equal to 100% of the December 2015 Purchase Agreement. As of December 31, 2016, this requirement was waived pursuant to the terms of the Consent, Waiver and Modification Agreement with certain Purchasers of Purchase Agreement dated December 23, 2015.

The Purchase Agreement is being entered into in accordance with the halachically accepted exemptions on the paying of interest payments in business transactions known as "heter iska". The Company is still accounting for the interest in accordance with GAAP.

As a result of the failure to timely file our 2016 Form 10-K for the year ended December 31, 2016 and our Form 10-Q for the three month period ended March 31, 2017, the November 2016 and December 2015 Notes were in default. On May 30, 2017, the Company entered into a Second Consent, Waiver and Modification Agreement with certain purchasers of convertible promissory notes (the "Notes") pursuant to securities purchase agreements dated December 23, 2015 and November 10, 2016, which were amended pursuant to a Consent, Waiver and Modification Agreement dated October 13, 2016. The waivers contained in the Agreement were related to a waiver of the right to participate in additional offerings by the Company, allowing shares of the Company's common stock to be issued pursuant to a private offering at a price of not less than \$0.08 per share as well as warrants exercisable for a period of five years at \$0.15 per share, as amended on November 16, 2017, adjusting the conversion price of the Notes issued to the purchasers to \$0.08 per share, extending the maturity date of the December 23, 2015 convertible promissory notes to December 31, 2018, as amended on November 16, 2017, and waiving default provisions listed in the Notes related to the Company's failure to timely file its Form 10-K for the year ended December 31, 2016 and the Form 10-Q for the three month period ended March 31, 2017. Based on ASC 470-50-40, *Extinguishments of Debt*, the Company recognized \$691,371 as an extinguishment of debt under Other (income) expense in the accompanying consolidated Statements of Operations for the year ended December 31, 2017 (Successor). The extinguishment of debt is comprised of changes in the fair value of warrant and derivative liabilities due to the amendment of the notes that were measured immediately prior to and subsequent to the amendment that resulted in extinguishment loss of \$176,022 for the December 2015 Purchaser Warrants, \$75,648 for the November 2016 Purchaser Warrants, \$183,250 for the December 2015 Purchaser Conversion Shares, and \$41,842 for the November 2016 Purchaser Conversion Shares, as well as \$178,409 for the unamortized debt discount associated with the November 2016 Notes and \$36,200 for the unamortized debt discount associated with the December 2015 Notes.

December 2015 Optional Redemption

The December 2015 Notes provide that commencing six (6) months after the December 2015 Original Issue Date, the Company will have the option of prepaying the outstanding principal amount of the December 2015 Notes (an “December 2015 Optional Redemption”), in whole or in part, by paying to the holders a sum of money in cash equal to one hundred percent (100%) of the principal amount to be redeemed, together with accrued but unpaid interest thereon, if any, and any and all other sums due, accrued or payable to the holder arising under the December 2015 Note through the December 2015 Redemption Payment Date and 2.8986 shares of the Company’s Common Stock for each \$1.00 of December 2015 Note principal amount being redeemed. A Notice of Redemption, if given, may be given on the first Trading Day following twenty (20) consecutive Trading Days during which all of the “Equity Conditions”, as defined, have been in effect.

The Company evaluated the Optional Redemption in ASC 815, and concluded that the Optional Redemption meets the criteria in ASC 815, and therefore, is accounted for as a liability.

As of December 31, 2016, the Optional Redemption was recorded as a derivative liability on the consolidated Balance Sheet using “Monte Carlo Method” modeling and at each subsequent reporting date, the fair value of the Optional Redemption liability will be re-measured and changes in the fair value will be recorded in the consolidated Statements of Operations. The Optional Redemption liability fair value was originally valued at \$199,150 and was re-measured at fair value to be \$116,880 at December 31, 2017. During the year ended December 31, 2017 and the one month ended December 31, 2016, the Company recorded a loss of \$19,909 and a gain of \$33,100 on Optional Redemption valuation, respectively, in the change in fair value of derivative liabilities in the accompanying consolidated Statements of Operations.

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Expected dividend yield	0.00%	0.00%
Expected stock-price volatility	47.5%	50.0%
Risk-free interest rate	1.53%	0.62%
Expected term of options (years)	0.5	0.5
Stock price	\$ 0.12	\$ 0.11
Conversion price	\$ 0.08	\$ 0.12

December 2015 Purchaser Conversion

The December 2015 Purchaser has the right at any time after the December 2015 Original Issue Date until the outstanding balance of the December 2015 Note has been paid in full, to convert all or any part of the outstanding balance into shares (“December 2015 Purchaser Conversion Shares”) of the Company’s common stock, of the portion of the outstanding balance being converted (the “December 2015 Conversion Amount”) divided by the December 2015 Purchaser Conversion Price of \$0.08, as amended on May 30, 2017, subject to potential future adjustments described below. If the total outstanding balance of the Note were convertible as of December 31, 2017, the December 2015 Note would have been convertible into 10,781,250 shares of our common stock.

