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

FORM 10-Q

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

For the Quarter Ended June 30, 2017

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

For the transition period from _____________ to _____________

Commission File Number 333-204486

REIGN CORPORATION
(formerly known as Reign Sapphire Corporation)

(Exact name of registrant as specified in its charter)

Delaware	**47-2573116**
(State or other jurisdiction of incorporation)	(IRS Employer File Number)
9465 Wilshire Boulevard, Beverly Hills, California	**90212**
(Address of principal executive offices)	(zip code)

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

(Former name or former address, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 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. (Check one):

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer (Do not check if a smaller reporting company)	☐	Smaller reporting company	☑
		Emerging Growth Company	☐

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 August 14, 2017, we had 46,819,554 shares of common stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Financial Statements

REIGN CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2017 Successor (Unaudited)	December 31, 2016 Successor (Audited)
ASSETS		
Current assets:		
Cash	$ 32,155	$ 149,607
Accounts receivable	63,002	—
Inventory	721,739	723,602
Prepaid expenses	—	1,667
Total current assets	816,896	874,876
Equipment, net	32,169	38,050
Intangible assets, net	896,148	947,259
Goodwill	481,947	481,947
Total assets	**$ 2,227,160**	**$ 2,342,132**
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 201,572	$ 31,940
Due to related party	537,705	440,747
Accrued compensation - related party	906,000	776,000
Deferred revenue	49,612	78,820
Convertible notes payable, less unamortized debt discount of $0 and $273,859 at June 30, 2017 and December 31, 2016, respectively	1,150,002	588,641
Derivative liabilities	131,240	153,663
Estimated fair value of contingent payments, net	309,879	424,511
Warrant liabilities	585,354	473,296
Other current liabilities	49,560	35,571
Total current liabilities	3,920,924	3,003,189
Long-term liabilities:		
Note payable, less unamortized debt issuance costs of $107,500 at June 30, 2017	17,505	—
Convertible notes, less unamortized debt discount of $256,722 at December 31, 2016	—	30,780
Total long-term liabilities	17,505	30,780
Total liabilities	**3,938,429**	**3,033,969**
Commitments and contingencies		
Shareholders' deficit		
Preferred stock, $0.0001 par value, 10,000,000 shares authorized, 1 and no shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	—	—
Common stock, $0.0001 par value, 150,000,000 shares authorized; 46,022,887 and 43,414,687 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	4,602	4,342
Additional paid-in-capital	5,992,178	5,433,552
Accumulated deficit	(7,708,049)	(6,129,731)
Total shareholders' deficit	(1,711,269)	(691,837)
Total liabilities and shareholders' deficit	**$ 2,227,160**	**$ 2,342,132**

See accompanying notes to condensed consolidated financial statements

REIGN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Six Months Ended June 30, 2017 Successor	For the Six Months Ended June 30, 2016 Predecessor	For the Three Months Ended June 30, 2017 Successor	For the Three Months Ended June 30, 2016 Predecessor
Net revenues	$ 704,522	$ 1,095,166	$ 432,534	$ 521,505
Cost of sales	274,204	496,606	185,270	219,951
Gross profit	430,318	598,560	247,264	301,554
Operating expenses:				
Advertising and marketing expenses	223,295	208,564	141,153	85,273
Stock based compensation - related party	407,651	—	361,660	—
General and administrative	755,807	631,327	359,778	229,269
Total operating expenses	1,386,753	839,891	862,591	314,542
Loss from operations	(956,435)	(241,331)	(615,327)	(12,988)
Other (income) expense:				
Change in fair value of warrant liabilities	(139,612)	—	(185,374)	—
Change in fair value of derivative liabilities	(247,515)	—	(282,317)	—
Extinguishment of debt	691,371	—	691,371	—
Other income	—	(2,375)	—	(3,500)
Interest expense	317,639	82,852	128,478	49,582
Total other expense	621,883	80,477	352,158	46,082
Loss before income taxes	(1,578,318)	(321,808)	(967,485)	(59,070)
Income taxes	—	—	—	—
Net loss	$ (1,578,318)	$ (321,808)	$ (967,485)	$ (59,070)
Net loss per share, basic and diluted	$ (0.04)	$ (0.03)	$ (0.02)	$ (0.01)
Weighted average number of shares outstanding				
Basic and diluted	44,020,039	10,032,000	44,331,733	10,032,000

See accompanying notes to condensed consolidated financial statements

REIGN CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Six Months Ended June 30, 2017 Successor	For the Six Months Ended June 30, 2016 Predecessor
Cash flows from operating activities:		
Net loss	$ (1,578,318)	$ (321,808)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Stock based compensation issued to employees	5,160	—
Stock based compensation - related party	45,391	—
Preferred share issued to CEO - related party	270,000	—
Depreciation expense	6,821	4,157
Amortization expense	106,986	30,964
Accretion of debt discount	315,972	32,730
Change in derivative liabilities	(247,515)	—
Change in warrant liabilities	(139,612)	—
Loss on extinguishment of debt	691,371	—
Estimated fair market value of stock issued for services	118,350	—
Changes in operating assets and liabilities:		
Accounts receivable	(63,002)	859
Inventory	1,863	1,173
Prepaid expenses	1,667	13,535
Accounts payable	184,617	298,036
Due to related party	96,958	—
Accrued compensation - related party	130,000	—
Deferred revenue	(29,208)	(92,284)
Estimated fair value of contingent payments, net	(114,632)	—
Other current liabilities	13,989	(13,424)
Net cash used in operating activities	**(183,142)**	**(46,062)**
Cash flows from investing activities:		
Acquisition of intangible assets	(55,875)	(36,380)
Purchases of computer equipment	(940)	(129)
Net cash used in investing activities	**(56,815)**	**(36,509)**
Cash flows from financing activities:		
Proceeds from short-term notes, net of debt issuance costs	122,505	150,000
Repayments of short term notes	—	(107,926)
Net cash provided by financing activities	**122,505**	**42,074**
Net decrease in cash	**(117,452)**	**(40,497)**
Cash at beginning of period	**149,607**	**42,332**
Cash at end of period	**$ 32,155**	**$ 1,835**
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ —	$ 171
Income taxes	$ —	$ —
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	
Total debt discount at origination	$ —	$ 31,500

See accompanying notes to condensed consolidated financial statements

REIGN CORPORATION AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016 (UNAUDITED)

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") were acquired by Reign Corporation ("RGNP"), formerly known as Reign Sapphire Corporatior, (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 condensed 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.

Successor

RGNP is a Beverly Hills-based, direct-to-consumer, branded and custom jewelry company with 3 niche brands: Reign Sapphire: 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.

Reign 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. 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.

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, and eventually (3) building a strong retail presence to market the products directly to consumers on a retail level. The Company is initially focusing its marketing efforts in the U.S. with online, wholesale, and retail sales, and then the Company intends to expand its marketing efforts internationally.

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. On May 23, 2017, the Company issued the share of Series A Preferred Stock to Joseph Segelman.

On March 17, 2017, the shareholders of the Company approveda corporate name change to Reign Corporation to better identify the business operations ofthe Company, as due to the recent acquisition, the Company no longer only sells sapphire jewelry. The Company believes it will be better positioned in the future with a corporate name that does not identify the Company with only one business line.

The Company has prepared its condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP").

