ICONIC BRANDS, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2015
(unaudited)

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No assurance is provided

Iconic Brands, Inc.
Balance Sheets
(unaudited)

	As of December 31, 2015	As of December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 5,796	$ -
Inventory	66,519	-
Escrow held by attorney	-	10,000
Total current assets	72,315	10,000
Other Assets:		
Note Receivable - MMB	125,000	-
Investments	1,001	185,000
Total assets	$ 198,316	$ 195,000
Liabilities and Stockholders' Deficiency		
Current liabilities:		
Accounts payable and accrued expenses	$ 16,400	$ 6,250
Due to officer	-	124
Accrued interest payable	161,238	76,358
Notes payable -current	643,610	622,472
Other current liabilities	55,000	21,000
Total current liabilities	876,248	726,204
Other Liabilities:		
Notes payable - non-current	496,252	-
Total liabilities	1,372,500	726,204
Stockholders' deficiency:		
Preferred stock, $.001 par value; authorized 100,000,000 shares, Series A, 1 and 1 share, issued and outstanding, respectively	1	1
Preferred stock, $.001 par value; authorized 1,000 shares, Series C, 1,000 and 0 shares, issued and outstanding, respectively	1	-
Common stock, $.001 par value; authorized 2,500,000,000 shares, 125,500,013,and 87,764,750 shares, issues and outstanding respectively	125,500	87,765
Additional paid-in capital	11,187,424	11,086,879
Accumulated deficit	(12,487,110)	(11,705,849)
Total stockholders' deficiency	(1,174,184)	(531,204)
Total liabilities and stockholders' deficiency	$ 198,316	$ 195,000

No assurance is provided

The accompanying notes are an integral part of these financial statements

Iconic Brands, Inc.
Statements of Operations
(unaudited)

	Years Ended December 31,	
	2015	2014
Sales	$ 82,502	$ -
Cost of Sales	57,830	-
Gross Profit	24,672	-
Operating expenses:		
Marketing and advertising	83,398	-
Occupancy costs	37,919	15,480
Professional fees	59,998	31,750
Travel and entertainment	57,839	-
Other general and administrative expenses	161,114	4,059
Total operating expenses	400,267	51,289
Loss from operations	(375,595)	(51,289)
Non-operating income (expense):		
Gain on extinguishment of debt	-	53,143
Loss on investment	(60,000)	
Reorganization and restructuring advisory fees	(240,000)	
Interest expense	(105,666)	(38,892)
Net loss	$ (781,261)	$ (37,038)
Net loss per common share - basic:	$ (0.008)	$ (0.001)
Weighted average number of common shares outstanding	96,031,617	48,976,703

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Iconic Brands, Inc.
Statements of Cash Flows
(unaudited)

	Years Ended December 31, 2015	2014
Cash flows from operating activities		
Net loss	$ (781,261)	$ (37,038)
Adjustments to reconcile net income to net cash used in operating activities:		
Impairment loss on investment	60,000	
Advisory fees paid from debt issuance	240,000	
Amortization of debt discounts charged to interest expense	7,763	2,247
Interest expense on derivative liability	(8,500)	11,000
Professional fees paid by lender on behalf of the Company	8,600	
Income from extinguishment of notes payable		(2,932)
Income from extinguishment of accrued interest		(50,211)
Changes in operating assets and liabilities:		
Escrow held by attorney	10,000	(10,000)
Inventory	(66,519)	
Accounts payable and accrued expenses	10,150	(10,250)
Accrued interest payable	84,880	
Other current liabilities	55,807	25,645
Net cash provided by (used in) operating activities	(379,080)	(71,539)
Cash flows from financing activities:		
Proceeds from convertible debt	385,000	227,500
Repayment of debt		(31,085)
Loan from officer	(124)	124
Net cash provided by (used in) financing activities	384,876	196,539
Cash flows from investing activities:		
Cash paid for investment in MMBA		(125,000)
Net cash provided by (used in) investing activities	-	(125,000)
Increase (Decrease) in cash and cash equivalents	5,796	-
Cash and cash equivalents, beginning of year	-	-
Cash and cash equivalents, end of year	$ 5,796	$ -
Supplemental disclosures of cash flow information:		
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -

No assurance is provided

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Iconic Brands, Inc.
Statements of Changes in Stockholders' Deficiency
Years ended December 31, 2015 and 2014
(unaudited)

	Series A Preferred Stock, $.001 par		Series C Preferred Stock, $.001 par		Common Stock, $.001 par		Additional Paid-In	Accumulated	
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Total
Balance at January 1, 2014	1	$1	-	$ -	4,955,418	$4,956	$8,951,255	($11,668,811)	($2,712,599)
Shares issued for investment					60,000,000	60,000	-		60,000
Shares conversions- note payable -Durham					10,573,332	10,573	58,154		68,727
Shares conversions- note payable -Asher					8,000,000	8,000	48,500		56,500
ASC settlement conversion					2,036,000	2,036	97,964		100,000
Shares issued -Mindshare					100,000	100	4,900		5,000
Shares conversions- note payable Ezra Dweck					500,000	500	24,500		25,000
Shares issued Azrak					1,500,000	1,500	73,500		75,000
Shares issued -Amnicor					100,000	100	1,828,106		1,828,206
Net loss								(37,038)	(37,038)
Balance at December 31, 2014	1	1	-	-	87,764,750	87,765	11,086,879	(11,705,849)	(531,204)
Issuance of Series C Preferred Shares			1,000	1					1
Share Conversions- Note payable - Southridge					27,146,593	27,146	46,506		73,652
Settlement Conversion - EMA					9,000,000	9,000	49,500		58,500
Share Conversions- Note payable - Alpha					5,588,670	5,589	539		6,128
Net loss								(781,261)	(781,261)
Prior period adjustment					(4,000,000)	(4,000)	4,000		-
Balance at December 31, 2015	1	$ 1	1,000	$ 1	125,500,013	$ 125,500	$ 11,187,424	$ (12,487,110)	$ (1,174,184)

No assurance is provided
The accompanying notes are an integral part of these financial statements

1. ORGANIZATION AND NATURE OF BUSINESS

Iconic Brands, Inc., formerly Paw Spa, Inc. ("Iconic Brands" or the "Company"), 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 are prepared on a "going concern" basis, which contemplates the realization of assets and liabilities in the normal course of business; however, there is substantial doubt as to the Company's ability to continue as a going concern.

As of December 31, 2015, the Company had negative working capital of $803,933 and a stockholders' deficiency of $1,174,184. The Company also incurred a net loss of $781,261 for the year ended December 31, 2015 and has accumulated losses of $12,487,110 as of December 31, 2015. 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 its objectives. 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 carried at face value.

(d) Cash and Cash Equivalents

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

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

The Company extends unsecured credit to customers in the ordinary course of business but mitigates risk by performing credit checks and by actively pursuing past due accounts. The allowance for doubtful accounts is based on customer historical experience and the aging of the related accounts receivable.

(f) 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.

(g) Shipping and Handling Costs

Shipping and handling costs to deliver product to customers are reported as general and administrative expenses in the accompanying statements of operations. Shipping and handling costs to purchase inventory are capitalized and expensed to cost of sales when revenue is recognized on the sale of product to customers.

(h) 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 years ended December 31, 2015 and 2014, stock-based compensation totaled $0 and $0, respectively.

(i) 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.

(j) 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 of the financial statements.

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. Diluted net income (loss) per common share was not computed.

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 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, 2016.

4. INVESTMENTS

a. Investment in and unwinding of Medical Marijuana Business Academy, LLC

On September 10, 2014, the "Company entered into a Share Exchange Agreement (the "Agreement") and merger with Medical Marijuana Business Academy, LLC, a company

organized pursuant to the laws of the State of Colorado ("MMBA"), and MJ Business Academy, Inc., a Nevada corporation and a wholly-owned subsidiary of the Company ("Merger Sub"), pursuant to which, on September 10, 2014, MMBA merged with and into Merger Sub, with Merger Sub continuing as the surviving entity that succeeded to all of the assets, liabilities and operations of MMBA and whereby MMBA effectively became our wholly-owned operating subsidiary (the "Merger").

