Iconic Brands, Inc.
Notes to Financial Statements
December 31, 2014

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 December 31, 2014, the Company had negative working capital of $716,204 and a stockholders' deficiency of $531,204. Furthermore as of December 31, 2014, the Company incurred accumulated losses of $11,705,849.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.

(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

Generally accepted accounting principles require disclosing the fair value of financial instruments to the extent practicable for financial instruments which are recognized or unrecognized in the balance sheet. The fair value of the financial instruments disclosed herein is not necessarily representative of the amount that could be realized or settled, nor does the fair value amount consider the tax consequences of realization or settlement.

In assessing the fair value of financial instruments, the Company uses a variety of methods and assumptions, which are based on estimates of market conditions and risks existing at the time. For certain instruments, including cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses, it was estimated that the carrying amount approximated fair value because of the short maturities of these instruments. All debt is based on current rates at which the Company could borrow funds with similar remaining maturities and approximates fair value.

(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 December 31, 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 December 31, 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 December 31, 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.

(m) Reclassifications

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

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.

Subsequent to December 31, 2014, MMBA did not comply with the terms of the merger agreement and the Company considered the agreement null and void. Per unwind agreement dated April 9,2015, MMBA agreed to refund the $125,000 by way of a promissory note at 1 percent payable over ten years commencing June 5,2015 It was also agreed that shares issued in connection with the merger be returned to the Company.

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 December 31, 2014 and December 31, 2013:

		December 31, 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 December 31, 2010	(B)	-	30,000
Convertible promissory notes, interest at 12%, due December 31, 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 year ended December 31, 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 year ended December31, 2014.

(C) In the year ended December 31, 2014, the two entity lenders paid legal, audit and accounting, and consulting fees totaling $17,500.

In the year ended December 31, 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 year ended December 31, 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:

	December 31, 2014	December 31, 2013
Convertible note, interest at 6%	$ 4,003	$ 6,761
Convertible notes, interest at 12%	72,355	218,506
Convertible note, interest at 9%	-	1,184

Convertible note, interest at 8% (default rate of 22%)		-		40,550
Total	$	76,358	$	267,001

7. INCOME TAXES

No provision for income taxes was recorded in the three months and nine months ended December 31, 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 December 31, 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 December 31, 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 December 31, 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 December 31, 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 years ended December 31, 2013, and December 31, 2014.

Stock

	Options	Warrants
Outstanding at December 31, 2013	-	13.609;684
Granted and issued	-	-
Exercised	-	-
Forfeited/expired/cancelled	-	(4,653,334)
Outstanding at December 31, 2014	0	8,956,350

Warrants outstanding at December 31, 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. FAIR VALUR MEASUREMENT OF DERIVATIVE LIABILITY

The Company evaluates all of it financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported as charges or credits to income. For option-based derivative financial instruments, the Company uses the Black-Scholes option-pricing model to value the derivative instruments at inception and subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period.

Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

On October 10, 2014 the Company entered into a convertible note agreement with Sable Ridge Special Equity Fund LP in the amount of $10,000. The note bears an interest rate of 10% per annum. All outstanding principal and interest is due and payable on October 9, 2015. The note is convertible into shares of common stock.

The company identified embedded derivatives related to the Convertible Promissory Note entered into on October 10, 2014. These embedded derivatives included certain conversion features. The accounting treatment of derivative financial instruments requires that the company record the fair value of the derivatives as of the inception date of the Convertible Promissory Note and to adjust the fair value as of each subsequent balance sheet date. Under ASC-815, the conversion options embedded in the note payable require derivate liability classification because they do not contain an explicit limit to the number of shares that could be issued upon settlement.

As defined in FASB ASC 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Company utilized the market data of similar entities in its industry or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. The Company classifies fair value balances based on the observability of those inputs. FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

The three levels of the fair value hierarchy are as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of financial instruments such as exchange-traded derivatives, marketable securities and listed equities.

Level 2 - Pricing inputs are other than quoted prices in active markets included in level 1, which are either directly or indirectly observable as of the reported date.

Level 3 - Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

Derivative liability — the Company's derivative liability is classified within Level 3 of the fair value hierarchy.

The Company uses the Black-Scholes Option Pricing Model to value its option based derivatives based upon the following assumptions: share conversion price $0.02 expected volatility of 100%, risk free interest rate at 0.20% annually and an expected term equal to the remaining term of the note.

The following table sets forth by level within the fair value hierarchy the Company's financial assets and liabilities that were accounted for at fair value as at December 31, 2014

Recurring Fair Value Measurements	**Level 1**	**Level 2**	**Level 3**	**Total**
Liabilities:				
Derivative liability – December 31, 2014	$ -	$ -	$ 21,000	$ 21,000

11. CONVERTIBLE NOTE PAYABLE

At December 31, 2014, convertible notes payable consisted of:

Date of Note	Noteholder	Interest Rate	Maturity date	Principal Amount	Unamortized Debt Discount	Net Carrying Amount
10/10/14	Sable Ridge Special Equity Fund LP	10%	10/09/15	$ 10,000	$7,753	$2,247

12. 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 December 31, 2014 and 2013, loss from discontinued operations consisted of:

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

	December 31, 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	$ -	$ -