

Iconic Brands, Inc.
Form 10-Q
May 13, 2010

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 March 31, 2010

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 ☐

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

Large Accelerated Filer	<input type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-accelerated Filer	<input type="checkbox"/>	Smaller Reporting 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 ☐ No ☒

State the number of shares outstanding of each of the issuer’s classes of common equity, as of the latest practicable date: 52,519,307 as of May 11, 2010.

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ICONIC BRANDS INC.

FORM 10-Q

March 31, 2010

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PART I: FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

Iconic Brands, Inc. and Subsidiary
Consolidated Balance Sheets

	March 31, 2010 (Unaudited)	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	\$2,615	\$23,889
Accounts receivable, net of allowance for doubtful accounts of \$ 35,000 and \$35,000, respectively	163,846	254,268
Inventories	426,160	393,811
Prepaid expenses and other current assets	872,439	391,140
Total current assets	1,465,060	1,063,108
Property, plant and equipment, net	6,231	7,273
License agreement costs, net of accumulated amortization of \$7,438 and \$0, respectively	137,362	-
Restricted cash and cash equivalents	75,000	75,000
Total assets	\$1,683,653	\$1,145,381
Liabilities and Stockholders' Equity (Deficiency)		
Current liabilities:		
Current portion of debt	\$1,176,453	\$803,064
Accounts payable	1,238,549	1,290,680
Accrued expenses and other current liabilities	1,615,004	1,500,652
Total current liabilities	4,030,006	3,594,396
Long term debt	1,665,487	1,774,944
Total liabilities	5,695,493	5,369,340
Stockholders' equity (deficiency):		
Preferred stock, \$.00001 par value; authorized 100,000,000 shares:		
Series A, designated 1 share, issued and outstanding 1 and 1 shares, respectively	1	1

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Series B, \$2.00 per share stated value; designated		
1,000,000 shares, issued and outstanding		
916,603 and 916,603 shares, respectively	1,833,206	1,833,206
Common stock, \$.00001 par value; authorized 100,000,000		
shares, issued and outstanding 47,712,957		
and 44,810,411 shares, respectively	477	448
Additional paid-in capital	8,303,465	7,327,955
Retained earnings (deficit)	(14,148,989)	(13,385,569)
Total stockholders' equity (deficiency)	(4,011,840)	(4,223,959)
Total liabilities and stockholders' equity (deficiency)	\$ 1,683,653	\$ 1,145,381

See notes to consolidated financial statements.

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

	Three Months Ended March 31,	
	2010	2009
Sales	\$266,347	\$83,937
Cost of goods sold	162,163	65,361
Gross profit	104,184	18,576
Selling, general and administrative expenses:		
Selling, marketing and promotion	268,555	92,425
Administrative compensation and benefits	200,417	181,344
Professional fees	120,171	149,150
Occupancy and warehousing	38,048	76,562
Travel and entertainment	32,424	25,050
Office	5,436	12,515
Licenses and permits	30,145	1,270
Other	8,554	5,207
Total	703,750	543,523
Income (loss) from operations	(599,566)	(524,947)
Interest expense	(163,854)	(198,272)
Income (loss) before income taxes	(763,420)	(723,219)
Income taxes	-	-
Net income (loss)	\$(763,420)	\$(723,219)
Net income (loss) per common share - basic and diluted	\$(0.02)	\$(29.03)
Weighted average number of common shares outstanding - basic and diluted	45,800,067	24,909

See notes to consolidated financial statements.

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Iconic Brands, Inc. and Subsidiary

Consolidated Statements of Changes in Stockholders' Equity (Deficiency)

Three Months Ended March 31, 2010

(Unaudited)

	Series A Preferred Stock, \$.00001 par Shares		Series B Preferred Stock, \$2.00 stated value Shares		Common Stock, \$.00001 par Shares		Additional Paid-In Capital	Deficit	Total
Balance at December 31, 2009	1	\$ 1	916,603	\$ 1,833,206	44,810,411	\$ 448	\$ 7,327,955	\$ (13,385,569)	\$ (4,223,959)
Issuance of common stock and warrants in connection with \$220,000 loan	-	-	-	-	200,000	2	78,928	-	78,930
Issuance of common stock in satisfaction of convertible notes and accrued interest	-	-	-	-	152,546	2	76,271	-	76,273
Issuance of common stock and warrants in connection with License Agreement with Tony Siragusa	-	-	-	-	250,000	2	144,798	-	144,800
Issuance of common stock to consulting firm in February 2010	-	-	-	-	300,000	3	68,997	-	69,000

Issuance of
common stock
and

warrants to
consulting firm
in

March 2010	-	-	-	-	2,000,000	20	595,980	-	596,000
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Stock options
and warrants

compensation
expense

-	-	-	-	-	-	-	10,536	-	10,536
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Net loss	-	-	-	-	-	-	-	(763,420)	(763,420)
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Balance at

March 31, 2010	1	\$ 1	916,603	\$ 1,833,206	47,712,957	\$ 477	\$ 8,303,465	\$ (14,148,989)	\$ (4,011,840)
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See notes to consolidated financial statements.