At the effective time of the Merger, the outstanding membership interest units of MMBA, held by Phillip Stark and Charles Houghton, were exchanged for a total of 60,000,000 newly issued shares of the Company's common stock as consideration for the Merger, and as such, Mr. Stark and Mr. Houghton, as the sole members of MMBA, held a controlling voting interest in the Company's outstanding common stock. At Closing, the Company's former CEO, Richard DeCicco, also transferred his One (1) Share of Series A Preferred Stock to Mr. Stark and Mr. Houghton, giving them control of the Company's preferred stock, as well.

The Agreement contained customary terms and conditions for agreements of this type, including completion of due diligence by the parties and approval of the Merger by MMBA members. At the effective time of the Merger, MMBA's current officers and directors were appointed as officers and directors of the Company. The Merger became effective on September 10, 2014.

Effective on April 9, 2015, the Company, MMBA and Merger Sub entered into an Unwind Agreement (the "Unwind Agreement") whereby Mr. Houghton and Mr. Stark agreed to transfer their 60,000,000 shares of the Company's common stock, and to return the One (1) Share of Series A Preferred Stock to Mr. DeCicco, in exchange for the unwinding of the merger, and a return to Mr. Houghton and Mr. Stark of all of the membership interest units in MMBA. MMJBA, LLC agrees to repay the $125,000.00 non-refundable investment to the Company by way of a promissory note, bearing one percent (1%) percent interest, payable over ten (10) years at the rate of $1,095.05 per month, commencing June 5, 2015. The Company wrote-off the remaining balance of the investment in MBBA of $60,000

At the Closing of the Unwind Agreement on April 23, 2015, Richard DeCicco was appointed President and Director of the Company and Merger Sub. Following Mr. DeCicco's appointment, Mr. Stark and Mr. Houghton resigned all officer and director positions in both the Company and Merger Sub, and Mr. DeCicco remains as sole officer and director of Iconic Brands, Inc. and MJ Business Academy, Inc.

As of the Closing of the Unwind Agreement, neither the Company, nor Merger Sub holds any right, title or interest in or to any of the assets of Medical Marijuana Business Academy, LLC. MMBA is a private entity once again owed solely by its Managing Members, Phillip Stark and Charles Houghton.

For additional information, see Form 8-K and attachments filed on May 21, 2015.

b. Investment in BiVi LLC

On May 15, 2015, the Company entered into a Securities Exchange Agreement, by and among the members of BiVi LLC, a Nevada limited liability company ("BiVi") under which the Company is to acquire a 51% majority interest in BiVi in exchange for the issuance (a) 1,000,000 shares of restricted common stock and (b) 1,000 shares of newly created Series C Convertible Preferred Stock.

Under the terms of the Securities Exchange Agreement, the Company shall provide working capital, from time to time, of up to $750,000.00 pursuant to a Working Capital Facility, which shall be repaid by BiVi from working capital generated from BiVi's operations. Provided that, in the event that the Company fails to provide working capital of at least $40,000 per month, and such failure shall continue for a period of sixty (60) calendar days thereafter ("Cure Period") then BiVi may, at its option, by written notice to the Company, declare a default. In the event of such default, the Company shall surrender the Majority Interest back to BiVi for retirement and the Holders of the Series C Preferred Stock shall surrender all outstanding shares back to Iconic for retirement ("BiVi Unwind"). In the event of the BiVi Unwind, BiVi shall issue a 5% promissory note to the Company ("Promissory Note") with a principal amount equal to the then outstanding unpaid balance of the Working Capital Facility advanced to BiVi prior to the Unwind, payable upon the acquisition of the majority of the outstanding stock or assets of BiVi, including but not limited to the BiVi Brand of products, by a third party, but in no event later than 36 months from issuance ("Maturity Date").

BiVi is beneficially owned and controlled by Richard DeCicco, the majority shareholder, President, CEO and Director of Iconic Brands, Inc.

