Iconic Brands, Inc. and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2014
(Unaudited)

1. ORGANIZATION AND NATURE OF BUSINESS

Iconic Brands, Inc., formerly Paw Spa, Inc. ("Iconic Brands"), was incorporated in the State of Nevada on October 21, 2005. Iconic Brands is in the process of raising funds and identifying investment opportunities in operating businesses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The consolidated financial statements have been prepared on a "going concern" basis, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, as of June 30, 2014, the Company had negative working capital of $300,606 and a stockholders' deficiency of $200,606. Further, from inception to June 30, 2014, the Company incurred losses of $11,190,023. These factors create substantial doubt as to the Company's ability to continue as a going concern. The Company plans to improve its financial condition by reorganizing and acquiring a new business. However, there is no assurance that the Company will be successful in accomplishing this objective. The consolidated financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

(b) Use of Estimates

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

(c) Principles of Consolidation

The Financial Statements include the accounts of Iconic Brands, Inc. and its wholly-owned subsidiary Iconic Imports, Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

(d) Fair Value of Financial Instruments

The Company's financial instruments consist of current portion of debt, accounts payable, accrued expenses and other current liabilities, and long term debt. Except for long term debt, the fair value of these financial instruments approximate their carrying amounts reported in the balance sheets due to their short term maturity.

(e) Cash and Cash Equivalents

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

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

The Company extended unsecured credit to its customers in the ordinary course of business but mitigated the associated risks by performing credit checks and actively pursuing past due accounts. An allowance for doubtful accounts was established and recorded based on historical experience and the aging of the related accounts receivable.

(g) Inventories

Inventories were stated at the lower of cost (first-in, first-out method) or market, with due consideration given to obsolescence and to slow moving items.

(h) Property, Plant, and Equipment, Net

Property, plant, and equipment, net, were stated at cost less accumulated depreciation. Depreciation was calculated using the straight-line method over the estimated useful lives of the respective assets.

(i) Revenue Recognition

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

(j) Shipping and Handling Costs

Shipping and handling costs were reported as selling, general and administrative expenses in the accompanying statements of operations. For the three months and six months ended June 30, 2014 and 2013, shipping and handling costs were $0 and $0, respectively.

(k) Advertising

Advertising costs were expensed as incurred and were included in selling, marketing, and promotion expense. For the three months and six months ended June 30, 2014 and 2013, advertising expenses were $0 and $0, respectively.

(l) Stock-Based Compensation

Stock-based compensation is accounted for at fair value in accordance with Accounting Standards Codification ("ASC") Topic 718, "Compensation- Stock Compensation". For the three months and six months ended June 30, 2014 and 2013, stock-based compensation totaled $0 and $0, respectively. These amounts consist of stock-based compensation given to the Company's chief executive officer.

(m) Income Taxes

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

(n) Net Income (Loss) per Share

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

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

For the three months and six months ended June 30, 2014 and 2013, diluted common shares outstanding excluded the following dilutive securities as the effect of their inclusion was anti-dilutive:

	As of	
	June 30, 2014	December 31, 2013
6% convertible notes and accrued interest	300,000	300,000
12% convertible notes and accrued interest	1,462,235	4,943,930
9% convertible note and accrued interest	-	150,000
8% convertible note and accrued interest	565,000	565,000
Warrants	13,289,684	13,609,684

Total equivalent shares of common stock	15,616,919	19,568,614

(o) Recently Issued Accounting Pronouncements

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

(p) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

3. INVESTMENT IN MMBA

The company entered into a letter of intent to merge with Medical Marijuana Business Academy LLC (MMBA). The company will acquired all of the outstanding capital stock of MMBA. The investment is recorded at cost.

4. DEBT

Debt relating to continuing operations:

Debt relating to Iconic Brands, Inc. consisted of the following at June 30, 2014 and December 31, 2013:

		March 31, 2014	December 31, 2013
Convertible promissory note, interest at 7%, due September 13, 2014, net of unamortized discount of $0 and $28,131, respectively	(A)	$ 0	$ 0
Loans payable, interest at varying rates, due on demand	(C)	51,285	439,393
Convertible promissory note, interest at 6%, due June 30, 2010	(B)	30,000	30,000
Convertible promissory notes, interest at 12%, due June 30, 2010	(B)	70,000	70,000
Convertible promissory note, interest at 8% (default rate of 22%), due February 7, 2011 (in default)	(A)	56,500	56,500
Total		207,785	595,893
Less current portion of debt		207,785	595,893
Long term debt		$ 0	$ 0

All of the $207,785 debt is past due and due on demand.

(A) The $100,000 face value of the 7% convertible note outstanding at December 31, 2013 was convertible into shares of the Company's common stock at a price of $0.50 per share. This note was discharges in bankruptcy on March 13, 2013 (Note 8). The $56,500 face value of the 8% convertible note outstanding at December 31, 2013 is convertible into shares of the Company's common stock at a variable conversion price equal to 60% of the Market Price, as defined.