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

	Three Months Ended March 31,	
	2010	2009
Cash flows from operating activities		
Net Income (loss)	\$(763,420)	\$(723,219)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	1,042	1,281
Amortization of license agreement costs	7,438	-
Amortization of debt discounts charged to interest expense	127,756	21,627
Stock-based compensation	104,029	89,507
Changes in operating assets and liabilities:		
Accounts receivable, net	90,422	454,657
Inventories	(32,349)	63,351
Prepaid expenses and other current assets	90,208	(20,334)
Restricted cash and cash equivalents	-	-
Accounts payable	(52,131)	56,679
Accrued expenses and other current liabilities	128,125	244,538
Net cash provided by (used in) operating activities	(298,880)	188,087
Cash flows from investing activities:		
Property, plant and equipment additions	-	(5,149)
Cash flows from financing activities:		
Increases in debt, net	434,705	-
Repayment of debt	(157,099)	(293,277)
Sale of common stock	-	100,000
Net cash provided by (used in) financing activities	277,606	(193,277)
Increase (decrease) in cash and cash equivalents	(21,274)	(10,339)
Cash and cash equivalents, beginning of period	23,889	10,970
Cash and cash equivalents, end of period	\$2,615	\$631
Supplemental disclosures of cash flow information:		
Interest paid	\$15,669	\$124,650

Income taxes paid	\$-	\$-
Non-cash investing and financing activities:		
Issuance of common stock and warrants		
in connection with \$220,000 loan	\$78,930	\$-
Shares of common stock issued to noteholders in		
satisfaction of debt and accrued interest	\$76,273	\$-
Issuance of common stock and warrants in		
connection with License Agreement		
with Tony Siragusa	\$144,800	\$-

See notes to consolidated financial statements.

Iconic Brands, Inc. and Subsidiary
Notes to Consolidated Financial Statements
March 31, 2010
(Unaudited)

1. ORGANIZATION AND NATURE OF BUSINESS

Iconic Brands, Inc., formerly Paw Spa, Inc. (“Iconic Brands”), was incorporated in the State of Nevada on October 21, 2005. 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 27,352,301 shares of our Common Stock at the Closing, or approximately 64% of the 42,510,301 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 are 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
March 31, 2010
(Unaudited)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

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 March 31, 2010, the Company had cash of \$2,615, negative working capital of \$2,564,946 and a stockholders’ deficiency of \$4,011,840. Further, from inception to March 31, 2010, the Company incurred losses of \$14,148,989. 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 as recently launched products mature and brand awareness increases, thereby increasing the profitability of its operations. Additionally, the Company intends to obtain new financing which will primarily be used to market and promote Danny DeVito’s Premium Limoncello and other new products. However, there is no assurance that the Company will be successful in accomplishing these 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) Interim Financial Statements

The unaudited financial statements as of March 31, 2010 and for the three months ended March 31, 2010 and 2009 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 March 31, 2010 and the results of operations and cash flows for the periods ended March 31, 2010 and 2009. The financial data and other information disclosed in these notes to the interim financial statements related to these periods are unaudited. The results for the three months ended March 31, 2010 are not necessarily indicative of the results to be expected for any subsequent quarter of the entire year ending December 31, 2010. The balance sheet at December 31, 2009 has been derived from the audited financial statements at that date.

Certain information and footnote disclosures normally included in financial 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, 2009 included in our Form 10-K.

Iconic Brands, Inc. and Subsidiary
Notes to Consolidated Financial Statements
March 31, 2010
(Unaudited)

(c) 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 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.

For the three months ended March 31, 2010 and 2009, diluted common shares outstanding excluded the following dilutive securities as the effect of their inclusion was anti-dilutive:

	Three Months Ended March 31,	
	2010	2009
7% convertible notes and accrued interest	594,384	2,624,628
10% convertible notes and accrued interest	203,234	328,226
9% convertible debentures and accrued interest	-	224,148
Series B Preferred Stock	5,728,769	-
Stock options	300,000	-
Warrants	14,965,834	5,757,500
Total	21,792,221	8,934,502

(d) 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.

