

Iconic Brands, Inc.
Form 10-Q
August 19, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT UNDER TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

FOR THE QUARTERLY PERIOD ENDED June 30, 2009

OR
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

Commission file number 000-53162

ICONIC BRANDS, INC.
(Exact name of registrant as specified in its charter)

NEVADA
(State or other jurisdiction of incorporation or organization)

1174 Route 109
Lindenhurst, New York 11757
(Address of principal executive offices, including zip code.)

(631) 991-3174
(Registrant's telephone number, including area code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the last 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," "non-accelerated filer,"

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and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	<input type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
		Smaller Reporting	
Non-accelerated Filer	<input type="checkbox"/>	Company	<input checked="" type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes
o No ☒

State the number of shares outstanding of each of the issuer’s classes of common equity, as of the latest practicable date: 42,310,301 as of August 19, 2009

ICONIC BRANDS INC.

FORM 10-Q

June 30, 2009

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Part I Financial Information

ITEM 1. FINANCIAL STATEMENTS.

Iconic Brands, Inc. and Subsidiary
Consolidated Balance Sheets

	June 30, 2009 (Unaudited)	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,155	\$ 10,970
Accounts receivable, net of allowance for doubtful accounts of \$ 35,000 and \$ 35,000, respectively	188,361	484,164
Inventories	591,193	738,507
Prepaid expenses and other current assets	169,842	595,769
Total current assets	950,551	1,829,410
Property, plant and equipment, net	9,906	6,294
Restricted cash and cash equivalents	75,000	100,000
Total assets	\$ 1,035,457	\$ 1,935,704
Liabilities and Stockholders' Equity (Deficiency)		
Current liabilities:		
Current portion of debt	\$ 674,776	\$ 4,422,393
Accounts payable	1,361,523	1,481,916
Accrued expenses and other current liabilities	1,235,901	938,494
Total current liabilities	3,272,200	6,842,803
Long term debt	1,770,747	2,292,380
Total liabilities	5,042,947	9,135,183
Stockholders' equity (deficiency):		
Preferred stock, \$.00001 par value; authorized 100,000,000 shares:		
Series A, designated 1 share, issued, and outstanding	1	-
1 and 0 shares, respectively		

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Series B, \$2.00 per share stated value;
designated

1,000,000 shares, issued and outstanding			
916,603 and 0 shares, respectively	1,833,206		-
Common stock, \$.00001 par value; authorized 100,000,000			
shares, issued and outstanding			
42,310,301			
and 24,909 shares, respectively	423		-
Additional paid-in capital	6,365,757		1,278,656
Retained earnings (deficit)	(12,206,877)		(8,478,135)
Total stockholders' equity (deficiency)	(4,007,490)		(7,199,479)
Total liabilities and stockholders' equity			
(deficiency)	\$ 1,035,457	\$	1,935,704

See notes to consolidated financial statements.

Iconic Brands, Inc. and Subsidiary
Consolidated Statements of Operations
(Unaudited)

	Six Months Ended June 30, 2009 (Unaudited)		Three Months Ended June 30, 2009 (Unaudited)	
	2008 (Unaudited)		2008 (Unaudited)	
Sales	\$ 336,170	\$ 806,041	\$ 252,233	\$ 293,993
Cost of goods sold	228,371	649,969	163,010	232,928
Gross profit	107,799	156,072	89,223	61,065
Selling, general and administrative expenses:				
Selling, marketing and promotion	123,795	240,024	31,370	172,324
Administrative compensation and benefits	606,498	568,636	425,154	342,012
Stock-based compensation issued in connection with merger	2,063,411	-	2,063,411	-
Professional fees	288,518	187,549	139,368	117,435
Occupancy and warehousing	101,208	139,183	24,646	71,286
Travel and entertainment	36,237	191,144	11,187	174,383
Office	19,776	63,608	7,261	57,873
Licenses and permits	1,670	31,790	400	25,770
Other	23,220	15,064	18,014	9,836
Total	3,264,333	1,436,998	2,720,811	970,919
Income (loss) from operations	(3,156,534)	(1,280,926)	(2,631,588)	(909,854)
Interest expense	(572,208)	(584,251)	(373,936)	(267,335)
Income (loss) before income taxes	(3,728,742)	(1,865,177)	(3,005,524)	(1,177,189)
Income taxes	-	-	-	-
Net income (loss)	\$ (3,728,742)	\$ (1,865,177)	\$ (3,005,524)	\$ (1,177,189)
Net income (loss) per common share - basic and diluted	\$ (0.76)	\$ (110.50)	\$ (0.31)	\$ (69.02)
Weighted average number of common shares outstanding - basic and diluted	4,930,669	16,879	9,782,833	17,057

See notes to consolidated financial statements.

Iconic Brands, Inc. and Subsidiary
Consolidated Statement of Changes in Stockholders' Equity (Deficiency)
(Unaudited)

	Series A Preferred Stock, \$0.00001 par value		Series B Preferred Stock, \$2.00 stated value		Common Stock, \$0.00001 par value		Additional Paid-in Capital	Retained Earnings (Deficit)	Total
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance, December 31, 2008	-	\$ -	-	\$ -	24,909	\$ -	\$ 1,278,656	\$ (8,478,135)	\$ (7,199,479)
Equity investment	-	-	-	-	-	-	100,000	-	100,000
Issuance of stock to management and employees on June 10, 2009	1	1	-	-	19,634,112	196	2,063,214	-	2,063,411
Issuance of stock to Danny DeVito and affiliates on June 10, 2009	-	-	-	-	2,086,973	21	208,676	-	208,697
Issuance of stock to Noteholders in satisfaction of debt and accrued interest	-	-	-	-	4,406,307	44	2,203,110	-	2,203,154
Issuance of stock to Capstone in connection with Termination Agreement	-	-	916,603	1,833,206	1,000,000	10	499,990	-	2,333,206
Acquisition of Harbrew	-	-	-	-	15,158,000	152	(152)	-	-

Imports, Ltd.

Stock options
and warrants
compensation

expense	-	-	-	-	-	-	12,263	-	12,263
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Net loss	-	-	-	-	-	-	-	(3,728,742)	(3,728,742)
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Balance, June

30, 2009	1	\$ 1	916,603	\$ 1,833,206	42,310,301	\$ 423	\$ 6,365,757	\$ (12,206,877)	\$ (4,007,490)
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See notes to consolidated financial statements.

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Iconic Brands, Inc. and Subsidiary
Consolidated Statements of Cash Flows
(Unaudited)

	2009	Six Months Ended June 30,	2008
Cash flows from operating activities:			
Net income (loss)	\$ (3,728,742)	\$	(1,865,177)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation	1,530		700
Amortization of debt discounts charged to interest expense	284,177		38,990
Stock-based compensation	2,462,892		100,046
Changes in operating assets and liabilities:			
Accounts receivable, net	295,803		343,243
Inventories	147,314		454,864
Prepaid expenses and other current assets	247,406		7,692
Restricted cash and cash equivalents	25,000		-
Accounts payable	(120,393)		250,685
Accrued expenses and other current liabilities	474,936		319,518
Net cash provided by (used in) operating activities	89,923		(349,439)
Cash flows from investing activities:			
Property, plant and equipment additions	(5,142)		-
Cash flows from financing activities:			
Increases in debt, net	-		319,884
Repayment of debt	(194,596)		(13,927)
Equity investment	100,000		-
Net cash provided by (used in) financing activities	(94,596)		305,957
Increase (decrease) in cash and cash equivalents	(9,815)		(43,482)
Cash and cash equivalents, beginning of period	10,970		43,664
Cash and cash equivalents, end of period	\$ 1,155	\$	182
Supplemental disclosures of cash flow information:			

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Interest paid	\$	231,621	\$	501,959
Income taxes paid	\$	-	\$	-
Non-cash financing activities:				
Shares of common stock issued to noteholders in satisfaction of debt and accrued interest	\$	2,203,154	\$	-
Securities issued to Capstone in connection with Termination Agreement and satisfaction of debt:				
Unsecured promissory note	\$	500,000	\$	-
Series B preferred stock		1,833,205		-
Common stock		500,000		-
Total	\$	2,833,205	\$	-

See notes to consolidated financial statements.

Iconic Brands, Inc. and Subsidiary
Notes to Consolidated Financial Statements
(Information as of and for the Six Months Ended June 30, 2009 and 2008 is Unaudited)

1. ORGANIZATION AND NATURE OF BUSINESS

Iconic Brands was incorporated in the State of Nevada on October 21, 2005. Our plan was to provide mobile grooming and spa services for cats and dogs. Our services were going to include bathing, hair cutting and styling, brushing/combing, flea and tick treatments, nail maintenance and beautification, ear cleaning, teeth cleaning, hot oil treatments, and massage. We did not have any business operations and failed to generate any revenues. We abandoned this business, as we lacked sufficient capital resources. On June 10, 2009, the Company acquired Harbrew Imports, Ltd. ("Harbrew New York"), a New York corporation incorporated on September 8, 1999 which was a wholly owned subsidiary of Harbrew Imports, Ltd. Corp. ("Harbrew Florida"), a Florida Corporation incorporated on January 4, 2007. On the Closing Date, pursuant to the terms of the Merger Agreement, the Company issued to the designees of Harbrew New York 27,151,984 shares of our Common Stock at the Closing, or approximately 64% of the 42,310,301 shares outstanding subsequent to the merger. After the merger, Harbrew New York continued as the surviving company under the laws of the state of New York and became the wholly owned subsidiary of the Company.

In anticipation of the merger between Iconic Brands, Inc. and Harbrew New York, on May 1, 2009 the Board of Directors and a majority of shareholders of Harbrew New York approved the amendment of its Articles of Incorporation changing its name to Iconic Imports, Inc. (Iconic Imports). On June 22, 2009, this action was filed with the New York State Department of State.

Prior to the merger on June 10, 2009, Iconic Brands had no assets, liabilities, or business operations. Accordingly, the merger has been treated for accounting purposes as a recapitalization by the accounting acquirer Harbrew New York/Iconic Imports and the financial statements reflect the assets, liabilities, and operations of Harbrew New York/Iconic Imports from its inception on September 8, 1999 to June 10, 2009 and combined with Iconic Brands thereafter. Iconic Brands and its wholly-owned subsidiary Harbrew New York/Iconic Imports are hereafter referred to as the "Company".

The Company is a brand owner of self-developed alcoholic beverages. Furthermore, the Company imports, markets and sells these beverages throughout the United States and globally.

Effective June 10, 2009, prior to the merger, Harbrew Florida effected a 1-for-1,000 reverse stock split of its common stock, reducing the issued and outstanding shares of common stock from 24,592,160 to 24,909, which includes a total of 317 shares resulting from the rounding of fractional shares. All share information has been retroactively adjusted to reflect this reverse stock split.

Iconic Brands, Inc. and Subsidiary
Notes to Consolidated Financial Statements
(Information as of and for the Six Months Ended June 30, 2009 and 2008 is Unaudited)

2. INTERIM FINANCIAL STATEMENTS

The unaudited financial statements as of June 30, 2009 and for the three and six months ended June 30, 2009 and 2008 have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with instructions to Form 10-Q. In the opinion of management, the unaudited financial statements have been prepared on the same basis as the annual financial statements and reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the financial position as of June 30, 2009 and the results of operations and cash flows for the periods ended June 30, 2009 and 2008. The financial data and other information disclosed in these notes to the interim financial statements related to those periods are unaudited. The results for the three months ended June 30, 2009 are not necessarily indicative of the results to be expected for any subsequent quarter of the entire year ending December 31, 2009. The balance sheet at December 31, 2008 has been derived from the audited financial statements at that date.

Certain information and footnote disclosures normally included in financials statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to the Securities and Exchange Commission's rules and regulations. These unaudited consolidated financial statements should be read in conjunction with our audited consolidated financial statements and notes thereto for the year ended December 31, 2008 included in our Form 8-K filed June 16, 2009.

3. INVENTORIES

Inventories consist of:

	June 30, 2009	December 31, 2008
Danny DeVito's Premium Limoncello (liqueur) brand	\$ 96,105	\$ 192,898
Hot Irishman (Irish coffee) brand	126,613	127,693
Molly's (Irish cream liqueur) brand	5,901	6,454
Glen Master (scotch) brand	112,536	119,351
George Vesselle (champagne) brand	80,060	80,604
Other	169,977	211,507
Total	\$ 591,193	\$ 738,507

Iconic Brands, Inc. and Subsidiary
Notes to Consolidated Financial Statements
(Information as of and for the Six Months Ended June 30, 2009 and 2008 is Unaudited)

4. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of:

	June 30, 2009	December 31, 2008
Prepaid inventory purchases	\$ 113,820	\$ 369,820
Prepaid stock compensation paid to consultants	29,151	208,411
Other	26,872	17,538
Total	\$ 169,842	\$ 595,769

5. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net consist of:

	June 30, 2009	December 31, 2008
Vehicles	\$ 126,295	\$ 126,295
Office & warehouse equipment	20,852	15,711
Total	147,147	142,006
Accumulated depreciation	(137,241)	(135,712)
Net	\$ 9,906	\$ 6,294

Iconic Brands, Inc. and Subsidiary
Notes to Consolidated Financial Statements
(Information as of and for the Six Months Ended June 30, 2009 and 2008 is Unaudited)

6. DEBT

Debt consists of:

	June 30, 2009	December 31, 2008
Due under Purchase Order Financing Agreement	\$ -	\$ 2,937,177
Due under Discount Factoring Agreement	-	55,741
Convertible notes, interest at 7% to 14%, due July 2, 2012 to July 2, 2013 - net of unamortized discounts of \$45,224 and \$328,875, respectively	229,776	