(B) These promissory notes were issued to the same entity lender on April 15, 2010. The notes provide that upon an event of default that is not cured within the allotted time, the holder shall have the option to convert the outstanding principal and interest into shares of common stock at a conversion price of $0.00001 per share. The Company has defaulted on all three notes and has failed to cure the defaults within the time allotted specified in the note default provisions.

While the Company has not received any notice or indication from the lender of its intention to convert the $100,000 debt (or a portion thereof), if the lender does elect to convert the $100,000 of debt and related accrued interest at December 31, 2012 at the $0.00001 per share conversion rate it would require the Company to issue 12,769,400,000 common shares to this lender (or over 99% of the 12,823,761,412 shares of Company Common Stock outstanding after this lender's conversion). However, by virtue of his ownership of the 1 share of Series A Preferred Stock, Mr. DeCicco would retain voting control of the Company.

Also, the notes provided for the grant of a total of 1,200,000 warrants exercisable at an exercise price of $0.20 per share for 3 years. The $51,600 fair value of the warrants (valued using the Black-Scholes option pricing model and the following assumptions: stock price of $0.092 per share, exercise price of $0.20 per share, term of 3 years, risk-free interest rate of 1.62%, and expected volatility of 100%) and the remaining $45,400 intrinsic value of the beneficial conversion feature arising from the default provisions in the three promissory notes due to this lender described in the two preceding paragraphs (the total debt discounts are limited to the amount of proceeds allocated to the convertible instrument) were recorded initially as a debt discount and amortized as interest expense over the term of the notes ended June 30, 2010.

(C) In the six months ended June 30, 2014, the two entity lenders paid legal, audit and accounting, and consulting fees totaling $17,500.

In the three months and six months ended June 30, 2014 the company issued $200,000 in convertible promissory notes. $100,000 of the proceeds was used to invest in MMBA. $100,000 of the proceeds was held by MMBA attorney and used to pay operating expenses for the company. These notes were converted to common shares.

In the three months and six months ended June 30, 2014, the company entered into an agreement with Capstone Capital Group I, an accredited investor, whereas Capstone Capital Group I returned to the Company, 916,603 shares of Series B preferred stock in exchange for $5,000 and 100,000 shares of the Company's restricted common stock.

Accrued interest payable on debt relating to Iconic Brands, Inc. consisted of:

	June 30, 2014	December 31, 2013
Convertible note, interest at 6%	$ 7,655	$ 6,761
Convertible notes, interest at 12%	62,968	218,506
Convertible note, interest at 9%	-	1,184
Convertible note, interest at 8% (default rate of 22%)	46,714	40,550
Total	$ 117,337	$ 267,001

5. INCOME TAXES

No provision for income taxes was recorded in the three months and six months ended June 30, 2014 and 2013 since the Company incurred net losses in these periods.

Based on management's present assessment, the Company has not yet determined it to be more likely than not that a deferred tax asset attributable to the future utilization of the net operating loss carryforward as of June 30, 2014 and December 31, 2013 will be realized. Accordingly, the Company has maintained a 100% valuation allowance against the deferred tax asset in the consolidated financial statements at June 30, 2014 and December 31, 2013. The Company will continue to review this valuation allowance and make adjustments as appropriate.

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

6. COMMITMENTS AND CONTINGENCIES

Chief Executive Officer Employment Agreement

On January 23, 2008, the Company entered into an employment agreement with its chief executive officer Richard DeCicco. The agreement provided for a term of 5 years, commencing on January 1, 2008. The term could be extended by a written agreement of the parties. The agreement provided for annual compensation ranging from $265,000 to $350,000. In addition, if the Company entered into an agreement and further sold any brand in the Company's portfolio, Mr. DeCicco would receive 5% of such sale. Mr. DeCicco was also entitled to incentive bonus compensation, stock and/or options in accordance with Company policies established by the Board of Directors. The agreement provided for the grant of a non-qualified ten year option to purchase up to 1,000,000 shares of common stock of the Company at an exercise price which shall represent a discount to the market price. Mr. DeCicco had the right to terminate the agreement upon 60 days notice to the Company for any reason. Pursuant to the terms of the agreement, if Mr. DeCicco was absent from work because of illness or incapacity cumulatively for more than 2 months in addition to vacation time in any calendar year, the Company could terminate the agreement upon 30 days written notice. The agreement also provided that the agreement could be terminated upon 90 days notice to Mr. DeCicco if: (A) there was a sale of substantially all of the Company's assets to a single purchaser or group of associated purchasers; (B) there was a sale, exchange or disposition of 50% of the outstanding shares of the Company's outstanding stock; (C) the Company terminated its business or liquidated its assets; or (D) there was a merger or consolidation of the Company in which the Company's shareholders received less than 50% of the outstanding voting shares of the new or continuing corporation. Mr. DeCicco was entitled to severance pay in the amount of 2 years compensation and medical and other benefits in the event of a termination of the agreement under certain circumstances.

At June 30, 2014 and 2013, accrued expenses and other current liabilities of Iconic Imports, Inc. (discontinued operations) includes $0, in unpaid compensation due the Chief Executive Officer. For the six months ended June 30, 2014 and 2013, selling, general and administrative expenses of Iconic Imports, Inc. (discontinued operations) includes $0 and $0 in compensation for the Chief Executive Officer.

7. STOCK OPTIONS AND WARRANTS

A summary of stock option and warrant activity for the years ended December 31, 2012 and 2013, and for the six months ended June 30, 2014

	Stock Options	Warrants
Outstanding at December 31, 2012	1,000,000	14,159,684
Granted and Issued	-	-
Exercised	-	-
Forfeited/expired/cancelled	(1,000,000)	(550,000)
Outstanding at December 31, 2013	-	13,609,684
Granted and issued	-	-
Exercised	-	-
Forfeited/expired/cancelled	-	(320,000)
Outstanding at June 30, 2014	0	13,289,684

Stock options outstanding at December 31, 2013 consist of:

Date Granted	Number Outstanding	Number Exercisable	Exercise Price	Expiration Date
January 1, 2008	1,000,000	-	$0.10 (a)	June 30, 2013
Total	1,000,000	-		

(a) Estimated since exercise price is to be determined based on future stock price.

As of December 31, 2013, there was $0 of total unrecognized compensation cost relating to the 1,000,000 unexpired stock options granted to the Company's Chief Executive Officer Richard DeCicco pursuant to the employment agreement described in Note 6.

The aggregate intrinsic value of the 1,000,000 fully vested stock options at December 31, 2013 is $0.

Warrants outstanding at December 31, 2013 consist of:

Date Issued		Number Outstanding	Number Exercisable	Exercise Price	Expiration Date
August 11, 2008		1,000,000	1,000,000	$1.00	August 11, 2013
August 12, 2009	(A)	400,000	400,000	$1.00	August 12, 2014
August 12, 2009	(A)	533,334	533,334	$1.50	August 12, 2014
August 19, 2009		1,000,000	1,000,000	$0.01	August 19, 2014
August 19, 2009		1,000,000	1,000,000	$1.00	August 19, 2014
September 14, 2009		200,000	200,000	$1.00	September 14. 2014
September 14, 2009		200,000	200,000	$1.50	September 14. 2014
January 6, 2010		100,000	100,000	$0.22	January 4, 2015
January 13, 2010		100,000	100,000	$0.23	January 13, 2015
February 8, 2010		500,000	500,000	$1.00	February 8, 2015
February 8, 2010		500,000	500,000	$1.50	February 8, 2015
March 16,2010		2,000,000	2,000,000	$0.25	March 16,2015
April 15, 2010		1,200,000	1,200,000	$0.20	April 15, 2015
April 19, 2010		4,556,350	4,556,350	$0.20	April 14, 2015
Total		13,289,684	13,289,684		

(A) These warrants were granted to Paramount Licensing Inc. in connection with a license agreement which was terminated on February 23, 2011 (see Note 6). 933,334 (40%) of the 2,333,334 warrants vested on August 12, 2009 and August 12, 2010. The remaining 1,400,000 (60%) of the 2,333,334 warrants will now never vest and were forfeited on February 23, 2011.

8. DISCONTINUED OPERATIONS

On September 14, 2010 (see Note 1), the Company ceased operations of the Company's wholly owned subsidiary Iconic Imports. Accordingly, the assets and liabilities and operations of Iconic Imports, Inc. have been presented as discontinued operations in the accompanying consolidated financial statements for the periods presented.

On September 23, 2011, Iconic Imports, Inc. ("Imports"), a wholly owned subsidiary of Iconic Brands, Inc., filed a voluntary petition for relief under Chapter 7 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of New York. On March 28, 2013, the Company was advised by counsel that the case (Case No. 8-11-76814) was closed March 13, 2013 and that the claims scheduled were discharged.

For the three months and six months ended June 31, 2014 and 2013, loss from discontinued operations consisted of:

	June 30, 2014	June 30, 2013
Revenues	$ -	$ -
Cost of goods sold	-	-
Gross profit	-	-

Selling, general and administrative expenses	-	-
Operating income	-	-
Gain from United States Bankruptcy Court Discharge of Indebtedness	-	5,281,236
Interest expense	-	(13,138)
Loss before income tax provision	-	5,268,098
Income tax provision	-	-
Loss from discontinued operations	$ -	$ 5,268,098

The assets and liabilities of Iconic Imports at March31, 2014 and December 31, 2013 consisted of:

	June 30, 2014	December 31, 2013
Assets		
Current assets	$ -	$ -
Total assets	$ -	$ -
Liabilities		
Current portion of debt	$ -	$ -
Accounts payable	-	-
Accrued interest payable	-	-
Other accrued expenses and other current liabilities	-	-
Current liabilities	-	-
Long – term debt	-	-
Total liabilities	-	-
Net liabilities	$ -	$ -