Iconic Brands, Inc. and Subsidiary
Notes to Consolidated Financial Statements
March 31, 2010
(Unaudited)

3. INVENTORIES

Inventories consist of:

	March 31, 2010	December 31, 2009
Danny De Vito's Premium Limoncello (Liqueur) brand	\$48,479	\$13,626
Hot Irishman (Irish coffee) brand	125,700	125,718
Glen Master (scotch) brand	108,034	108,470
George Vesselle (champagne) brand	74,966	75,110
Other	143,107	145,013
Subtotal	500,286	467,937
Reserve for obsolete and slow moving items	(74,126)	(74,126)
Total	\$426,160	\$393,811

4. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of:

	March 31, 2010	December 31, 2009
Prepaid inventory purchases	\$ 207,476	\$ 297,684
Prepaid stock-based compensation issued to consultant (see note 8)	571,507	-
Royalty advance	60,000	60,000
Other	33,456	33,456
Total	\$ 872,439	\$ 391,140

5. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net, consist of:

	March 31, 2010	December 31, 2009
Vehicles	\$27,606	\$126,295
Office and warehouse equipment	20,853	20,853
Total	48,459	147,148

Accumulated depreciation	(42,228)	(139,875)
Net	\$6,231	\$7,273

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Iconic Brands, Inc. and Subsidiary
Notes to Consolidated Financial Statements
March 31, 2010
(Unaudited)

6. LICENSE AGREEMENT COSTS, NET

At March 31, 2010, license agreement costs, net, consist of:

Fair value of 250,000 shares of common stock, 500,000 5 year warrants exercisable at \$1.00 per share, and 500,000 5 year warrants exercisable at \$1.50 per share issued in connection with license agreement with Tony Siragusa dated January 15, 2010	\$ 144,800
Accumulated amortization	(7,438)
Net	\$ 137,362

As more fully described in Note 10, the Company entered into a four year License Agreement with Tony Siragusa on January 15, 2010 in connection with the use of Tony Siragusa's name relating to the sale of YO Vodka. The fair value of the common stock (\$50,000) and warrants (\$94,800) at January 15, 2007 was capitalized and is being amortized over the four year term of the License Agreement as selling, marketing and promotion expenses. The warrants were valued using the Black-Scholes option pricing model and the following assumptions: risk free interest rate of 2.44%, volatility of 100%, and term of five years.

7. DEBT

Debt consists of:

	March 31, 2010	December 31, 2009
Due under Discount Factoring Agreement	\$-	\$85,887
Convertible notes, interest at 7% to 14%, due July 2, 2012 to July 2, 2013 – net of unamortized discounts of 32,195 and \$52,328, respectively	117,805	160,172
Promissory note, interest at 20%, due January 29, 2009	100,000	100,000
Unsecured promissory note, interest at 7%, due in installments until June 10, 2011	292,520	334,523
Convertible promissory note, interest at 7%, due September 13, 2014 – net of unamortized discount of \$73,473 and \$77,595, respectively	76,527	22,405
Loans payable, interest at 0%, due on demand	483,705	249,000
Loan payable, interest at 12%, due January 14, 2010 – net of unamortized debt discount of \$0 and \$26,823, respectively	100,000	73,177
Promissory notes, interest at 13%, due March 31, 2010 to May 31, 2010 – net of unamortized debt discounts of \$22,252 and \$0, respectively	197,748	-

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Convertible promissory notes, interest at 10%, due October 25, 2007 to November 27, 2007	75,000	75,000
Due Donald Chadwell (significant stockholder), interest at 0%, no repayment terms	763,000	763,000
Due Richard DeCicco (officer, director, and significant stockholder) and affiliates, interest at 0%, no repayment terms	685,635	714,844
Total	2,841,940	2,578,008
Less current portion of debt	(1,176,453)	(803,064)
Long term debt	\$1,665,487	\$1,774,944

Iconic Brands, Inc. and Subsidiary
Notes to Consolidated Financial Statements
March 31, 2010
(Unaudited)

At March 31, 2010, the debt is due as follows:

Past due	\$ 385,000
Year ending March 31, 2011	813,705
Year ending March 31, 2012	72,520
Year ending March 31, 2013	150,000
Year ending March 31, 2014	-
Year ending March 31, 2015	100,000
No repayment terms (due two significant stockholders)	1,448,635
Total	2,969,860
Less debt discounts	(127,920)
Net	\$2,841,940