The Company evaluated the note under the requirements of ASC 480 “Distinguishing Liabilities From Equity” and concluded that the December 2015 Note does not fall within the scope of ASC 480. The Company next evaluated the December 2015 Note under the requirements of ASC 815 “Derivatives and Hedging”. Due to the existence of the anti-dilution provision which reduces the December 2015 Purchaser Conversion Price in the event of subsequent dilutive issuances by the Company below the December 2015 Purchaser Conversion Price as described above, the December 2015 Purchaser Conversion feature does not meet the definition of “indexed to” the Company’s stock, and the scope exception to ASC 815’s derivative accounting provisions does not apply. The Company also evaluated the embedded derivative criteria in ASC 815, and concluded that the December 2015 Purchaser Conversion feature meets all of the embedded derivative criteria in ASC 815, and therefore, the December 2015 Purchaser Conversion feature meets the definition of an embedded derivative that should be separated from the note and accounted for as a derivative liability.

The embedded derivative was recorded as a derivative liability on the consolidated Balance Sheet using “Monte Carlo Method” modeling and at each subsequent reporting date, the fair value of the embedded derivative liability will be remeasured and changes in the fair value will be recorded in the consolidated Statements of Operations. The original fair value of the derivative was \$88,983 and at December 31, 2017, the embedded derivative was re-measured at fair value that was determined to be \$188,999. During the year ended December 31, 2017 and the one month ended December 31, 2016, the Company recorded a gain of \$30,320 and a gain of \$27,210 on embedded derivative re-valuation, respectively.

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Expected dividend yield	0.00%	0.00%
Expected stock-price volatility	47.5%	50.0%
Risk-free interest rate	1.53%	0.62%
Expected term of options (years)	0.5	0.5
Stock price	\$ 0.12	\$ 0.11
Conversion price	\$ 0.08	\$ 0.12

December 2015 Purchaser Warrants

The December 2015 Purchaser Warrants allow the December 2015 Purchaser to purchase up to a number of shares of Common Stock equal to 100% of such purchaser’s Note principal amount divided by \$0.08, as amended on May 30, 2017, with a per share exercise price equal to \$0.15, as amended on November 16, 2017, subject to adjustment.

The term of the December 2015 Purchaser Warrants is at any time on or after the six (6) month anniversary of the December 2015 Original Issue Date and on or prior to the five (5) year anniversary of the December 2015 Initial Trading Date of the Company’s common stock on a Trading Market.

The exercise price of the December 2015 Purchaser Warrants is \$0.15, as amended on November 16, 2017, per share of the Company’s common stock, as may be adjusted from time to time pursuant to the antidilution provisions of the December 2015 Purchaser Warrants.

The December 2015 Purchaser Warrants are exercisable by the Purchaser in whole or in part, as either a cash exercise or as a “cashless” exercise.

The Company evaluated the Warrants under ASC 480 “Distinguishing Liabilities From Equity” and ASC 815 “Derivatives and Hedging”. Due to the existence of the antidilution provision, which reduces the Exercise Price and Conversion Price in the event of subsequent Dilutive Issuances, the December 2015 Purchaser Warrants are not indexed to the Company’s common stock, and the Company determined that the December 2015 Purchaser Warrants meet the definition of a derivative under ASC 815.

At each subsequent reporting date, the fair value of the Purchaser Warrants will be remeasured and changes in the fair value will be reported in the consolidated Statements of Operations. The original fair value of the warrants were \$439,107. On November 16, 2017, the December 2015 Purchaser Warrants were modified in accordance with ASC 470-50-40 and ASC 815 which eliminated the antidilution provision of the exercise price, fixed the exercise price at \$0.15 per share, and fixed the number of shares the warrants can be exercised into; thereby eliminating the requirement for derivative accounting and liability classification. As a result, immediately prior to the modification, the Company recognized a loss of \$181,896 to change in fair value of warrant liabilities under Other (income) expense in the accompanying consolidated Statements of Operations comprised of:

	<u>Change in Fair Value of Warrant Liability</u>
November 2017 Note	\$ (19,938)
November 2016 Note	74,514
December 2015 Note	127,320
Total	<u>\$ 181,896</u>

Subsequent to the modification, the Company recognized a loss of \$238,935 to modification of warrant and derivatives in the accompanying consolidated Statements of Operations comprised of:

	<u>Modification of</u>		
	<u>Warrant Liability</u>	<u>Derivative Liability</u>	<u>Total</u>
November 2017 Note	\$ 13,819	\$ (5,000)	\$ 8,819
November 2016 Note	28,993	15,301	44,294
December 2015 Note	182,173	3,649	185,822
Total	<u>\$ 224,985</u>	<u>\$ 13,950</u>	<u>\$ 238,935</u>

In addition, the warrant re-valuation was reclassified to additional paid-in-capital resulting in a warrant liability of \$0 as of November 16, 2017. The reclassification to additional paid-in-capital is comprised of:

	<u>Reclassification of Warrant liability to Equity</u>
November 2017 Note	\$ 284,493
November 2016 Note	284,493
December 2015 Note	853,473
Total	<u>\$ 1,422,459</u>

The fair value of the December 2015 Purchaser Warrants is measured in accordance with ASC 820 “Fair Value Measurement”, using “Monte Carlo simulation” modeling, incorporating the following inputs:

	December 31, 2017	December 31, 2016
Expected dividend yield	0.00%	0.00%
Expected stock-price volatility	47.5%	50.0%
Risk-free interest rate	2.20%	1.70%
Expected term of options (years)	0.5	0.5
Stock price	\$ 0.12	\$ 0.11
Exercise price	\$ 0.15	\$ 0.30

December 2015 Purchaser Common Stock

The December 2015 Purchasers were issued a total of 2,500,000 shares of the Company’s common stock, valued at \$625,000 (based on the estimated fair value of the stock on the date of grant).

Debt Discount

The Company issued the December 2015 Notes with warrants that require liability treatment under ASC 815. As such, the proceeds of the notes were allocated, based on fair values, as follows: original issue discount of \$138,000, \$625,000 to the common shares issued, \$439,107 to the warrants granted, and \$88,983 to the embedded derivative, resulting in a debt discount to such notes of \$862,500 with the remaining amount of approximately \$429,000 expensed at inception of the note. The debt discount is accreted to interest expense over the term of the note.

The Company recorded debt discount accretion of \$237,660 and \$48,791 to interest expense in the consolidated Statements of Operations during the year ended December 31, 2017 and the one month ended December 31, 2016, respectively, and has no unamortized debt discount remaining as of December 31, 2017.

Changes in the derivative and warrant liabilities were as follows:

Derivative liabilities:		
December 31, 2016	\$	153,663
November 2017 convertible note payable		165,000
Decrease in fair value		(121,871)
Change due to extinguishment of debt		225,082
Change due to modification of debt		13,950
Valuation of November 2016 Optional Redemption shares		35,015
December 31, 2017	\$	<u>470,839</u>
Warrant liabilities:		
December 31, 2016	\$	473,296
November 2017 convertible note payable		290,612
Reclassifications of warrants to equity		(1,422,459)
Increase in fair value		181,896
Change due to extinguishment of debt		251,670
Change due to modification of debt		224,985
December 31, 2017	\$	<u>—</u>

NOTE 10 – SHORT TERM NOTES PAYABLE

On June 30, 2017, the Company entered into a Loan Agreement, a Secured Promissory Note (“Note”) and a personal guarantee with respect to the funding by certain institutional investors Alpha Capital Anstalt and Brio Capital Master Fund Ltd. of up to \$1,125,000 in debt. The Company, until December 31, 2018, has the ability to request quarterly advances of up to the lesser of (i) \$250,000 or (ii) one sixth (1/6) of the revenue reported in the Form 10-Q or 10-K for the previous calendar quarter or previous fiscal year, whichever is most recent, provided that such revenue generated a profit of at least 10 percent (10%). The investors may advance the funds in their absolute discretion. In June 2017, the Company was advanced \$125,005. The Note shall become due and payable 18 months from each advance date. The Company must make payments to the investors in an amount of \$350, including interest at 10% per annum, every business day from the date of the first advance, which shall be increased proportionately upon each advance. The Note is secured with the assets of the Company pursuant to a security agreement dated December 23, 2015. In addition, the Company’s CEO has personally guaranteed the Note. As additional consideration for the loan, the investors received 1,500,000 shares of restricted common stock, in aggregate, valued at \$105,000 (based on our stock price on the date of grant) along with \$2,500 in cash for reimbursement of expenses incurred and recorded as debt issuance costs with a balance at June 30, 2017 of \$107,500. The note payable balance net of debt discount of \$70,000 at December 31, 2017 was \$18,880 with an availability of \$1,000,000 on the Note.

In January 2018, the Company was advanced an additional \$60,010 under the Note with no additional shares issued. In March 2018, the Company was advanced an additional \$60,000 under the Note with 600,000 additional shares to be issued.

The Agreement and Note are being entered into in accordance with the halachically accepted exemptions on the paying of interest payments in business transactions known as “heter iska”. The Company is still accounting for the interest in accordance with GAAP.

The Company borrows funds from third parties from time to time for working capital purposes with an upfront fee of approximately \$400, paying no interest, and with no length of repayment. For the year ended December 31, 2017, the Company had borrowings of \$24,500 and repayments of \$24,329 for a balance due of \$171 at December 31, 2017. Repayments are based on 30% of amounts processed through PayPal until the balance is paid.

NOTE 11 – STOCK TRANSACTIONS

Preferred Stock

On March 17, 2017, the Company held an annual meeting of its shareholders. At the annual meeting, the majority shareholders of the Company approved an amendment to the articles of incorporation, authorizing one share of Series A Preferred stock, which would be issued to Joseph Segelman. The share of Series A Preferred stock shall vote together as a single class with the holders of the Company’s common stock, and the holders of any other class or series of shares entitled to vote with the common stock, with the holder of the Series A Preferred stock being entitled to fifty-one percent (51%) of the total votes on all such matters regardless of the actual number of shares of Series A Preferred stock then outstanding, and the holders of the common stock and any other shares entitled to vote shall be entitled to their proportional share of the remaining forty-nine percent (49%) of the total votes based on their respective voting power. The share of Series A Preferred stock shall not be entitled to receive any distributions in the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary. The share of Series A Preferred stock shall not be eligible to receive dividends. The class of Series A Preferred stock shall be automatically cancelled ten (10) years after the initial issue date of such Series A Preferred stock.

On May 19, 2017, the Company received the file stamped certificate of amendment from the state of Delaware, which lists an effective date of March 20, 2017. On May 23, 2017, the Company issued the share of Series A Preferred stock to Joseph Segelman, valued at \$270,000 (based on the estimated fair value of the stock and control premium on the date of grant), which will allow Mr. Segelman to maintain fifty-one percent (51%) voting control of the Company regardless of how many shares of common stock are issued and outstanding. Therefore, the Company considers the Series A Preferred stock to be issued on May 23, 2017.

Common Stock

On June 30, 2017, the Company entered into an Agreement and Note by certain institutional investors Alpha Capital Anstalt and Brio Capital Master Fund Ltd. of up to \$1,125,000 in debt. As additional consideration for the loan, the investors received 1,500,000 shares of restricted common stock, in aggregate, valued at \$105,000 (based on our stock price on the date of grant) (see Note 9).

During the year ended December 31, 2017, the Company issued 6,861,768 restricted common shares for services rendered of \$755,884 (based on our stock price on the measurement date).

During the year ended December 31, 2017, the Company issued a total of 175,200 restricted common shares to its employees, valued at \$16,920 (based on our stock price on the date of grant) as compensation pursuant to the Company's 2015 Equity Incentive Plan.

During the year ended December 31, 2017, the Company issued 200,000 restricted common shares to an Advisor, valued at \$20,000 (based on the estimated fair value of the stock on the measurement date) for outside advisory and consulting services pursuant to the Company's 2015 Equity Incentive Plan (see Note 11).

On July 14, 2017, the Company entered into a contract with a third party for consulting services. The consulting agreement provides for the consultant to receive 487,500 shares for entering into the agreement that were valued at \$34,125 (based on our stock price on the date of grant) and 162,500 restricted common shares each month beginning month four through month twelve. During the year ended December 31, 2017, the consultant vested in 406,250 shares, valued at \$79,625 (based on our stock price on the date of each grant). As of December 31, 2017, the Company had not issued the shares and has recorded a common stock payable of \$79,625. The contract was terminated at December 31, 2017.

On January 22, 2017, the Company issued 150,000 restricted common shares for payment of accounts payable of \$14,985.

On December 1, 2016, we acquired substantially all of the operating assets of CCI. As part of the purchase price of the operating assets of CCI, we issued 7,000,000 shares of common stock (of which 1,000,000 shares were issued to ASK Gold, a major supplier) valued at \$770,000 (based on our stock price on the date of issuance).

As of December 31, 2016, the Company issued a total of 400,000 restricted common shares to its Advisors, valued at \$100,000 (based on the estimated fair value of the stock on the date of grant) for outside advisory and consulting services pursuant to the Company's 2015 Equity Incentive Plan (see Note 11).

As of December 31, 2016, the Company previously issued common shares pursuant to the terms of the Consent, Waiver and Modification Agreement (the "Agreement") with certain Purchasers of Purchase Agreement dated December 23, 2015. The waivers contained in the Agreement were related to an increase in the shares issuable under the Company's 2015 Stock Option Plan, a waiver of the right to participate in additional offerings by the Company, and allowing up to 20,000,000 shares of the Company's common stock to be issued pursuant to a private or public offering at a price of not less than \$0.30 per share. As consideration for the terms contained in the Agreement, as well as for a fee of \$0.0001 per share, the Company issued an aggregate of 1,000,000 shares to the Purchasers. The aggregate fair market value of these shares was approximately \$200,000 as the fair market value of the stock was \$0.20 per share. We used recent sales of stock to determine the fair market value of these transactions.

NOTE 12 – STOCK BASED COMPENSATION

2015 Equity Incentive Plan

As of December 31, 2017, the board of directors and shareholders of the Company previously authorized the adoption and implementation of the Company's 2015 Equity Incentive Plan (the "2015 Plan"). The principal purpose of the 2015 Plan is to attract, retain and motivate employees, officers, directors, consultants, agents, advisors and independent contractors of the Company and its related companies by providing them the opportunity to acquire a proprietary interest in the Company and to link their interests and efforts to the long-term interests of the Company's shareholders. Under the 2015 Plan, an aggregate of 20,000,000 shares of the Company's common stock have initially been reserved for issuance pursuant to a variety of stock-based compensation awards, including stock options, stock appreciation rights, stock awards, restricted stock, restricted stock units and other stock and cash-based awards. The exercise price for each option may not be less than fair market value of the common stock on the date of grant, and shall vest as determined by the Company's board of directors but shall not exceed a ten-year period.

As of December 31, 2017, the Company issued a total of 600,000 restricted common shares to members of its advisory committee (“Advisors”), valued at \$120,000 (based on the estimated fair value of the stock on the date of grant) for outside advisory and consulting services pursuant to the Company’s 2015 Equity Incentive Plan. One-twelfth (1/12) of the shares will be earned each month. The Company will revalue the shares at each vesting period and recognize expense for the portion of the shares earned. The Company recognized compensation expense of \$41,667 and \$6,250 under general and administrative expenses in the accompanying consolidated Statements of Operations for the year ended December 31, 2017 (Successor) and the one month ended December 31, 2016 (Successor), respectively, with \$13,750 remaining to be amortized. As of December 31, 2017, the Advisors had vested in 508,333 shares with 91,667 shares remaining to be issued.

As of December 31, 2017, the Company previously granted to its CEO, options to purchase 10,000,000 shares of our common stock under the 2015 Plan, valued at \$2,500,000 (based on the Black Scholes valuation model on the date of grant). The Black-Scholes option-pricing model used the following weighted average assumptions as of December 31, 2016: (i) no dividend yield for each year, (ii) volatility of 35.6 percent, (iii) risk-free interest rate of 1.87 percent, (iv) stock price of \$0.25, (v) exercise price of \$0.005, and (vi) expected life of 6.0 years. The options will vest 50% on the first anniversary of the grant date (“First Year Vest”) and the remaining 50% of the shares shall vest in twelve (12) equal installments on the first day of each calendar month following the first anniversary of the Grant Date beginning on June 1, 2016 and ending on June 1, 2017 (“Second Year Vest”), provided that CEO is continuously employed by the Company from the grant date through such applicable vesting date. Notwithstanding the foregoing, 100% of the shares of the Company’s common stock subject to the Option shall fully vest if the Company shall successfully sell all of the shares of its common stock included in the primary offering of such common stock by the Company pursuant to the registration statement on Form S-1 to be filed with the Securities and Exchange Commission within ninety (90) days of the Grant Date. The First Year Vest options will amortize to expense over a 12 month period beginning May 2015 through April 2016 and the Second Year Vest options will amortize to expense over a 24 month period beginning May 2015 through April 2017. The Company recognized expense of \$45,391 and \$24,302 for the year ended December 31, 2017 (Successor) and the one month ended December 31, 2016 (Successor), respectively, within stock based compensation – related party in the accompanying consolidated Statement of Operations with no amounts remaining to be recognized.

The following represents a summary of the Options outstanding at December 31, 2017 and changes during the period then ended:

	Options	Weighted Average Exercise Price	Aggregate Intrinsic Value *
Outstanding at December 1, 2016	10,000,000	\$ 0.005	\$ 1,100,000
Granted	—	—	—
Exercised	—	—	—
Expired/Forfeited	—	—	—
Outstanding at December 31, 2016	10,000,000	\$ 0.005	\$ 1,100,000
Granted	—	—	—
Exercised	—	—	—
Expired/Forfeited	—	—	—
Outstanding at December 31, 2017	10,000,000	\$ 0.005	\$ 1,200,000
Exercisable at December 31, 2017	10,000,000	\$ —	\$ —
Expected to be vested	10,000,000	\$ 0.005	\$ —

* Based on the Company’s stock price on December 1, 2016, December 31, 2017 and 2016, respectively

NOTE 13 – RELATED PARTY TRANSACTIONS

Other than as set forth below, and as disclosed in Notes 8, 10, 11, 12, and 16, there have not been any transaction entered into or been a participant in which a related person had or will have a direct or indirect material interest.

Sublease

The Company's customer service and distribution facility is subleased at \$7,834 per month through CCI for a period of eighteen months. On March 1, 2017, the Company gave ninety day written notice to terminate the sublease with no costs to terminate the lease. Beginning June 1, 2017, the Company leases its customer service and distribution facility on a month-to-month basis for \$4,000 per month from a third party.

Employment Agreements (Successor)

The Company previously had a consulting agreement with its CEO under which he was compensated \$120,000 per annum. Beginning June 20, 2013, this contract was to continue unless and until terminated at any time by either the Company or CEO giving two month notice in writing. Such consulting agreement was terminated by mutual agreement as of May 1, 2015 and superseded by the employment agreement effective May 1, 2015. The initial term of employment agreement expires on December 31, 2018, unless earlier terminated by either party. The agreement provides for automatic one-year renewals, unless either party gives notice of their intention not to extend at least 90 days prior to the expiration of any term. Under this employment agreement, the CEO receives a minimum annual base salary of \$180,000, is eligible to receive an annual performance bonus each year, if performance goals established by the Company's board of directors are met, and is entitled to participate in customary benefit plans. There have been no performance goals established. If the Company terminates the CEO's employment without cause, he will be entitled to the following: (i) payment of (x) accrued compensation and unpaid base salary through the date of such termination, (y) any amounts previously deferred by CEO and (z) the payment or reimbursement for expenses incurred prior to the date of such termination; (ii) an amount equal to 200% of the base salary and (iii) continued participation, at the Company's expense, in the Company's health and welfare programs for a period of two years after the date of termination. The Company incurred compensation expense of \$180,000 and \$180,000 for the years ended December 31, 2017 and 2016, respectively. Deferred compensation totaling \$709,000 as of December 31, 2017, is included in Accrued Compensation in the accompanying consolidated Balance Sheet. Deferred compensation includes \$495,000 related to the employment agreement and \$214,000 related to the consulting agreement. In addition, we incurred employee benefits on behalf of the CEO totaling approximately \$16,738 and \$1,867 for the year ended December 31, 2017 (Successor) and the one month ended December 31, 2016 (Successor), respectively. Employee benefits include health and dental coverage, use of a car, car insurance, and a gym membership.

The Company previously had a consulting agreement with its secretary and director ("Secretary") under which she was compensated \$60,000 per annum. Beginning June 20, 2013, this contract was to continue unless and until terminated at any time by either the Company or Secretary giving two month notice in writing. Such consulting agreement was terminated by mutual agreement as of May 1, 2015 and superseded by the employment agreement effective May 1, 2015. The initial term of employment agreement expires on December 31, 2018, unless earlier terminated by either party. The agreement provides for automatic one-year renewals, unless either party gives notice of their intention not to extend at least 90 days prior to the expiration of any term. Under this employment agreement, the Secretary receives a minimum annual base salary of \$80,000. If the Company terminates the Secretary's employment without cause, she will be entitled to the following: (i) payment of (x) accrued compensation and unpaid base salary through the date of such termination, (y) any amounts previously deferred by Secretary and (z) the payment or reimbursement for expenses incurred prior to the date of such termination; (ii) an amount equal to 50% of the base salary and (iii) continued participation, at the Company's expense, in the Company's health and welfare programs for a period of two years after the date of termination. The Company incurred compensation expense of \$80,000 and \$80,000 for the years ended December 31, 2017 and 2016, respectively. Deferred compensation totaling \$327,000 as of December 31, 2017, is included in Accrued Compensation in the accompanying consolidated Balance Sheet. Deferred compensation includes \$213,333 related to the employment agreement and \$113,667 related to the consulting agreement. In addition, we incurred employee benefits on behalf of the Secretary totaling approximately \$7,179 and \$598 for the year ended December 31, 2017 (Successor) and the one month ended December 31, 2016 (Successor), respectively. Employee benefits include use of a car and car insurance.

Consulting Agreement

On December 1, 2016, the Company entered into a consulting agreement with Owen deVries, CCI's CEO and director. The agreement calls for Mr. deVries to develop strategic partnerships and international business on the Company's behalf for initial monthly payments of \$11,000. The agreement was amended in April 2017 to reduce the monthly payment to \$4,000. The agreement was terminated in December 2017 giving 90 day written notice.

Loan and Advances

During 2017, the Company received no advances from our CEO/director and incurred business expenses of \$1,234,249 (comprised of operating expenses of \$1,218,085, inventory purchases totaling \$5,650, website development costs of \$9,573, and purchased equipment of \$940) and had repayments of \$941,443. We have a balance owed to the related party of \$721,434 and \$440,747 at December 31, 2017 and 2016, respectively. During 2017, the Company incurred \$180,000 of deferred compensation related to the CEO/director's employment agreement and \$80,000 of deferred compensation related to the Secretary's employment agreement. As of December 31, 2017 and 2016, accrued compensation – related party was \$1,036,000 and \$776,000 respectively.

NOTE 14 – INCOME TAXES

At December 31, 2017, net operating loss carry forwards for Federal and state income tax purposes totaling approximately \$5,525,000 available to reduce future income which, if not utilized, will begin to expire in the year 2032. There is no income tax affect due to the recognition of a full valuation allowance on the expected tax benefits of future loss carry forwards based on uncertainty surrounding realization of such assets.

A reconciliation of the statutory income tax rates and the effective tax rate is as follows:

	For the Year Ended December 31, 2017 Successor	For the One Month Ended December 31, 2016 Successor	For the Eleven Months Ended November 30, 2016 Predecessor
Statutory U.S. federal rate	21.0%	34.0%	34.0%
State income tax, net of federal benefit	7.0%	5.9%	5.9%
Permanent differences	(1.8)%	(12.5)%	(3.7)%
Valuation allowance	(26.2)%	(27.4)%	(36.2)%
Provision for income taxes	0.0%	0.0%	0.0%

The tax effects of the temporary differences and carry forwards that give rise to deferred tax assets consist of the following:

	December 31, 2017 Successor	December 31, 2016 Predecessor	December 31, 2015 Predecessor
Deferred tax assets:			
Net operating loss carry forwards	\$ 1,548,763	\$ 913,278	\$ 925,907
Stock based compensation	1,117,072	—	—
Valuation allowance	(2,665,835)	(913,278)	(925,907)
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Major tax jurisdictions are the United States and California. All of the tax years will remain open three and four years for examination by the Federal and state tax authorities, respectively, from the date of utilization of the net operating loss. There are no tax audits pending.

NOTE 15 – EARNINGS PER SHARE

FASB ASC Topic 260, *Earnings Per Share*, requires a reconciliation of the numerator and denominator of the basic and diluted earnings (loss) per share (EPS) computations.

Basic earnings (loss) per share are computed by dividing net earnings available to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted earnings (loss) per share is computed similar to basic earnings per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. In periods where losses are reported, the weighted-average number of common stock outstanding excludes common stock equivalents, because their inclusion would be anti-dilutive.

Basic and diluted earnings (loss) per share are the same since net losses for all periods presented and including the additional potential common shares would have an anti-dilutive effect.

The following table sets forth the computation of basic and diluted net income per share:

	For the Year Ended December 31, 2017 Successor	For the One Month Ended December 31, 2016 Successor	For the Eleven Months Ended November 30, 2016 Predecessor
Net loss attributable to the common stockholders	<u>\$ (4,251,264)</u>	<u>\$ (199,142)</u>	<u>\$ (632,388)</u>
Basic weighted average outstanding shares of common stock	47,093,401	43,163,881	10,032,000
Dilutive effect of options and warrants	—	—	—
Diluted weighted average common stock and common stock equivalents	<u>47,093,401</u>	<u>43,163,881</u>	<u>10,032,000</u>
Loss per share:			
Basic and diluted	<u>\$ (0.09)</u>	<u>\$ (0.00)</u>	<u>\$ (0.06)</u>

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Contingent Payments

On December 1, 2016, we acquired substantially all of the operating assets of CCI. As part of the purchase price of the operating assets of CCI, there is a cash payment of \$500,000 contingent upon a future offering and earn out payments for all sales of CCI and RGNP products sold via CCI sales channels for the 2017, 2018, 2019 and 2020 calendar years. The estimated fair value of the contingent payments totaled \$424,511 and was recognized as a liability in the accompanying consolidated balance sheets as of December 31, 2016 (Successor). During the year ended December 31, 2017 (Successor), ASK Gold and CCI each earned \$41,534 of earn out payments for a total of \$83,068. In addition, the Company paid \$95,020 in reimbursement expenses (“Reimbursement Expenses”) that were the responsibility of CCI and will be applied against current and future earn out payments to CCI. The Company applied \$41,534 of earn out payments owed to CCI against the Reimbursement Expenses for a net balance of \$53,486 owed by CCI to the Company as of December 31, 2017 that is recorded in estimated fair value of contingent payments, net in the accompanying consolidated balance sheets. As of December 31, 2017 (Successor), estimated fair value of contingent payments, net was \$287,957.

Consulting Agreement

On October 10, 2017, the Company entered into a marketing agreement with a third party. The agreement expires October 9, 2018 (“Initial Term”), has a base compensation of \$100,000, payable \$12,500 quarterly, and provides for royalties at ten percent (10%) of the Net Revenues from the ION collection, as defined. If during the Initial Term, the Company’s net revenue from the sales of the ION collection exceed the \$100,000 base compensation, then the agreement shall automatically be extended for two years. In conjunction with the agreement, the Company issued 1,000,000 restricted common shares to the consultant, valued at \$180,000 (based on our stock price on the date of grant), and recorded as marketing expenses in Operating expenses in the Consolidated Statements of Operations. In addition, 500,000 restricted common shares shall be issued at the end of the Initial Term, and should the agreement be extended, the Company shall an additional 1,350,000 restricted common shares. In addition, the Company agreed to donate five percent (5%) of the Net Revenues from the ION collection to mutually agreeable disaster relief funds.

Operating Leases

The Company has month-to-month leases for its headquarters and its sales and marketing office. The total rent is approximately \$3,200 per month.

The Company’s customer service and distribution facility is located at 1933 S. Broadway, Los Angeles, California. This facility is subleased at \$7,834 per month through CCI for a period of eighteen months. On March 1, 2017, the Company gave ninety day written notice to terminate the sublease with no costs to terminate the lease. Beginning June 1, 2017, the Company leases its customer service and distribution facility on a month-to-month basis for \$4,000 per month from a third party.

Rent expense was approximately \$99,679 and \$95,603 for the year ended December 31, 2017 (Successor), and for the one month ended December 31, 2016 (Successor) plus the eleven months ended November 30, 2016 (Predecessor), respectively.

Legal

From time to time, various lawsuits and legal proceedings may arise in the ordinary course of business. However, litigation is subject to inherent uncertainties and an adverse result in these or other matters may arise from time to time that may harm our business. We are currently not aware of any legal proceedings or claims that it believes will have a material adverse effect on its business, financial condition or operating results.

Guarantees

The Company’s Convertible Notes payable are collateralized by substantially all of the Company’s assets and are personally guaranteed by the Company’s CEO and Australian Sapphire Corporation, a shareholder of the Company which is wholly-owned by the Company’s CEO.

NOTE 17 – SUBSEQUENT EVENTS (SUCCESSOR)

Securities Purchase Agreement

In January and February 2018, the Company entered into Securities Purchase Agreements (the “Purchase Agreement”) with respect to the sale and issuance to Crossover Capital Fund II, LLC (“Crossover”) totaling (i) 833,332 shares of the Company’s Common Stock (the “Commitment Shares”); (ii) 3,000,000 redeemable shares (the “Redeemable Shares”), (iii) \$294,000 aggregate principal amount of a convertible promissory note (the “Convertible Note”) and (iv) Common Stock Purchase Warrants to purchase up to an aggregate of 1,960,000 shares of the Company’s common stock (the “Warrants”) for aggregate consideration of \$255,000 cash.

The January and February 2018 Convertible Notes mature on October 3, 2018 and November 16, 2018, respectively, and provide for interest to accrue at an interest rate equal to 18% per annum or the maximum rate permitted under applicable law after the occurrence of any event of default as provided in the Note. At any time after 180 days from the Issue Date, the holder, at its option, may convert the outstanding principal balance and accrued interest into shares of common stock of the Company. The initial conversion price for the principal and interest in connection with voluntary conversions by a holder of a Note is \$0.08 per share, subject to adjustment as provided therein. There is also a one-time interest charge of 10% due at maturity.

If the Note is prepaid on or prior to the maturity date, all of the Redeemable Shares shall be returned to the treasury shares of the Company, without any payment by the Company for the Redeemable Shares. Further, if the Company prepays a portion of the Note, but not the entire Note, on or before the maturity date, a pro rata portion of the Redeemable Shares shall be returned to the Company’s treasury in proportion to the prepayment amount as it relates to the entire Note balance.

The exercise price for the Warrants is \$0.15, subject to adjustment, are exercisable for five years after the date of the Warrant and are exercisable in whole or in part, as either a cash exercise or as a “cashless” exercise.

In January 2018, the Company was advanced an additional \$60,010 under the Note with no additional shares issued. In March 2018, the Company was advanced an additional \$60,000 under the Note with 600,000 additional shares to be issued.

There were no other events subsequent to December 31, 2017, and up to the date of this filing that would require disclosure.

EXHIBIT 31.1
SECTION 302 CERTIFICATION

I, Joseph Segelman, certify that:

1. I have reviewed this annual report on Form 10-K of Reign Sapphire Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 2, 2018

/s/ Joseph Segelman

Joseph Segelman

Chief Executive Officer and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Reign Sapphire Corporation (the "Company") on Form 10-K for the year ended December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph Segelman, Chief Executive Officer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the dates and periods covered by the Report.

This certificate is being made for the exclusive purpose of compliance by the Chief Executive Officer and Chief Financial Officer of the Company with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002, and may not be disclosed, distributed or used by any person or for any reason other than as specifically required by law.

/s/ Joseph Segelman

Joseph Segelman

Chief Executive Officer and Chief Financial Officer

April 2, 2018