NOTE 2 – BASIS OF PRESENTATION

The included (a) condensed consolidated balance sheet as of December 31, 2016, which has been derived from audited financial statements, and (b) the unaudited condensed consolidated financial statements as of June 30, 2017 and 2016, have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission ("SEC"), and should be read in conjunction with the audited financial statements and notes thereto contained in the Company's December 31, 2016 and 2015 Form 10-K on May 31, 2017. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for future quarters or for the full year. Notes to the condensed consolidated financial statements which substantially duplicate the disclosure contained in the financial statements as reported in the Annual Report on Form 10-K for the year ended December 31, 2016 as filed on May 31, 2017, have been omitted.

The accompanying condensed 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 condensed 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 $7,708,000 and $6,130,000 at June 30, 2017 (Successor) and December 31, 2016 (Successor), respectively, had a working capital deficit of approximately $3,104,000 and $2,128,000 at June 30, 2017 (Successor) and December 31, 2016 (Successor), respectively, had a net loss of approximately $967,000 and $1,578,000, and $59,000 and $322,000 for the three and six months ended June 30, 2017 (Successor) and June 30, 2016 (Predecessor), respectively, and net cash used in operating activities of approximately $183,000 and $46,000 for the six months ended June 30, 2017 (Successor) and June 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 the Company 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. 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. Joseph Segelman, our President and CEO, has agreed to underwrite these costs, if necessary, 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 condensed 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 condensed consolidated financial statements in accordance with GAAP 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 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.

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 Accounting Standards Codification ("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.

Comprehensive Income

The Company reports comprehensive income in accordance with Financial Accounting Standards Board ("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, for the Company, 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 three and six months ended June 30, 2017 (Successor) and 2016 (Predecessor), respectively.

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 three and six months ended June 30, 2017 (Successor), and 2016 (Predecessor), respectively.

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 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 three and six months ended June 30, 2017 (Successor) and 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 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 June 30, 2017 (Successor) and December 31, 2016 (Successor), 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 June 30, 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 and are not subject to fashion trends. The estimated fair value per management's internal assessment is greater than the cost, therefore, there is no indicator of impairment as of June 30, 2017 (Successor).

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 June 30, 2017 (Successor) and December 31, 2016 (Successor).

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 as of December 31st, 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 June 30, 2017 (Successor) and December 31, 2016 (Successor).

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 June 30, 2017 (Successor) and December 31, 2016 (Successor).

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.

Deferred Revenue (Predecessor)

In March 2016, CCI entered into an agreement with Knight Capital LLC ("Knight") whereby in exchange for $147,500, CCI agreed to sell Knight $199,125 of its future sales.

CCI accounted for the sale of future receivables in accordance with ASC 470, "Debt", as deferred revenue on the date of the agreement. For the three and six months ended June 30, 2016 (Predecessor), CCI repaid approximately $67,000 and $77,000, respectively, to Knight.

Advertising and Marketing Expenses

Advertising and marketing expenses are recorded as marketing expenses when they are incurred. Advertising and marketing expense was approximately $141,200 and $223,300, and $85,300 and $208,600, for the three and six months ended June 30, 2017 (Successor) and 2016 (Predecessor), respectively.

Fair Value of Financial Instruments

The Company applies 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 June 30, 2017 (Successor) and December 31, 2016 (Successor), the fair value of cash, accounts receivable, accounts payable and 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. The Company had 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 June 30, 2017 (Successor) and are Level 3 measurements. 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 three and six months ended June 30, 2017 (Successor) and 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

The Company is subject to the substantial business risks and uncertainties inherent to such 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. There can be no assurance that the Company will be able to successfully continue to manufacture 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. Aggregate net foreign currency transactions included in the consolidated Statements of Operations was immaterial for the three and six months ended June 30, 2017 (Successor) and 2016 (Predecessor). As the Company generates significant revenues from operations, business activities will also include Australia and Asia and geographic segment reporting will be provided.

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 bank and accounts receivable. The credit risk on cash in banks is limited because the counterparties are recognized financial institutions.

The Company had one customer that accounted for 10%, comprising 13% and 15%, or more of total revenue for the three and six months ended June 30, 2017 (Successor), respectively, and had no customers that accounted for 10% or more of total revenue for the three and six months ended June 30, 2016 (Predecessor). The Company had two customers that accounted for 10%, comprising 68% and 19%, or more of accounts receivable at June 30, 2017 (Successor), respectively, and no customers that accounted for 10% or more of accounts receivable at December 31, 2016 (Successor).

Foreign currency risk

The Company has an insignificant amount of transactions settled in AUD. 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, 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 2017-04 "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 will not 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. We are currently assessing the impact of adoption of this ASU on our consolidated results of operations, cash flows and financial position.

FASB ASU 2016-10 “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. We are currently assessing the impact of adoption of this ASU on our consolidated results of operations, cash flows and financial position.

FASB ASU 2016-09 “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.

FASB ASU 2015-16 “Business Combinations (Topic 805),” or ASU 2015-16 - In September 2015, the FASB issued ASU 2015-16, which requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. This ASU is effective for interim and annual reporting period beginning after December 15, 2016, including interim periods within those fiscal years, with the option to early adopt for financial statements that have not been issued. We will apply this guidance to any business combinations that may occur.

FASB ASU 2015-11 “Inventory (Topic 330): Simplifying the Measurement of Inventory,” or ASU 2015-11 - In July 2015, the FASB issued ASU 2015-11, which requires an entity to measure in scope inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The amendments apply to inventory that is measured using first-in, first-out (FIFO) or average cost. This ASU is effective for interim and annual reporting periods beginning after December 15, 2016, with the option to early adopt as of the beginning of an annual or interim period. We do not expect the adoption of this ASU to have a significant impact on our financial position, results of operations and cash flows.

NOTE 4 – INVENTORY

Inventories consisted of the following as of:

	June 30, 2017 Successor	December 31, 2016 Successor
Raw materials	$ 474,983	$ 478,096
Work-in-process	112,611	111,361
Samples	134,145	134,145
	$ 721,739	$ 723,602

NOTE 5 – EQUIPMENT

Equipment consisted of the following as of:

	Estimated Life	June 30, 2017 Successor	December 31, 2016 Successor
Office equipment	5 years	$ 3,391	$ 2,451
Computer equipment	3 years	39,311	39,311
Accumulated depreciation		(10,533)	(3,712)
		$ 32,169	$ 38,050

Depreciation expense was $3,422 and $6,821, and $933 and $4,157, for the three and six months ended June 30, 2017 (Successor) and 2016 (Predecessor), and is classified in general and administrative expenses in the consolidated Statements of Operations.

NOTE 6 – INTANGIBLE ASSETS

Intangible assets consisted of the following as of:

	Estimated Life	June 30, 2017 Successor	December 31, 2016 Successor
Trademarks	3.3 – 4.5 years	$ 260,000	$ 260,000
Website	3 years	91,000	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
Goodwill	indefinite	481,947	481,947
Accumulated amortization		(134,852)	(27,866)
		$ 1,378,095	$ 1,429,206

Amortization expense was $55,054 and $106,986, and $15,482 and $30,964, for the three and six months ended June 30, 2017 (Successor) and 2016 (Predecessor), and is classified in general and administrative expenses in the consolidated Statements of Operations.