5. STOCKHOLDERS EQUITY

a. Stock split:

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

b. Increase in Common Stock Authorized:

On May 11, 2015, the Company approved an amendment to the Company's charter to increase the total number of authorized shares of the Company's common stock from 100,000,000 to 2,500,000,000 shares, $0.001 par value per share. The charter amendment became effective on May 15, 2015 upon filing with, and acceptance for record by, the Nevada Secretary of State. No change was made to the number of authorized shares of the Company's preferred stock, which remains 100,000,000 at $0.001 par value per share.

c. New Class of Preferred Shares

On May 15, 2015, the Company approved the creation of a new class of preferred stock in order to facilitate the Closing of the Securities Exchange Agreement with BiVi. Under Section 2 of the Certificate of Designation, the holders of Series C Preferred Stock have preferential rights in comparison to holders of the Company's common stock. Upon any Sale, as defined in the Certificate of Designation, the holders of the Series C Preferred Stock, in aggregate, shall be entitled to receive out of the proceeds of such Sale (in whatever form, be it cash, securities, or other assets), a distribution from the Company equal to Seventy Six and Ninety Three One Hundredths percent (76.93%) of all such proceeds received by the Company prior to any distribution of such proceeds to all other classes of equity securities, including any series of preferred stock designated subsequent to this Series C Preferred Stock.

d. Amendment of Stock Conversion Exercise Price on Promissory Notes:

On May 12, 2015, The Holder and the Company amended certain provisions of the promissory notes. The new provisions allow the notes including all accrued interest thereon to be convertible into shares of the Company's common stock at a conversion price equal to the lesser of (i) $0.01 or (ii) fifty percent (50%) of the lowest Closing Bid Price of the Common Stock for the thirty (30) Trading days preceding the Conversion Date, as reported by Bloomberg LP. Two holders of promissory notes have elected to exercise their rights to convert part of the principal plus accrued interest and associated fees to common stock of the Company in the table below.

Additionally, Equity Markets Advisory, Inc., pursuant to the terms of a settlement agreement elected to convert a portion of the compromised amount into shares of common stock of the Company based on a conversion price of $.0065 per share. See table below.

Counterparty	# of Shares	Conversion Amount
Southridge Partners II LP	5,197,119	$45,474.79
Southridge Partners II LP	6,584,656	16,462
Southridge Partners II LP	5,059,180	2,530
Southridge Partners II LP	4,779,538	3,107
Southridge Partners II LP	5,526,100	6,079
	27,146,593	73,651
Alpha Capital Anstalt	5,588,670	6,127
Equity Markets Advisory, Inc.	9,000,000	58,500
	41,735,263	$ 138,278

6. DEBT

Debt relating to Iconic Brands, Inc. consisted of the following at December 31, 2015 and 2014:

Description of Notes		As of December 31, 2015	2014
Loans payable, interest at 12%, due 12/31/2017	(A)	$496,252	$548,952
Convertible promissory notes, interest at 12%,	(B)	-	71,273
Convertible promissory notes, interest at 10%	(C)	643,610	2,247
Total		1,139,862	622,472
Less current portion of debt		643,610	622,472
Long term debt		$496,252	$0

(A) 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.

(B) These promissory notes were issued to the same 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) New debt for the year ended December 31, 2015 was issued for cash proceeds of $385,000, consulting services of $240,000 and repayment of invoices paid on behalf of

Company of $8,600 as shown in the table below.

CounterParty	Principal Amount as of December 31, 2015	Interest Rate	Consideration paid by Note Holder
Alpha Capital Anstalt	$ 200,000	10%	Cash
Southridge Partners II, LP	185,000	10%	Cash
Southridge Partners II, LP	240,000	10%	Consulting Services
Southridge Partners II, LP	8,600	10%	Invoices paid on behalf of Company
Sable Ridge Special Equity	10,010	10%	NA
Current Portion of Debt	$ 643,610		
Long Term Portion of Debt due 12/31/2017	$ 496,252	12%	NA

For the year ended December 31, 2015, the Company received cash proceeds of $385,000 and issued the following convertible notes:

CounterParty	Principal Amount	Interest Rate	Maturity Date
Alpha Capital Anstalt	$ 50,000	10%	5/31/2016
Alpha Capital Anstalt	50,000	10%	5/31/2016
Southridge Partners II, LP	20,000	10%	6/30/2016
Southridge Partners II, LP	10,000	10%	6/30/2016
Southridge Partners II, LP	25,000	10%	7/31/2016
Southridge Partners II, LP	30,000	10%	7/31/2016
Southridge Partners II, LP	25,000	10%	8/31/2016
Alpha Capital Anstalt	100,000	10%	6/30/2016
Southridge Partners II, LP	15,000	10%	9/30/2016
Southridge Partners II, LP	15,000	10%	11/30/2016
Southridge Partners II, LP	40,000	10%	11/30/2016
Southridge Partners II, LP	5,000	10%	12/31/2016
	$ 385,000		

For the year ended December 31, 2015, the Company was provided consulting services and billed $240,000. The Company issued the following convertible notes:

CounterParty	Principal Amount	Interest Rate	Maturity Date
Southridge Partners II, LP	$ 30,000	10%	5/31/2016
Southridge Partners II, LP	30,000	10%	5/31/2016
Southridge Partners II, LP	30,000	10%	6/30/2016
Southridge Partners II, LP	30,000	10%	7/31/2016
Southridge Partners II, LP	30,000	10%	8/31/2016
Southridge Partners II, LP	30,000	10%	9/30/2016
Southridge Partners II, LP	30,000	10%	10/31/2016
Southridge Partners II, LP	30,000	10%	11/30/2016
	$ 240,000		

7. INCOME TAXES

No income taxes were recorded in the years ended December 31, 2015 and 2014 since the Company incurred losses in both periods.

Based on management's present assessment, the Company has not yet determined that a deferred tax asset attributable to the future utilization of the net operating loss carryforward as of December 31, 2015 and December 31, 2014 will be realized. Accordingly, the Company has maintained a 100% valuation allowance against the deferred tax asset in the financial statements at December 31, 2015 and December 31, 2014. 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

a. 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.

b. Consulting Agreement with Southridge Partners II LLP

On May 12, 2015, the Company entered into a consulting agreement with Southridge to provide certain business, financial consulting and advisory services to the Company. Those services included but were not limited to current business unwind and contribution of NEWCO, Company Reorganization and capital structuring, Pro Forma models, Balance sheet optimization and debt restructuring, creating financial terms and evaluating financing proposals.

The agreement provides for a monthly consulting fee of $30,000 to Southridge. The fee may be paid in the form of mandatory convertible promissory notes, convertible into shares of common stock at Southridge's option. The mandatory convertible promissory note has a one (1) year maturity, no registration rights, and an interest rate of 10%. For the year ended December 31, 2015, the Company issued convertible promissory notes totaling $240,000 for payment of the consulting services under the agreement.

9. STOCK WARRANTS

A summary of stock warrant activity for the years ended December 31, 2014, and December 31, 2015 is as follows.

	No. of Warrants
Outstanding at December 31, 2013	13,609,684
Forfeited/expired/cancelled	(4,653,334)
Outstanding at December 31, 2014	8,956,350
Granted and issued	-
Exercised	-
Forfeited/expired/cancelled	(8,956,350)
Outstanding at December 31, 2015	-

There were no warrants outstanding as of December 31, 2015. Warrants outstanding as of December 31, 2014 consist of:

Date Issued	Number Outstanding	Number Exercisable	Exercise Price	Expiration Date
1/6/2010	100,000	100,000	$0.22	1/4/2015
1/13/2010	100,000	100,000	$0.23	1/13/2015
2/8/2010	500,000	500,000	$1.00	2/8/2015
2/8/2010	500,000	500,000	$1.50	2/8/2015
3/16/2010	2,000,000	2,000,000	$0.25	3/16/2015
4/15/2010	1,200,000	1,200,000	$0.20	4/15/2015
4/19/2010	4,556,350	4,556,350	$0.20	4/14/2015
Total	8,956,350	8,956,350		

10. FAIR VALUE 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 marked to market each reporting period, with changes in the fair value reported as charges or credits to income. For option-based financial instruments, the Company uses the Black-Scholes option-pricing model to value the option at inception and subsequent valuation dates. The classification of derivative financial 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 note agreement with Sable Ridge Special Equity Fund LP in the amount of $10,000 which had the option to be convertible into common stock. The note bears an interest rate of 10% per annum. All outstanding principal and interest is due and payable on October 9, 2015.

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 derivative 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.