Iconic Brands, Inc.
Notes to Financial Statements
September 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 and Going Concern

The 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 September 30, 2014, the Company had negative working capital of $696,707 and a stockholders' deficiency of $511,707. Further, as of September 30, 2014, the Company incurred accumulated losses of $11,686,352. 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 financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

The interim condensed financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles ("U.S. GAAP") have been condensed or omitted pursuant to such rules and regulations, although we believe that the disclosures made are adequate to provide for fair presentation and a reasonable understanding of the information presented.

In the opinion of management, all adjustments (which include normal recurring adjustments) necessary to present a fair statement of financial position as of September 30,2014, results of operations for the three and nine months ended September 30, 2014 and 2013, and cash flows for the three and nine months ended September 30, 2014 and 2013, as applicable, have been made. The results of operations for the nine months ended September 30, 2014 are not necessarily indicative of the operating results for the full fiscal year or any future periods.

(b) Use of Estimates

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

(c) 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.

(d) Cash and Cash Equivalents

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

(e) 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.

(f) 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.

(g) 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.

(h) 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 nine months ended September 30, 2014 and 2013, shipping and handling costs were $0 and $0, respectively.

(i) Advertising

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

(j) Stock-Based Compensation

Stock-based compensation is accounted for at fair value in accordance with Accounting Standards Codification ("ASC") Topic 718, "Compensation- Stock Compensation". For the three months and nine months ended September 30, 2014 and 2013, stock-based compensation totaled $0 and $0, respectively.

(k) Income Taxes

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

(l) Net Income (Loss) per Share

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

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.

3. 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.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is the new, comprehensive revenue recognition standard that will supersede all existing revenue recognition guidance under GAAP. The

standard's core principle is that a company will recognize revenue when it transfers promised goods or services to a customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This ASU is effective for annual and interim periods beginning on or after December 15, 2016, and early adoption is not permitted. Entities will have the option of using either a full retrospective approach or a modified approach to adopt the guidance in the ASU. The Company currently has no revenues and does not expect any impact of adopting this guidance.

In June 2014 Accounting Standards Update 2014-10 removed the definition of a development stage entity from the Master Glossary of the Accounting Standards Codification, thereby removing the financial reporting distinction between development stage entities and other reporting entities from U.S. GAAP. In addition, the amendments eliminate the requirements for development stage entities to (1) present inception-to-date information in the statements of income, cash flows, and shareholder equity, (2) label the financial statements as those of a development stage entity, (3) disclose a description of the development stage activities in which the entity is engaged, and (4) disclose in the first year in which the entity is no longer a development stage entity that in prior years it had been in the development stage. This ASU is effective for annual reporting periods beginning after December 15, 2014, and interim periods therein. Early adoption is permitted. The Company adopted this ASU effective June 30, 2014.

In June 2014, the FASB issued ASU 2014-12, "Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could be Achieved after the Requisite Service Period." This ASU provides more explicit guidance for treating share-based payment awards that require a specific performance target that affects vesting and that could be achieved after the requisite service period as a performance condition. The new guidance is effective for annual and interim reporting periods beginning after December 15, 2015. The Company does not expect the adoption of this guidance to have a material impact on the financial statements.

In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements – Going Concern (Topic 205-40)", which requires management to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern for each annual and interim reporting period. If substantial doubt exists, additional disclosure is required. This new standard will be effective for the Company for annual and interim periods beginning after December 15, 2016. Early adoption is permitted. The Company expects to adopt this new standard for the fiscal year ending December 31, 2015 and the Company will continue to assess the impact on its financial statements.

4. INVESTMENT IN MMBA

The company entered into a letter of intent to merge with Medical Marijuana Business Academy LLC (MMBA). Pursuant to the merger, the Company will acquire all of the outstanding capital stock of MMBA in exchange for shares of the Company common stock representing not less than 60% of the Company stock together with all the Company's Preferred Stock.

As part of the agreement, financing in the amount of $125,000 is required to be funded by the Company. If the merger does not take effect, it is agreed by the Company that the financing is non-refundable.

In addition 60 million shares were issued in connection with the investment.

The investment is recorded at cost.

5. STOCKHOLDERS EQUITY

Stock split:

In the quarter ended March 31, 2014 the Company initiated a 10:1 reverse common stock split in connection with a merger agreement with MMBA. See Note 4. The accompanying financial statements have been adjusted to retroactively reflect the stock split.

6. DEBT

Debt relating to continuing operations:

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

		September 30, 2014	December 31, 2013
Loans payable, interest at varying rates, due on demand	(C)	$ 548,952	$ 439,393
Convertible promissory note, interest at 6%, due September 30, 2010	(B)	-	30,000
Convertible promissory notes, interest at 12%, due September 30, 2010	(B)	71,273	70,000
Convertible promissory note, interest at 8% (default rate of 22%), due February 7, 2011 (in default)	(A)	-	56,500
Total		620,225	595,893
Less current portion of debt		620,225	595,893
Long term debt		$ 0	$ 0

(A) In the quarter ended September 30, 2014 the balance of the note of $56,500 was purchased by Sable Ridge Special Equity Fund LP and per the terms of a settlement agreement, the note was to be settled by a transfer of 8 million shares of the Company's common stock.

(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.

The $100,000 notes including accrued interest were settled in the amount of $140,000 of which $68,727 were converted into common stock during the quarter ended September 30, 2014.

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

In the three months and nine months ended September 30, 2014 the company issued $200,000 in convertible promissory notes. $125,000 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 nine months ended September 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.

Included in the balance of $548,952 is note in the amount of $10,000 due to Durham Property Management Inc. at a rate of 12% which expired on November 11, 2013.

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

	September 30, 2014	December 31, 2013
Convertible note, interest at 6%	$ 4,003	$ 6,761
Convertible notes, interest at 12%	72,356	218,506

Convertible note, interest at 9%	-	1,184
Convertible note, interest at 8% (default rate of 22%)	-	40,550
Total	$ 76,359	$ 267,001

7. INCOME TAXES

No provision for income taxes was recorded in the three months and nine months ended September 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 September 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 financial statements at September 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.

8. 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 September 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 nine months ended September 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.

9. STOCK OPTIONS AND WARRANTS

A summary of stock option and warrant activity for the year ended December 31, 2013, and for the nine months ended September 30, 2014

	Stock Options	Warrants
Outstanding at December 31, 2013	-	13,609,684

Granted and issued	-	-
Exercised	-	-
Forfeited/expired/cancelled	-	(4,653,334)
Outstanding at September 30, 2014	0	8,956,350

Warrants outstanding at September 30, 2014 consist of:

Date Issued	Number Outstanding	Number Exercisable	Exercise Price	Expiration Date
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	8,956,350	8,956,350		

10. DISCONTINUED OPERATIONS

On September 14, 2010, 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 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. As a result of the bankruptcy the financial statements are no longer consolidated.

For the three months and nine months ended September 30, 2014 and 2013, loss from discontinued operations consisted of:

	September 30, 2014	September 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 September 30, 2014 and December 31, 2013 consisted of:

	September 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	$ -	$ -