NOTE 7 – DUE TO RELATED PARTY

Successor

During the six months ended June 30, 2017, the Company received no advances from its CEO/director, incurred business expenses that were paid by the CEO/director of $587,154 (comprised of operating expenses of $582,563, inventory purchases totaling $1,250, website development costs of $2,401, and purchased equipment of $940) and had repayments of $490,196. The Company has a balance owed to the related party of $537,705 at June 30, 2017 (Successor). During the three and six months ended June 30, 2017 (Successor), the Company incurred $45,000 and $90,000, respectively, of deferred compensation related to the CEO/director's employment agreement and $20,000 and $40,000, respectively, of deferred compensation related to the Secretary's employment agreement. As of June 30, 2017 (Successor), accrued compensation-related party was $906,000.

Predecessor

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 $7,793 and $36,774 in the three and six months ended June 30, 2016 (Predecessor), respectively. There were no amounts due to the CEO and director for unpaid amounts related to business expenses paid by the CEO on behalf of CCI. During the three and six months ended June 30, 2016 (Predecessor), the CEO and director received employee benefits totaling $12,024 and $18,839, respectively. In addition, the CEO/director incurred business expenses of $5,000 and $5,320 and had repayments for business expenses of $0 and $180 for the three and six months ended June 30, 2016 (Predecessor), respectively.

NOTE 8 – CONVERTIBLE NOTE PAYABLE

November 2016 (Successor)

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 May 10, 2018, eighteen (18) months after the November 2016 Original Issue Date, 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 $0.30 per share, 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 condensed consolidated Statements of Operations for the three and six months ended June 30, 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 November 2016 Purchaser Warrants, $75,648 for the December 2015 Purchaser Warrants, $183,250 for the November 2016 Purchaser Conversion Shares, and $41,842 for the December 2015 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 June 30, 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 $20,111 at June 30, 2017 (Successor). During the three and six months ended June 30, 2017, the Company recorded a gain on Optional Redemption valuation of $14,904 and $14,904, respectively.

	June 30, 2017	December 31, 2016
Expected dividend yield	0.00%	0.00%
Expected stock-price volatility	52.5%	55.0%
Risk-free interest rate	1.24%	1.47%
Expected term of options (years)	1.0	1.5 - 5
Stock price	$ 0.07	$ 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 June 30, 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 condensed 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 remeasured and changes in the fair value will be recorded in the consolidated Statements of Operations. At June 30, 2017 (Successor), the embedded derivative was re-measured at fair value that was determined to be $11,125. During the three and six months ended June 30, 2017 (Successor), the Company recorded a gain on embedded derivative re-valuation of $57,327 and $54,712, 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:

	June 30, 2017	December 31, 2016
Expected dividend yield	0.00%	0.00%
Expected stock-price volatility	52.5%	55.0%
Risk-free interest rate	1.24%	1.47%
Expected term of options (years)	1.0	1.5 - 5
Stock price	$ 0.07	$ 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 $0.30, 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 $0.30 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. At June 30, 2017, the warrant liability was re-measured at fair value that was determined to be $163,127. During the three and six months ended June 30, 2017 (Successor), the Company recorded a gain on warrant re-valuation of $17,689 and $17,859, respectively.

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:

	June 30, 2017		December 31, 2016	
Expected dividend yield		0.00%		0.00%
Expected stock-price volatility		52.5%		55.0%
Risk-free interest rate		1.81%		1.93%
Expected term of options (years)		0.5		1.5 - 5
Stock price	$	0.07	$	0.11
Exercise price	$	0.30	$	0.30

<u>November 2016 Purchaser Common Stock</u>

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.

<u>Debt Discount</u>

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 $31,636 and $78,312 to interest expense in the consolidated Statements of Operations during the three and six months ended June 30, 2017 (Successor), respectively, and has an unamortized debt discount of $0 as of June 30, 2017 (Successor).

December 2015 (Successor)

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 $0.30, 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 June 23, 2017, eighteen (18) months after the December 2015 Original Issue Date, 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 $0.30 per share, 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 three and six months ended June 30, 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 November 2016 Purchaser Warrants, $75,648 for the December 2015 Purchaser Warrants, $183,250 for the November 2016 Purchaser Conversion Shares, and $41,842 for the December 2015 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 $70,004 at June 30, 2017 (Successor). During the three and six months ended June 30, 2017 (Successor), the Company recorded a gain on Optional Redemption valuation of $52,524 and $27,344, respectively, in the change in fair value of derivative liabilities in the accompanying consolidated Statements of Operations.

	June 30, 2017	December 31, 2016
Expected dividend yield	0.00%	0.00%
Expected stock-price volatility	50.0%	50.0%
Risk-free interest rate	1.14%	0.62%
Expected term of options (years)	0.5	0.5
Stock price	$ 0.07	$ 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 June 30, 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 June 30, 2017 (Successor), the embedded derivative was re-measured at fair value that was determined to be $30,000. During the three and six months ended June 30, 2017 (Successor), the Company recorded a gain on embedded derivative re-valuation of $192,577 and $185,570, respectively.

	June 30, 2017	December 31, 2016
Expected dividend yield	0.00%	0.00%
Expected stock-price volatility	50.0%	50.0%
Risk-free interest rate	1.14%	0.62%
Expected term of options (years)	0.5	0.5
Stock price	$ 0.07	$ 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 $0.30, 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 $0.30 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 and the remeasured fair value at June 30, 2017 was determined to be $422,227. During the three and six months ended June 30, 2017 (Successor), the Company recorded a gain on warrant re-valuation of $167,685 and $121,753, respectively.

	June 30, 2017		December 31, 2016	
Expected dividend yield		0.00%		0.00%
Expected stock-price volatility		50.0%		50.0%
Risk-free interest rate		1.63%		1.70%
Expected term of options (years)		0.5		0.5
Stock price	$	0.07	$	0.11
Exercise price	$	0.30	$	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 $96,008 and $237,660 to interest expense in the consolidated Statements of Operations during the three and six months ended June 30, 2017 (Successor), respectively and has no unamortized debt discount remaining as of June 30, 2017 (Successor).

Changes in the derivative and warrant liabilities were as follows:

Derivative liabilities:		
December 31, 2016	$	153,663
Decrease in fair value		(282,530)
Change due to extinguishment of debt		225,092
Valuation of November 2016 Optional Redemption shares		35,015
June 30, 2017	$	131,240
Warrant liabilities:		
December 31, 2016	$	473,296
Decrease in fair value		(139,612)
Change due to extinguishment of debt		251,670
June 30, 2017	$	585,354

NOTE 9 – NOTES PAYBALE

Successor

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.

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.

Predecessor

CCI borrows funds from third parties from time to time for working capital purposes. For the six months ended June 30, 2016 (Predecessor), CCI had borrowings of $181,500 (including $31,500 of debt discount), repayments of $107,926, and accretion of debt discount of $31,500 for a balance of $115,699 at June 30, 2016.

CCI issued notes payable to Menno Holterman ("Holterman Notes"), a director of CCI. During the year ended December 31, 2015, CCI borrowed an additional $278,273 bearing no interest and had no repayments for a balance of $459,681 at December 31, 2015 ("2015 Note"). During the six months ended June 30, 2016, CCI had no borrowings and had no repayments. For the 2015 Note, we imputed interest on the principal amount of the borrowings at 10% per annum. The terms of the December 2014 Note call for interest only payments payable for the first three months of the December 2014 Note and beginning April 2015, payment of principal amortized over the remaining term of the note plus interest. The December 2014 Note was due June 1, 2016. As CCI is in default, the Holterman Notes were reclassed to short term notes payable – related party. CCI recognized interest expense of $11,620 and $23,240 under Other expense in the accompanying condensed consolidated Statements of Operations for the three and six months ended June 30, 2016 (Predecessor), respectively.