The Purchase Order Financing Agreement was dated January 22, 2007, had a term of two years, and provided for advances of credit from Capstone Capital Group I, LLC (the “Secured Party”) to the Company. Among other things, the agreement provided for fees to the Secured Party equal to 2.5% for the first 30 days (or part thereof) that each advance was outstanding and 1.25% for every 14 days (or part thereof) that such advance remained outstanding. On June 10, 2009, the Company entered into a termination agreement with Capstone (the “Termination Agreement”) whereby Capstone agreed to forgive the \$2,833,205 balance owed it under the Purchase Order Financing Agreement in exchange for: (i) a \$500,000 7% unsecured promissory note (the “Promissory Note”); (ii) 1,000,000 shares of Common Stock; (iii) \$1,833,205 worth of Series B Preferred Stock; and (iv) a 3-year warrant to purchase up to 1,000,000 shares of Common Stock at an exercise price of \$0.50 per share. The Promissory Note is payable in 24 monthly installments of \$10,000 commencing July 10, 2009, \$100,000 on or before June 10, 2010, and the remaining \$160,000 on or before June 10, 2011. If the Company closes a financing prior to maturity of the Promissory Note, up to 50% of the proceeds are to be used to prepay the remaining balance of the Promissory Note.

The Discount Factoring Agreement was dated January 22, 2007 and provides for financing of certain Company accounts received by Capstone Business Credit, LLC (the “Factor”). Among other things, the agreement provides for commissions to the Factor equal to 2% for the first 30 days (or part thereof) that each such account receivable is outstanding and 1% for every 14 days (or part thereof) thereafter that such account receivable remains outstanding.

Fees and commissions charged pursuant to the Purchase Order Financing Agreement and the Discount Factoring Agreement are included in interest expense in the accompanying consolidated statement of operations.

The \$325,000 total face value of convertible notes outstanding at March 31, 2010 is convertible into shares of the Company’s common stock at a price of \$0.50 per share.

Accrued interest payable on debt (included in accrued expenses and other current liabilities in the accompanying consolidated balance sheets) consisted of:

	March 31, 2010	December 31, 2009
Convertible notes, interest at 7%	\$47,192	\$56,651
Promissory notes, interest at 13%	6,582	-
Promissory note, interest at 20%	15,014	10,082
Convertible promissory notes, interest at 10%	26,617	24,767
Total	\$95,405	\$91,500

8. STOCKHOLDERS' EQUITY

On June 10, 2009, pursuant to the terms of the Merger Agreement, the Company issued to the designees of Harbrew New York 27,352,301 shares of Common Stock at the Closing. Of this amount:

- 1) 24,909 shares were issued to Harbrew Florida stockholders,
- 2) 19,634,112 shares valued at \$1,963,411 were issued to Company management and employees for services, including 15,972,359 shares to the Company's Chief Executive Officer, 100,000 shares to the Company's Chief Financial Officer, and 2,586,753 shares to Donald Chadwell,
- 3) 2,086,973 shares valued at \$208,697 were issued to Danny DeVito and affiliates for services,
- 4) 4,606,307 shares were issued to noteholders in satisfaction of \$2,125,625 of debt and \$177,529 of accrued interest, and
- 5) 1,000,000 shares were issued to Capstone as part of the Termination Agreement.

Also, pursuant to the terms of the Merger Agreement, the Company issued 1 share of Series A Preferred Stock valued at \$100,000 to the Company's Chief Executive Officer for services and 916,603 shares of Series B Preferred Stock valued at \$1,833,206 to Capstone as part of the Termination Agreement.

The one share of Series A Preferred Stock entitles the holder to two votes for every share of Common Stock Deemed Outstanding and has no conversion or dividend rights. Each share of the Series B Preferred Stock has a liquidation preference of \$2.00 per share, has no voting rights, and is convertible into one share of Common Stock at the lower of (1) \$2.00 per share or, (2) the volume weighted average price per share ("VWAP") for the 20 trading days immediately prior to the Conversion Date.

Iconic Brands, Inc. and Subsidiary
Notes to Consolidated Financial Statements
March 31, 2010
(Unaudited)

In the three months ended September 30, 2009, a total of \$122,500 of debt and \$28,147 of accrued interest was converted into a total of 300,110 shares of Company common stock.

On August 19, 2009, the Company sold 1,000,000 shares of its common stock at \$.50 per share, including 1,000,000 five year warrants with an exercise price of \$1.00 per share (which was reduced to \$0.01 per share on December 14, 2009 in connection with a \$100,000 loan from the investor) and 1,000,000 five year warrants with an exercise price of \$1.50 per share, to an investor for total proceeds of \$500,000.

On October 6, 2009, the Company issued 1,000,000 shares of its common stock to a consultant pursuant to a one month consulting agreement for financial services. The Company included this issuance in its consolidated statement of operations for the year ended December 31, 2009 in professional fees at the \$200,000 estimated fair value of the shares.

On January 6 and 13, 2010, the Company issued a total of 200,000 shares of common stock, 100,000 five year warrants exercisable at \$0.22 per share, and 100,000 five year warrants exercisable at \$0.23 per share, along with two promissory notes in the amount of \$110,000 each (one due March 31, 2010 and one due May 31, 2010), to an investor in exchange for a \$200,000 loan. The fair value of the common stock (\$45,000) and warrants (\$33,930), along with the \$20,000 discount, were recorded as debt discounts, which are being amortized over the terms of the notes as interest expense. The warrants were valued using the Black-Scholes option pricing model and the following assumptions: risk free interest rates of 2.6% and 2.55%, volatility of 100%, and terms of five years.

On January 15 and 25, 2010, the Company issued a total of 152,546 shares of common stock to three investors in satisfaction of a total of \$62,500 of convertible debt and approximately \$13,773 of accrued interest.

On February 8, 2010, the Company issued 250,000 shares of common stock and 1,000,000 warrants to Tony Siragusa pursuant to the License Agreement described in Note 6 above.

On February 24, 2010, the Company issued 300,000 shares of common stock to CorProminence pursuant to a 45 day consulting agreement dated January 4, 2010. The \$69,000 fair value of the common stock at date of issuance was expensed in full in the three months ended March 31, 2010 and included in professional fees.

Iconic Brands, Inc. and Subsidiary
Notes to Consolidated Financial Statements
March 31, 2010
(Unaudited)

On March 16, 2010, the Company issued 2,000,000 shares of common stock and 2,000,000 five year warrants exercisable at \$0.25 per share to Cresta Capital Strategies pursuant to a one year extension of a consulting agreement. The fair value of the common stock (\$350,000) and warrants (\$246,000) at date of issuance was capitalized as a prepaid expense (see note 4) and is being amortized over the one year term as professional fees. The warrants were valued using the Black-Scholes option pricing model and the following assumptions: risk free interest rate of 2.37%, volatility of 100%, and term of five years.

9. INCOME TAXES

No provision for income taxes was recorded in the three months ended March 31, 2010 and 2009 since the Company incurred a net loss 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 of approximately \$2,968,017 attributable to the future utilization of the \$8,480,049 net operating loss carryforward as of March 31, 2010 will be realized. Accordingly, the Company has provided a 100% allowance against the deferred tax asset in the financial statements at March 31, 2010. The Company will continue to review this valuation allowance and make adjustments as appropriate. The \$8,480,049 net operating loss carryforward expires \$3,126,007 in 2027, \$2,948,525 in 2028, \$1,881,250 in 2029, and \$524,197 in 2030.

Current 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.

10. COMMITMENTS AND CONTINGENCIES

Rental agreements – The Company occupied its facilities in Freeport, New York up until March 2009 under a month to month agreement at a monthly rent of \$14,350. In March 2009, the Company moved its facilities to Lindenhurst, New York pursuant to a three year lease agreement providing for annual rentals ranging from \$85,100 to \$90,283. Provided certain conditions are met, the Company has an option to renew the lease for an additional two years at annual rentals ranging from \$92,991 to \$95,781.

For the three months ended March 31, 2010 and 2009, rent expense was \$23,363 and \$54,341, respectively.

License agreement – On April 26, 2007 and as amended November 1, 2007, the Company entered into an exclusive License Agreement with Seven Cellos, LLC ("DDV"), pursuant to which the Company was granted a limited license of certain rights in and to Danny DeVito's name, likeness and biography for use by the Company in connection with the Danny DeVito Premium Limoncello brand. The term of the Agreement continues through perpetuity unless the agreement is terminated. In consideration for the license, the Company agreed to pay royalties as follows: (a) 5% of Net Profits (as defined) to Behr Abrahamson & Kaller, LLP ("BAK"), (b) a payment of 50% of the remaining Net Profits to DDV after the payment described above; and (c) a payment of 2% of Net Profits to Sichenzia Ross Friedman Ference LLP after payment of 50% of Net Profits to DDV.

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Danny DeVito agreed to use reasonable efforts to be available for a reasonable number of promotional appearances during each consecutive 12 month period, the duration of which shall not exceed 2 days. Pursuant to the agreement, Danny DeVito granted the Company a right of first refusal for a period of 5 years to license any other liquor, spirit or alcoholic beverage which Danny DeVito may determine to endorse or develop. A condition precedent to Danny DeVito's performance under the agreement are subject to the Company applying for a trademark for the brand name "Danny DeVito's Premium Limoncello" with Danny DeVito being designated as 50% co-owner of such trademark. The Company registered this trademark with the U.S. Patent and Trademark Office (trademark application number 77152934).

For the periods presented, the Company calculated cumulative "Net Profits" from the brand to be negative and thus did not pay or accrue any royalty expense under the License Agreement.

Merchandising license agreement - On June 12, 2009, Iconic Imports, Inc., the wholly-owned subsidiary of the Company, entered into a merchandising license agreement (the "License Agreement") with Paramount Licensing Inc. ("PLI") granting Iconic Imports the non-exclusive right to use the title of the theatrical motion picture "The Godfather" in connection with the development, importation, marketing, and distribution of an Italian organic vodka and Scotch whiskey throughout the United States. Under the terms of the License Agreement, which has a term of 5 years ending on June 30, 2014 and may be extended to June 30, 2019 upon certain conditions unless it is sooner terminated, the Company agreed to pay PLI a royalty fee of five percent (5%) and guarantee a total of \$400,000 in royalties due as follows; (1) \$60,000 as an advance payment due upon signing of the License Agreement, (2) \$100,000 due on or before November 1, 2010, (3) \$100,000 due on or before November 1, 2011, and (4) \$140,000 due on or before November 1, 2012. In addition, PLI was granted warrants to purchase shares of the Company's common stock in substantially the same form as other warrants previously issued, which is (a) a five-year warrant to purchase 1,000,000 shares of our common stock at an exercise price of \$1.00 per share; and (b) a five-year warrant to purchase 1,333,334 shares of our common stock at an exercise price of \$1.50 per share. On August 12, 2009, the Company paid \$60,000 to PLI as the advance royalty due under the License Agreement. The License Agreement became effective on this date as the advance payment was a condition precedent to the effectiveness of the License Agreement.

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At March 31, 2010, the Company has not yet commenced sales of the product named "The Godfather". For the three months ended March 31, 2010, the Company expensed \$20,000 (included in selling, marketing and promotion expenses in the consolidated statement of operations) to provide for the ratable accrual of the \$400,000 minimum royalties over the 5 year term of the License Agreement.

License agreement – On January 15, 2010, we entered into an exclusive License Agreement with Tony Siragusa, pursuant to which we were granted a limited license to certain rights in and to Tony Siragusa's name, likeness and biography for use by us in connection with Tony Siragusa's YO Vodka. The term of the agreement is four (4) years. In consideration for the license, we agreed to distribute net profits of the venture as follows: 42.5% to the Company, 42.5% to the licensor, 10% to William Morris Endeavor Entertainment, LLC and 5% to Brian Hughes. In addition, we issued 250,000 shares of the Company's common stock, 5 year warrants to purchase 500,000 shares of our Common Stock at a price of \$1.00 per share, and 5 year warrants to purchase 500,000 shares of our Common Stock at a price of \$1.50 per share. Tony Siragusa agreed to use reasonable efforts to be available for a reasonable number of promotional appearances during each consecutive 12 months period, the duration of each will not exceed six days. A condition precedent to Tony Siragusa's performance under the agreement is our applying for a trademark for the brand name "YO Vodka", with Licensor being designated as a 50% co-owner of such trademark. We applied for the trademark on March 9, 2010 (trademark application number 77747523), which application is currently being reviewed by the U.S. Patent and Trademark Office.

For the three months ended March 31, 2010, the Company calculated net profits from the brand to be negative and thus did not pay or accrue any royalty expense under the License Agreement.

Employment agreement with chief executive officer - On January 23, 2008, the Company entered into an employment agreement with its chief executive officer Richard DeCicco. The agreement provides for a term of 5 years, commencing on January 1, 2008. The term can be extended by a written agreement of the parties. The agreement provides for annual compensation ranging from \$265,000 to \$350,000. In addition, if the Company enters into an agreement and further sells any brand in the Company's portfolio, Mr. DeCicco will receive 5% of such sale. Mr. DeCicco is also entitled to incentive bonus compensation, stock and/or options in accordance with Company policies established by the Board of Directors. The agreement provides 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 has 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 is 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 may terminate the agreement upon 30 days written notice. The agreement also provides that the agreement may be terminated upon 90 days notice to Mr. DeCicco if: (A) there is a sale of substantially all of the Company's assets to a single purchaser or group of associated purchasers; (B) there is a sale, exchange or disposition of 50% of the outstanding shares of the Company's outstanding stock; (C) the Company terminates its business or liquidates its assets; or (D) there is a merger or consolidation of the Company in which the Company's shareholders receive less than 50% of the outstanding voting shares of the new or continuing corporation. Mr. DeCicco shall be 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

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Employment agreement with chief financial officer - On October 1, 2007, the Company entered into an employment agreement with its chief financial officer William Blacker. The agreement provides for a term of 3 years, commencing on October 1, 2007. The term can be extended by a written agreement of the parties. The Company agreed to issue options to purchase shares of its common stock to Mr. Blacker if and when the common stock becomes publicly traded, as follows: (A) upon execution of the agreement, 100,000 options at an exercise price of \$0.05 per share; (B) on October 1, 2008, 100,000 options at an exercise price of \$0.15 per share; and (C) on October 1, 2009, 100,000 options at an exercise price of \$0.75 per share. Pursuant to the terms of the agreement, Mr. Blacker is to receive an annual salary of \$150,000. Mr. Blacker has the right to terminate the agreement upon 60 days notice to the Company for any reason. The agreement further provides that if the agreement is terminated for any reason other than willful malfeasance by Mr. Blacker, Mr. Blacker shall be entitled to receive severance pay in the amount of 6 months or the balance of the agreement's term of existence, whichever is greater, and shall receive all benefits under the agreement.

The \$16,850 estimated fair value of the 300,000 options (using the Black-Scholes option pricing model and the following assumptions: \$0.10 stock price, 4% risk free interest rate, 100% volatility, and term of 3.5 years) is being amortized over the 3 year term of the employment agreement as administrative compensation and benefits.

Legal proceedings – The Company is party to a variety of legal proceedings that arise in the normal course of business. We accrue for these items as losses become probable and can be reasonably estimated. While the results of these legal proceedings cannot be predicted with certainty, management believes that the final outcome of these proceedings will not have a material adverse effect on the Company's consolidated results of operations or financial position.

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11. STOCK OPTIONS AND WARRANTS

A summary of stock option and warrant activity for the year ended December 31, 2009 and for the three months ended March 31, 2010 follows:

	Stock Options	Warrants
Outstanding at December 31, 2008	1,300,000	5,757,500
Granted and issued	-	6,173,334
Exercised	-	-
Forfeited/expired/cancelled	-	(165,000)
Outstanding at December 31, 2009	1,300,000	11,765,834
Granted and issued	-	3,200,000
Exercised	-	-
Forfeited/expired/cancelled	-	-
Outstanding at March 31, 2010	1,300,000	14,965,834

Stock options outstanding at March 31, 2010 consist of:

Date Granted	Number Outstanding	Number Exercisable	Exercise Price	Expiration Date
October 1, 2007	100,000	100,000	\$ 0.05	April 1, 2011
October 1, 2007	100,000	100,000	\$ 0.15	April 1, 2011
October 1, 2007	100,000	100,000	\$ 0.75	April 1, 2011
January 1, 2008	1,000,000	-	\$ 0.10 (a)	June 30, 2018
Total	1,300,000	300,000		

(a) Estimated since exercise price is to be determined based on future stock price.

As of March 31, 2010, there was \$52,695 of total unrecognized compensation cost relating to unexpired stock options. That cost is expected to be recognized \$16,413 in 2010, \$18,140 in 2011, and \$18,142 in 2012.

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Warrants outstanding at March 31, 2010 consist of:

Date Issued	Number Outstanding	Number Exercisable	Exercise Price	Expiration Date
July 2, 2007	500,000	500,000	\$1.00	July 2, 2012
July 2, 2007	500,000	500,000	\$1.50	July 2, 2012
August 27, 2007	550,000	550,000	\$1.00	August 27, 2012
August 27, 2007	550,000	550,000	\$1.50	August 27, 2012
November 8, 2007	811,250	811,250	\$1.00	November 8, 2012
November 8, 2007	811,250	811,250	\$1.50	November 8, 2012
March 5, 2008	192,500	192,500	\$1.00	March 5, 2013
March 5, 2008	192,500	192,500	\$1.50	March 5, 2013
June 10, 2008	27,500	27,500	\$1.00	June 10, 2013
June 10, 2008	27,500	27,500	\$1.50	June 10, 2013
June 10, 2008	25,000	25,000	\$1.00	December 10, 2013
June 10, 2008	25,000	25,000	\$1.50	December 10, 2013
June 11, 2008	30,000	30,000	\$1.00	December 10, 2013
June 11, 2008	30,000	30,000	\$1.50	December 10, 2013
July 2, 2008	110,000	110,000	\$1.00	January 2, 2014
July 2, 2008	110,000	110,000	\$1.50	January 2, 2014
July 23, 2008	50,000	50,000	\$1.00	January 23, 2014
July 23, 2008	50,000	50,000	\$1.50	January 23, 2014
August 11, 2008	1,000,000	1,000,000	\$1.00	August 11, 2013
June 10, 2009	1,000,000	1,000,000	\$0.50	June 10, 2012
July 23, 2009	20,000	20,000	\$1.00	July 23, 2014
July 23, 2009	20,000	20,000	\$1.50	July 23, 2014
August 12, 2009	1,000,000	1,000,000	\$1.00	June 12, 2014
August 12, 2009	1,333,334	1,333,334	\$1.50	June 12, 2014
August 19, 2009	1,000,000	1,000,000	\$0.01	August 19, 2014
August 19, 2009	1,000,000	1,000,000	\$1.50	August 19, 2014
September 14, 2009	200,000	200,000	\$1.00	September 14, 2014
September 14, 2009	200,000	200,000	\$1.50	September 14, 2014
September 16, 2009	200,000	200,000	\$1.00	July 2, 2014
September 16, 2009	200,000	200,000	\$1.50	July 2, 2014
January 6, 2010	100,000	100,000	\$0.22	January 6, 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
Total	14,965,834	14,965,834		

As of March 31, 2010, there was \$77,198 of total unrecognized marketing cost relating to 2,333,334 of the unexpired warrants. That cost is expected to be recognized \$13,791 in 2010, \$18,388 in 2011, \$18,388 in 2012, \$18,388 in

2013, and \$8,243 in 2014.

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12. SUBSEQUENT EVENTS

On April 19, 2010, the Company issued 1,000,000 shares of common stock and 1,000,000 three year warrants exercisable at \$0.20 per share to a lender in satisfaction of a \$100,000 past due loan due January 14, 2010.

Also effective April 19, 2010, the Company issued a total of 3,556,350 shares of common stock and 3,556,350 three year warrants exercisable at \$0.20 per share to four other lenders in satisfaction of loans due on demand totaling \$355,635.

Also effective April 19, 2010, the Company issued 250,000 shares of common stock to a lender in exchange for an extension of the due date of a \$110,000 promissory note due March 31, 2010.

The Company has evaluated subsequent events through the filing date of this Form 10-Q and has determined that there were no additional subsequent events to recognize or disclose in these financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion is an overview of the important factors that management focuses on in evaluating our business, financial condition and operating performance and should be read in conjunction with the financial statements included in this Quarterly Report on Form 10-Q. This discussion contains forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those anticipated in these forward looking statements as a result of any number of factors, including those set forth under the section entitled "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q.

OUR BUSINESS

Prior to the consummation of the Merger Agreement, Harbrew New York was a wholly-owned subsidiary of Harbrew Florida. Harbrew Florida was incorporated in the state of Florida on January 4, 2007, under the former name Stassi Harbrew Imports Corp., pursuant to the Bankruptcy Court Approved Reorganization Plan for the Stassi Interaxx, Inc. ("Stassi") reorganization confirmed on December 20, 2006. On May 17, 2007, Harbrew Florida acquired Harbrew New York, a New York corporation incorporated on September 8, 1999 engaged in importing and wholesaling spirits, wine and beer. As a result, Harbrew New York became a wholly-owned subsidiary of Harbrew Florida.

On June 10, 2009, Merger Sub, Harbrew Florida, Harbrew New York and we entered into a Merger Agreement which resulted in Harbrew New York becoming our wholly owned subsidiary (the "Merger"). The Merger was accomplished by means of a Merger Agreement in which Harbrew New York merged with and into Merger Sub and each share of Harbrew's common stock issued and outstanding immediately prior to the closing of the Merger was converted into one share of Iconic Brands' common stock. