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 March 31, 2016, the Company had negative working capital of $896,279 and a stockholders' deficiency of $1,266,530. The Company also incurred a net loss of $192,344 for the three months ended March 31, 2016 and has accumulated losses of $12,679,454 as of March 31, 2016. 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 three months ended March 31, 2016 and 2015, stock-based compensation totaled $0.

(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, 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. <u>Investment in BiVi LLC</u>

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

e. Conversion of Debt to Common Shares

New debt for the three months ended March 31,2016 was issued for cash proceeds of $100,000 and subsequently converted to common shares. The Company converted $100,000 in debt to 111,893,388 shares of common stock in the three months ended March 31, 2016.

6. DEBT

Debt relating to Iconic Brands, Inc. consisted of the following at :

Description of Notes		March 31, 2016	December 31, 2015
Loans payable, interest at 12%, due 12/31/2017	(A)	$496,252	$496,252
		-	
Convertible promissory notes, interest at 10%	(B)	643,610	643,610
Total		1,139,862	1,139,862
Less current portion of debt		643,610	643,610
Long term debt		$496,252	$496,252

(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) New debt for the three months ended March 31,2016 was issued for cash proceeds of $100,000 and subsequently converted to common shares. (See footnote **5e)**. 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 three months ended March 31, 2016 and 2015 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 March 31, 2016 and 2015 will be realized. Accordingly, the Company has maintained a 100% valuation allowance against the deferred tax asset in the financial statements at March 31, 2016 and 2015. 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 and 3,000,000 warrants 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. The

warrants have an initial exercise price of $.01, an initial exercise date of May 13, 2015 and a term of seven (7) years.

9. STOCK WARRANTS

A summary of stock warrant activity for the year ended December 31, 2015 and three months ended March 31, 2016, are as follows.

	No. of Warrants
Outstanding at December 31, 2014	8,956,350
Granted and issued	3,000,000
Exercised	-
Forfeited/expired/cancelled	(8,956,350)
Outstanding at December 31, 2015	3,000,000
Outstanding at March 31, 2016	3,000,000

Warrant outstanding as of March 31, 2016 consists of:

Date Issued	Number Outstanding	Number Exercisable	Initial Exercise Price	Expiration Date
5/13/2015	3,000,000	3,000,000	$0.01	5/12/2022

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.