NOTE 10 – STOCK TRANSACTIONS

Successor

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 investorsAlpha 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 six months ended June 30, 2017, the Company issued 730,000 restricted common shares for services of $87,100 (based on our stock price on the date of grant).

On January 22, 2017, we issued a total of 103,200 restricted common shares to our employees, valued at $5,160 (based on our stock price on the date of grant) as compensation pursuant to the Company's 2015 Equity Incentive Plan.

On January 2, 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, 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 (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 11 – STOCK BASED COMPENSATION

2015 Equity Incentive Plan (Successor)

As of June 30, 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 June 30, 2017, the Company issued a total of 400,000 restricted common shares to members of its advisory committee ("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. 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 $6,250 and $31,250 under general and administrative expenses in the accompanying consolidated Statements of Operations for the three and six months ended June 30, 2017 (Successor), respectively with $4,167 remaining to be amortized. As of June 30, 2017, the Advisors had vested in 383,333 shares with 16,667 shares to vest over the remaining vesting period.

As of June 30, 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 $4,560 and $45,391 for the three and six months ended June 30, 2017 (Successor), respectively within stock based compensation – related party in the accompanying consolidated Statements of Operations with no amounts remaining to be recognized.

The following represents a summary of the Options outstanding at June 30, 2017 and changes during the period then ended:

	Options	Weighted Average Exercise Price	Aggregate Intrinsic Value *
Outstanding at December 31, 2016	10,000,000	$ 0.005	$ 1,100,000
Granted	—	—	—
Exercised	—	—	—
Expired/Forfeited	—	—	—
Outstanding at June 30, 2017	10,000,000	$ 0.005	$ 700,000
Exercisable at June 30, 2017	10,000,000	$ —	$ —

* Based on the Company's stock price on June 30, 2017 (Successor) and December 31, 2016 (Successor), respectively.

NOTE 12 – RELATED PARTY TRANSACTIONS

Other than as set forth below, and as disclosed in Notes 7, 8, 9, 10, 11, 14 and 15, the Company has not entered into or been a participant in any transaction 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. The sublease may be terminated by either party with ninety (90) days written notice. 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 $45,000 and $90,000 for the three and six months ended June 30, 2017 (Successor), respectively. Deferred compensation totaling $619,000 as of June 30, 2017 (Successor), is included in Accrued Compensation – related party in the accompanying consolidated Balance Sheet. Deferred compensation includes $405,000 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 $8,446 during the six months ended June 30, 2017 (Successor). 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 $20,000 and $40,000 for the three and six months ended June 30, 2017 (Successor), respectively. Deferred compensation totaling $287,000 as of June 30, 2017 (Successor), is included in Accrued Compensation– related party in the accompanying consolidated Balance Sheet. Deferred compensation includes $173,333 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 $3,580 during the six months ended June 30, 2017 (Successor). 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 may be terminated given 90 day written notice.

NOTE 13 – 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 the Company had 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 Six Months Ended June 30, 2017 Successor	For the Six Months Ended June 30, 2016 Predecessor	For the Three Months Ended June 30, 2017 Successor	For the Three Months Ended June 30, 2016 Predecessor
Net loss attributable to the common stockholders	$ (1,578,318)	$ (321,808)	$ (967,485)	$ (59,070)
Basic weighted average outstanding shares of common stock	44,020,039	10,032,000	44,331,733	10,032,000
Dilutive effect of options, warrants, and convertible debt	—	—	—	—
Diluted weighted average common stock and common stock equivalents	44,020,039	10,032,000	44,331,733	10,032,000
Loss per share:				
Basic and diluted	$ (0.04)	$ (0.03)	$ (0.02)	$ (0.01)

NOTE 14 – 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 six months ended June 30, 2017 (Successor), ASK Gold and CCI each earned $19,612 of earn out payments for a total of $39,224. 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 $19,612 of earn out payments owed to CCI against the Reimbursement Expenses for a net balance of $75,408 owed by CCI to the Company as of June 30, 2017 that is recorded in estimated fair value of contingent payments, net in the accompanying consolidated balance sheets. As of June 30, 2017 (Successor), estimated fair value of contingent payments, net was $309,879.

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. The sublease may be terminated by either party with ninety (90) days written notice. 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 $34,580 and $67,672, and $22,634 and $48,213, for the three and six months ended June 30, 2017 (Successor) and 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.

NOTE 15 – SUBSEQUENT EVENTS

In July 2017, the Company issued 770,000 restricted common shares for services of $46,300 (based on our stock price on the date of grant).

In July 2017, the Company issued a total of 10,000 restricted common shares to two employees, valued at $600 (based on our stock price on the date of grant) as compensation pursuant to the Company's 2015 Equity Incentive Plan.

As of June 30, 2017, the Company issued a total of 400,000 restricted common shares to members of its Advisors, 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. As of June 30, 2017, the Advisors had vested in 383,333 shares with 16,667 shares to vest over the remaining vesting period (see Note 11).

There were no other events subsequent to June 30, 2017, and up to the date of this filing that would require disclosure.

ITEM 2. 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 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 referred to under "Risk Factors" (in the Annual Report on Form 10-K for the year ended December 31, 2016 as filed on May 31, 2017) 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.

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 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") were acquired byReign Corporation ("RGNP"), formerly known as Reign Sapphire Corporation, (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 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 and is currently based in Los Angeles, California.

On December 21, 2015, the shareholders of CCI approvedan amendment to the Articles of Incorporation to change the name of the Corporation 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 of the Corporation into 9.8 shares of common stock, and convert each outstanding share of preferred stock of the Corporation 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 3 niche brands: Reign Sapphire: 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.

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 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 approvedan 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, 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 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.

On March 17, 2017, our shareholders approveda corporate name change to Reign Corporation to better identify our business operations, as due to recent acquisition of CCI, we no longer only sells sapphire jewelry. We believe we will be better positioned in the future with a corporate name that does not identify us with only one business line.

Recent Developments

Financing Transactions

Successor

Amendment and Restatement of Certificate of Incorporation

Our board of directors are authorized to provide for the issue of any and all of the unissued and undesignated shares of the preferred stock in one or more series, and to fix the number of shares and to determine or alter for each series, such voting powers, full or limited, or no voting powers, and such designation, preferences, and relative, participating, optional, or other rights and qualifications, limitations, or restrictions thereof, as shall be stated an expressed in the resolution adopted by the board of directors providing for the issuance of such shares and as may be permitted by the Delaware General Corporation Law.

On March 17, 2017, the Company's shareholders 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 Certificate of Amendment will be filed with the Delaware Secretary of State, and the Series A Preferred Stock will be issued to the Company's CEO.

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.

Note Payable

On June 30, 2017, we entered into a Loan Agreement ("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, we were 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.

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.

Due to Related Party

During the three and six months ended June 30, 2017 (Successor), we received no advances from our CEO/director, incurred business expenses that were paid by the CEO/director of $587,154 (comprised of operating expenses of $582,563, inventory purchases totaling $1,250, website development costs of $2,401, and purchased equipment of $940) and had repayments of $490,196. We have a balance owed to the related party of $537,705 at June 30, 2017 (Successor). During the three and six months ended June 30, 2017 (Successor), we incurred $45,000 and $90,000, respectively, of deferred compensation related to the CEO/director's employment agreement and $20,000 and $40,000, respectively, of deferred compensation related to the Secretary's employment agreement. As of June 30, 2017 (Successor), accrued compensation-related party was $906,000.

Securities Purchase Agreement

November 2016

As of December 31, 2016, we previously entered into a Securities Purchase Agreement (the "November 2016 Purchase Agreement") with respect to the sale and issuance to certain institutional investors Alpha and Brio (collectively "November 2016 Purchasers") of up to (i) 833,354 shares of our 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 our 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 us 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 May 10, 2018, eighteen (18) months after the November 2016 Original Issue Date, 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. 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 our Common Stock from trading. The November 2016 Notes are collectively collateralized by substantially all of our 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 stockholder 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". We are 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 $0.30 per share, 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 three and six months ended June 30, 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 November 2016 Purchaser Warrants, $75,648 for the December 2015 Purchaser Warrants, $183,250 for the November 2016 Purchaser Conversion Shares, and $41,842 for the December 2015 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.

November 2016 Optional Redemption

The November 2016 Notes provide that commencing six (6) months after the November 2016 Original Issue Date, we 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 our 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 June 30, 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 $20,111 at June 30, 2017 (Successor). During the three and six months ended June 30, 2017, the Company recorded a gain on Optional Redemption valuation of $14,904 and $14,904, respectively.

November 2016 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 our 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 Notes were convertible as of June 30, 2017, the November 2016 Notes would have been convertible into 3,593,775 shares of our common stock.

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 $0.30, 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 $0.30 per share of our common stock, as may be adjusted from time to time pursuant to the full ratchet 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.

November 2016 Purchaser Common Stock

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

As of December 31, 2016, the total proceeds of $244,945 previously received by us 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.

December 2015

As of December 31, 2016, we previously entered into a Securities Purchase Agreement (the "Purchase Agreement") with respect to the sale and issuance to certain institutional investors Alpha and Brio (collectively "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) December 2015 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 "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 $0.30, 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 "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 June 23, 2017, eighteen (18) months after the December 2015 Original Issue Date, 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 our 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. 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 our Common Stock from trading. 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 stockholder 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 $0.30 per share, 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 three and six months ended June 30, 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 November 2016 Purchaser Warrants, $75,648 for the December 2015 Purchaser Warrants, $183,250 for the November 2016 Purchaser Conversion Shares, and $41,842 for the December 2015 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, we 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 our 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.

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 our 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 June 30, 2017, the December 2015 Note would have been convertible into 10,781,250 shares of our common stock.

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 $0.30, 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 our common stock on a Trading Market.

The exercise price of the December 2015 Purchaser Warrants is $0.30 per share of our 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 December 2015 Purchaser in whole or in part, as either a cash exercise or as a "cashless" exercise.

December 2015 Purchaser Common Stock

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

Stock Transactions

Preferred Stock (Successor)

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 (Successor)

In July 2017, we issued 770,000 restricted common shares for services of $46,300 (based on our stock price on the date of grant).

On June 30, 2017, we entered into an Agreement and Note by certain institutional investorsAlpha 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).

During the six months ended June 30, 2017, we issued 730,000 restricted common shares for services of $87,100 (based on our stock price on the date of grant).

On January 2, 2017, we issued 150,000 restricted common shares for payment of accounts payable of $14,985.

As December 31, 2016, we entered into an 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 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 December 2015 Purchasers.

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).

Stock Based Compensation

In July 2017, we issued a total of 10,000 restricted common shares to two employees, valued at $600 (based on our stock price on the date of grant) as compensation pursuant to the Company's 2015 Equity Incentive Plan.

On January 22, 2017, we issued a total of 103,200 restricted common shares to our employees, valued at $5,160 (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, 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 $6,250 and $31,250 under general and administrative expenses in the accompanying consolidated Statements of Operations for the three and six months ended June 30, 2017 (Successor), respectively with $4,167 remaining to be amortized. As of June 30, 2017, the Advisors had vested in 383,333 shares with 16,667 shares to vest over the remaining vesting period.

As of June 30, 2017, we previously granted to our Chief Executive Officer and director ("CEO"), options to purchase 10,000,000 shares of our common stock under the Company's 2015 Equity Incentive Plan (the "2015 Plan"), valued at $2,500,000 (based on the Black Scholes valuation model on the grant date).

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

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 1, 2016, substantially all of the operating assets of CCI were acquired by RGNP, formerly known as Reign Sapphire Corporatior, (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, and shall act as the operating entity for the acquired CCI assets.

Subsequent to the acquisition of CCI's assets, we have three niche brands: Reign Sapphire: 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.

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.

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.

Strategy

Reign Sapphire

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

We intend to 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 mine-gate to consumers 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 and Le Bloc

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

We have an exclusive international distribution agreement with a third party marketing company to distribute the Reign Brands, Coordinates Collection and Le Bloc products in the country of Qatar at discounted prices. The agreement is for a term of five years and terminates in July 2021.

Products

Our initial product lines consist of rings, bracelets, necklaces. We intend to eventually manufacture pendants and watches. When sapphires are used in the products, they are predominantly 1.5mm to 2.5mm diamond and princess cut melees.

Plan of Operations

We recently launched our retail website and acquired the assets of Coordinates Collection and its retail customer base. We will not have the necessary capital to fully execute the first phase of our business plan until we are able to secure financing. There can be no assurance that such financing will be available on suitable terms. Even if we raise such financing, we may not have sufficient capital to begin generating further revenues from operations.

Our plan of operations consists of:

- Launch of our B2B marketing and sales efforts through the use of distribution partners and a high-end fashion retailers.
- Launch of 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

Three Months Ended June 30, 2017 (Successor) Compared to the Three Months Ended June 30, 2016 (Predecessor)

The following discussion represents a comparison of our results of operations for the period ended June 30, 2017, which includes the results of operations for the three months ended June 30, 2017 (Successor) compared to the three months ended June 30, 2016 (Predecessor). The results of operations for the periods shown in our unaudited 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 unaudited 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.

	Three Months Ended June 30, 2017 (Successor)	Three Months Ended June 30, 2016 (Predecessor)
Net revenues	$ 432,534	$ 521,505
Cost of sales	185,270	219,951
Gross profit	247,264	301,554
Operating expenses	862,591	314,542
Other expense	352,158	46,082
Net loss from continuing operation	$ (967,485)	$ (59,070)

Net Revenues

Net revenues decreased by $88,971, or 17.1%, to $432,534 for the three months ended June 30, 2017 (Successor) from $521,505 for the three months ended June 30, 2016 (Predecessor). The decrease in revenue is primarily the result of a reduction in retail revenue of $119,416 or 26.3%, to $335,051 for the three months ended June 30, 2017 (Successor) from $454,467 for the three months ended June 30, 2016 (Predecessor) due to supply chain issues and marketing costs.

Cost of Sales

Cost of sales decreased by $34,681, or 15.8%, to $185,270 for the three months ended June 30, 2017 (Successor) from $219,951 for the three months ended June 30, 2016 (Predecessor). The decrease in cost of sales was primarily due to the decrease in revenue. As a percentage of revenue, cost of sales was 42.8% and 42.2% resulting in a gross margin of 57.2% and 57.8% for the three months ended June 30, 2017 (Successor) and for the three months ended June 30, 2016 (Predecessor), respectively, due to product-wide price increases and decreases in supply chain efficiencies.

Operating expenses

Operating expenses increased by $548,049, or 174.2%, to $862,591 for the three months ended June 30, 2017 (Successor) from $314,542 for the three months ended June 30, 2016 (Predecessor) primarily due to increases in rent of $11,946, stock based compensation of $361,660, investor relations costs of $25,944, depreciation and amortization costs of $42,060, compensation costs of $94,114, and marketing costs of $55,880, and offset primarily by decreases in consulting costs of $18,395, professional fees of $11,010, travel costs of $3,355, and general and administration costs of $10,795, as a result of reorganizing our administrative infrastructure, primarily consulting costs and investor relations, due to the decrease in revenues and refocusing our marketing initiatives to generate anticipated sales growth.

For the three months ended June 30, 2017 (Successor), we had marketing expenses of $141,153, stock based compensation of $361,660, and general and administrative expenses of $359,778 primarily due to compensation costs of $168,043, consulting costs of $5,827, travel expenses of $8,427, rent of $34,580, professional fees of $32,092, depreciation and amortization costs of $58,476, investor relations costs of $25,944, and general and administration costs of $26,389 as a result of reorganizing our administrative infrastructure, primarily professional fees, due to the decrease in revenues and refocusing our marketing initiatives to generate anticipated sales growth.

For the three months ended June 30, 2016 (Predecessor), we had marketing expenses of $85,273 and general and administrative expenses of $229,269, primarily due to compensation costs of $73,929, consulting costs of $24,222, travel expenses of $11,782, rent of $22,634, professional fees of $43,102, depreciation and amortization costs of $16,416, and general and administration costs of $37,184 as a result of startup marketing initiatives and adding administrative infrastructure, primarily compensation costs and professional fees, for our current and anticipated sales growth.

Other Expense

Other income for the three months ended June 30, 2017 (Successor) totaled $352,158 primarily due to interest expense of $128,478 in conjunction with debt discount, gain due to the change in fair value of warrant liabilities of $185,374, gain due to the change in fair value of derivative liabilities of $282,317, and extinguishment loss of $691,371, compared to other expense of $46,082 for the three months ended June 30, 2016 (Predecessor) primarily due to interest expense of $49,582 in conjunction with debt discount and other income of $3,500.

Net loss before income taxes

Net loss before income taxes for the three months ended June 30, 2017 (Successor) totaled $967,485 primarily due to decreased revenue of $432,534 and (increases/decreases) in compensation costs, stock based compensation-related party, consulting services costs, rent, professional fees, marketing costs, and general and administration costs compared to a loss of $59,070 for the three months ended June 30, 2016 (Predecessor) primarily due to revenue of $521,505 and (increases/decreases) in compensation costs, consulting services costs, rent, professional fees, marketing costs, and general and administration costs.

Assets and Liabilities

Assets were $2,227,160 as of June 30, 2017. Assets consisted primarily of cash of $32,155, accounts receivable of $63,002, inventory of $721,739 which includes samples inventory of $134,145, equipment of $32,169, intangible assets of $896,148, and goodwill of $481,947. Liabilities were $3,938,429 as of June 30, 2017. Liabilities consisted primarily of accrued compensation-related party of $906,000, due to related party of $537,705, accounts payable of $201,572, deferred revenue of $49,612, estimated fair value of contingent payments, net of $309,879, other current liabilities of $49,560, derivative liabilities of $131,240, warrant liabilities of $585,354, convertible notes of $1,150,002, and notes payable of $17,505 (less debt issuance costs of $107,500).

Six Months Ended June 30, 2017 (Successor) Compared to the Six Months Ended June 30, 2016 (Predecessor)

	Six Months Ended June 30, 2017 (Successor)	Six Months Ended June 30, 2016 (Predecessor)
Net revenues	$ 704,522	$ 1,095,166
Cost of sales	274,204	496,606
Gross profit	430,318	598,560
Operating expenses	1,386,753	839,891
Other expense	621,883	80,477
Net loss from continuing operation	$ (1,578,318)	$ (321,808)

Net Revenues

Net revenues decreased by $390,644, or 35.7%, to $704,522 for the six months ended June 30, 2017 (Successor) from $1,095,166 for the six months ended June 30, 2016 (Predecessor). The decrease in revenue is primarily the result of a reduction in retail revenue of $419,756 or 42.9%, to $557,826 for the six months ended June 30, 2017 (Successor) from $977,582 for the six months ended June 30, 2016 (Predecessor) due to supply chain issues and marketing costs.

Cost of Sales

Cost of sales decreased by $222,402, or 44.8%, to $274,204 for the six months ended June 30, 2017 (Successor) from $496,606 for the six months ended June 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 38.9% and 45.3% resulting in a gross margin of 61.1% and 54.7% for the six months ended June 30, 2017 (Successor) and for the six months ended June 30, 2016 (Predecessor), respectively, due to product-wide price increases and decreases in supply chain efficiencies.

Operating expenses

Operating expenses increased by $546,862, or 65.1%, to $1,386,753 for the six months ended June 30, 2017 (Successor) from $839,891 for the six months ended June 30, 2016 (Predecessor) primarily due to increases in rent of $19,459, stock based compensation of $407,651, investor relations costs of $44,899, depreciation and amortization costs of $78,685, travel expenses of $6,157, marketing costs of $14,731, compensation costs of $93,411, and general and administration costs of $3,782, and offset primarily by decreases in professional fees of $109,733 and consulting costs of $12,180, as a result of reorganizing our administrative infrastructure, primarily consulting costs and investor relations, due to the decrease in revenues and refocusing our marketing initiatives to generate anticipated sales growth.

For the six months ended June 30, 2017 (Successor), we had marketing expenses of $223,295, stock based compensation of $407,651, and general and administrative expenses of $755,807 primarily due to compensation costs of $366,393, consulting costs of $42,585, travel expenses of $24,748, rent of $67,672, professional fees of $52,622, depreciation and amortization costs of $113,807, investor relations costs of $44,899, and general and administration costs of $43,081 as a result of reorganizing our administrative infrastructure, primarily professional fees, due to the decrease in revenues and refocusing our marketing initiatives to generate anticipated sales growth.

For the six months ended June 30, 2016 (Predecessor), we had marketing expenses of $208,564 and general and administrative expenses of $631,327, primarily due to compensation costs of $272,982, consulting costs of $54,765, travel expenses of $18,591, rent of $48,213, professional fees of $162,355, depreciation and amortization costs of $35,122, and general and administration costs of $39,299 as a result of startup marketing initiatives and adding administrative infrastructure, primarily compensation costs and professional fees, for our current and anticipated sales growth.

Other Expense

Other expense for the six months ended June 30, 2017 (Successor) totaled $621,883 primarily due to interest expense of $317,639 in conjunction with debt discount, gain due to the change in fair value of warrant liabilities of $139,612, gain due to the change in fair value of derivative liabilities of $247,515, and extinguishment loss of $691,371, compared to other expense of $80,477 for the six months ended June 30, 2016 (Predecessor) primarily due to interest expense of $82,852 in conjunction with debt discount and other income of $2,375.

Net loss before income taxes

Net loss before income taxes for the six months ended June 30, 2017 (Successor) totaled $1,578,318 primarily due to decreased revenue of $704,522 and (increases/decreases) in compensation costs, stock based compensation, consulting services costs, rent, professional fees, marketing costs, and general and administration costs compared to a loss of $321,808 for the six months ended June 30, 2016 (Predecessor) primarily due to revenue of $1,095,166 and (increases/decreases) in compensation costs, consulting services costs, rent, professional fees, marketing costs, and general and administration costs.

Liquidity and Capital Resources

General – Overall, we had a decrease in cash flows of $117,452 in the six months ended June 30, 2017 resulting from cash used in operating activities of $88,122, cash used in investing activities of $151,835, and cash provided by financing activities of $122,505.

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

	Six Months Ended June 30, 2017 (Successor)	Six Months Ended June 30, 2016 (Predecessor)
Net cash provided by (used in):		
Operating activities	$ (183,142)	$ (46,062)
Investing activities	(56,815)	(36,509)
Financing activities	122,505	42,074
Net decrease in cash	$ (117,452)	$ (40,497)

Six Months Ended June 30, 2017 (Successor) Compared to the Six Months Ended June 30, 2016 (Predecessor)

Cash Flows from Operating Activities – For the six months ended June 30, 2017 (Successor), net cash used in operating activities was $183,142. Net cash used in operations was primarily due to a net loss of $(1,578,318), and the changes in operating assets and liabilities of $222,252, primarily due to a net increase in accounts payable of $184,617, accrued compensation – related party of $130,000, due to related party of $96,958, and other current liabilities of $13,989, offset primarily by decreases in accounts receivable of $63,002, deferred revenue of $29,208, and the estimated fair value of contingent payments, net of $114,632. In addition, net cash used in operating activities was offset primarily by adjustments to reconcile net loss from stock based compensation – related party of $45,391, the accretion of the debt discount of $315,972, depreciation expense of $6,821, amortization expense of $106,986, the estimated fair market value of stock issued for services of $118,350, preferred share issued to CEO – related party of $270,000, stock based compensation issued to employees of $5,160, and loss on extinguishment of debt of $691,371, offset primarily by the change in derivative liabilities of $247,515 and the change in warrant liabilities of $139,612.

For the six months ended June 30, 2016 (Predecessor), net cash used in operations was $46,062. Net cash used in operations was primarily due to a net loss of $(321,808), offset primarily by depreciation expense of $4,157, amortization expense of $30,964, and the accretion of debt discount of $32,720, and the changes in operating assets and liabilities of $207,895, primarily due to the increase in accounts payable of $298,036, inventory of $1,173, prepaid expenses of $13,535, and accounts receivable of $859, offset primarily by deferred revenue of $92,284, and other current liabilities of $13,424.

Cash Flows from Investing Activities – For the six months ended June 30, 2017 (Successor), net cash used in investing activities was $940 for purchases of computer equipment and $55,875 for website development costs.

Cash Flows from Financing Activities –For the six months ended June 30, 2017 (Successor), net cash provided by financing activities was $122,505 due to proceeds from short term notes. For the six months ended June 30, 2016 (Predecessor), net cash provided by financing activities was $42,074 due to proceeds from short term notes (net of issuance costs) of $150,000, offset primarily by repayments of short term notes of $107,926.

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.

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.

Due to Related Party

During the three and six months ended June 30, 2017 (Successor), we received no advances from our CEO/director, incurred business expenses that were paid by the CEO/director of $587,154 (comprised of operating expenses of $582,563, inventory purchases totaling $1,250, website development costs of $2,401, and purchased equipment of $940) and had repayments of $490,196. We have a balance owed to the related party of $537,705 at June 30, 2017 (Successor). During the three and six months ended June 30, 2017 (Successor), we incurred $45,000 and $90,000, respectively, of deferred compensation related to the CEO/director's employment agreement and $20,000 and $40,000, respectively, of deferred compensation related to the Secretary's employment agreement. As of June 30, 2017 (Successor), accrued compensation-related party was $906,000.

Advance from Shareholders (Predecessor)

CCI issued notes payable to Menno Holterman. As of December 31, 2014, CCI had borrowed $181,408 bearing interest at 10%. During the year ended December 31, 2015, CCI borrowed an additional $278,273 bearing no interest and had no repayments for a balance of $459,681 at December 31, 2015. During the three and six months ended June 30, 2016, CCI had no borrowings and had no repayments. For the 2015 Note, we imputed interest on the principal amount of the borrowings at 10% per annum. The terms of the December 2014 note call for interest only payments payable for the first three and six months of the note and beginning April 2015, payment of principal amortized over the remaining term of the note plus interest. The note was due June 1, 2016. As CCI is in default, the Holterman Notes were reclassed to short term notes payable – related party. CCI recognized interest expense of $11,620 and $23,240 under Other expense in the accompanying consolidated Statements of Operations for the three and six months ended June 30, 2016 (Predecessor), 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 $7,793 and $36,774 in the three and six months ended June 30, 2016 (Predecessor). There were no amounts due to the CEO and director for unpaid amounts related to business expenses paid by the CEO on behalf of CCI. During the three and six months ended June 30, 2016 (Predecessor), the CEO and director received employee benefits totaling $12,024 and $18,839, respectively. In addition, the CEO/director incurred business expenses of $5,000 and $5,320 and had repayments for business expenses of $0 and $180 for the three and six months ended June 30, 2016 (Predecessor), respectively.

Stock Transactions (Successor)

In July 2017, the Company issued 770,000 restricted common shares for services of $46,300 (based on our stock price on the date of grant).

During the six months ended June 30, 2017, we issued 730,000 restricted common shares for services of $87,100 (based on our stock price on the date of grant).

On January 2, 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 (Successor)

As of December 31, 2016, 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.

In July 2017, we issued a total of 10,000 restricted common shares to two employees, valued at $600 (based on our stock price on the date of grant) as compensation pursuant to the Company's 2015 Equity Incentive Plan.

On January 22, 2017, we issued a total of 103,200 restricted common shares to our employees, valued at $5,160 (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, 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 $6,250 and $31,250 under general and administrative expenses in the accompanying consolidated Statements of Operations for the three and six months ended June 30, 2017 (Successor), respectively, with $4,167 remaining to be amortized. As of June 30, 2017, the Advisors had vested in 383,333 shares with 16,667 shares to vest over the remaining vesting period.

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 $4,560 and $45,391 for the three and six months ended June 30, 2017 (Successor), respectively, within stock based compensation in the accompanying consolidated Statement of Operations with no amounts 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.

Fiscal year end

Our fiscal year end is December 31.

Going Concern

We had an accumulated deficit of approximately $7,708,000 and $6,130,000 at June 30, 2017 (Successor) and December 31, 2016 (Predecessor), respectively, had a working capital deficit of $3,104,000 and $2,128,000 at June 30, 2017 (Successor) and December 31, 2016 (Predecessor), respectively, had a net loss of approximately $967,000 and $1,578,000, and $59,000 and $322,000, for the three and six months ended June 30, 2017 (Successor) and June 30, 2016 (Predecessor), respectively, and net cash used in operating activities of approximately $183,000 and $46,000 for the six months ended June 30, 2017 (Successor) and 2016 (Predecessor), respectively, with limited revenue earned since inception. These matters raise substantial doubt about our ability to continue as a going concern.

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 its 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 its ability to raise additional funds, there can be no assurances to that effect. 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. Joseph Segelman, our President and CEO, has agreed to underwrite these costs, if necessary, until we are 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 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, warrant liability valuation, derivative liability valuation, common stock and option valuation, and the recoverability of intangibles. 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 received and accepted by the customer, provided that collection of the resulting receivable is reasonably assured. While the products are being transported and delivered to the customer and until the products are accepted by the customer, the suppliers bear the risk of loss. 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.

Inventories

Inventories are stated at the lower of cost or market 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 June 30, 2017 (Successor) and December 31, 2016 (Successor), we 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. We appraise our 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 appraised value of the sapphires could be significantly lower from the current estimated fair value. Our loose sapphire jewels do not degrade in quality over time and are not subject to fashion trends. In view of the foregoing factors, we have concluded that no excess or obsolete loose jewel inventory reserve requirements existed as of June 30, 2017 and December 31, 2016, respectively.

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 as of December 31st, 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.

Deferred Revenue (Predecessor)

In March 2016, CCI entered into an agreement with Knight Capital LLC ("Knight") whereby in exchange for $147,500, CCI agreed to sell Knight $199,125 of our future sales.

CCI accounted for the sale of future receivables in accordance with ASC 470, Debt, as deferred revenue on the date of the agreement. For the three and six months ended June 30, 2016 (Predecessor), CCI repaid $67,000 and $77,000, respectively, to Knight.

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 consolidated Statements 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 consolidated Statements of Operations and comprehensive income. In addition, any differences between estimated forfeitures and actual forfeitures could also have a material impact on our 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 June 30, 2017 and December 31, 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.

<u>Debt with warrants</u> – 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. The offset to the contra-liability is recorded as additional paid in capital in our balance sheet. We determine the value of the warrants using the Black-Scholes Option Pricing Model ("Black-Scholes") using the stock price on the date of issuance, the risk free interest rate associated with the life of the debt, and the volatility of our stock. If the debt is retired early, the associated debt discount is then recognized immediately as amortization of debt discount expense in the consolidated Statements of Operations. The debt is treated as conventional debt.

<u>Convertible debt – derivative treatment</u> – 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 Black-Scholes 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 consolidated Statements 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 Balance Sheet. We amortize the balance over the life of the underlying debt as amortization of debt discount 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 Statements 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.

Future Contractual Obligations and Commitments

As of June 30, 2017, other than noted below, we had no 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 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

November 2016 Securities Purchase Agreement (Successor)

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 $0.30, 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 which was issued at a $42,557 original issue discount from the face value of the November 2016 Note.

December 2015 Securities Purchase Agreement (Successor)

As of December 31, 2016, we previously 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 $0.30 per share, 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 three and six months ended June 30, 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 November 2016 Purchaser Warrants, $75,648 for the December 2015 Purchaser Warrants, $183,250 for the November 2016 Purchaser Conversion Shares, and $41,842 for the December 2015 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.

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.

Employment Agreements

We previously had a consulting agreement with our 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 us 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 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. In addition, CEO will receive a minimum annual base salary of $180,000, 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. There have been no performance goals established. 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. We incurred compensation expense of $45,000 and $90,000 for the three and six months ended June 30, 2017 (Successor), respectively. Deferred compensation totaling $619,000 as of June 30, 2017 (Successor), is included in Accrued Compensation-Related Party. Deferred compensation includes $405,000 related to the employment agreement and $214,000 related to the consulting agreement. In addition, we incurred employee benefits on behalf of the CEO for the three and six months ended June 30, 2017 (Successor) totaling approximately $4,846 and $8,446, respectively. Employee benefits include health and dental coverage, use of a car, car insurance, and a gym membership.

We previously had a consulting agreement with our 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 us 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 the 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 his intention not to extend at least 90 days prior to the expiration of any term. In addition, Secretary will receive 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 director 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. We incurred compensation expense of $20,000 and $40,000 for the three and six months ended June 30, 2017 (Successor), respectively. Deferred compensation totaling $287,000 as of June 30, 2017 (Successor), is included in Accrued Compensation-Related Party. Deferred compensation includes $173,333 related to the employment agreement and $113,667 related to the consulting agreement. In addition, we incurred employee benefits on behalf of the Secretary for the three and six months ended June 30, 2017 (Successor) totaling approximately $1,790 and $3,580, respectively. Employee benefits include use of a car and car insurance.

During the six months ended June 30, 2017 (Successor), we received no advances from our CEO/director, incurred business expenses that were paid by the CEO/director of $587,154 (comprised of operating expenses of $582,563, inventory purchases totaling $1,250, website development costs of $2,401, and purchased equipment of $940) and had repayments of $490,196. We have a balance owed to the related party of $537,705 at June 30, 2017 (Successor). During the three and six months ended June 30, 2017 (Successor), we incurred $45,000 and $90,000, respectively, of deferred compensation related to the CEO/director's employment agreement and $20,000 and $40,000, respectively, of deferred compensation related to the Secretary's employment agreement. As of June 30, 2017 (Successor), accrued compensation-related party was $906,000.

Consulting Agreement

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.

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 six months ended June 30, 2017 (Successor), ASK Gold and CCI each earned $19,612 of earn out payments for a total of $39,224. 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 $19,612 of earn out payments owed to CCI against the Reimbursement Expenses for a net balance of $75,408 owed by CCI to us as of June 30, 2017 that is recorded in estimated fair value of contingent payments, net in the accompanying consolidated balance sheets. As of June 30, 2017 (Successor), estimated fair value of contingent payments, net was $309,879.

Recent Accounting Pronouncements

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

Off-Balance Sheet Arrangements

As of June 30, 2017 (Successor), 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 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

As a “smaller reporting company,” as defined by Item 10 of Regulation S-K, we are not required to provide the information in Item 3.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our Chief Executive Officer (“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.

A material weakness is a deficiency, or a combination of deficiencies, in disclosure controls and procedures, such that there is a reasonable possibility that a material misstatement of the company’s annual or interim financial statements will not be prevented or detected on a timely basis. Because of the material weaknesses described below, management concluded that our disclosure controls and procedures were ineffective as of end of the period covered by this report to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules.

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 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 quarterly report on Form 10-Q, 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 2017 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 condensed consolidated financial statements for the three months ended June 30, 2017 are fairly stated, in all material respects, in accordance with U.S. GAAP.

Changes in Internal Controls

There were no changes in the company's internal control over financial reporting during the quarter ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting. We will continue to evaluate the effectiveness of internal controls and procedures on an ongoing basis.

PART II – OTHER INFORMATION

ITEM 1. 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 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 1A. RISK FACTORS.

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. We have filed a registration statement on Form S-1 under the Securities Act of 1933, as amended, that was declared effective on May 4, 2016 and readers of this report should refer to and read the section on "Risk Factors" in such Form S-1 for important information relating to our company, our industry, our securities and the offering of our securities that is the subject of such Form S-1.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On June 30, 2017, the Company entered into an Agreement and Note by certain institutional investorsAlpha 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).

During the six months ended June 30, 2017, the Company issued 730,000 restricted common shares for services of $87,100 (based on our stock price on the date of grant).

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

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 $0.30 per share, 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 three and six months ended June 30, 2017 (Successor).

ITEM 4. MINE SAFETY DISCLOSURE.

Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States are required to disclose in their periodic reports filed with the SEC information regarding specified health and safety violations, orders and citations, related assessments and legal actions, and mining-related fatalities from the Federal Mine Safety and Health Administration, or MSHA, under the Federal Mine Safety and Health Act of 1977, or the Mine Act. During the quarter ended June 30, 2017, we did not have any projects that were in production and as such, were not subject to regulation by MSHA under the Mine Act.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

The following documents are filed as a part of this report or are incorporated by reference to previous filings, if so indicated:

Exhibit No.	Description
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**	XBRL Interactive Data Files

* Filed herewith.

** In accordance with Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Reign Corporation (the "Registrant") has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

REIGN CORPORATION

Date: August 14, 2017

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

EXHIBIT 31.1

SECTION 302 CERTIFICATION

I, Joseph Segelman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Reign 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: August 14, 2017

/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 Quarterly Report of Reign Corporation (the “Company”) on Form 10-Q for the quarter ended June 30, 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

August 14, 2017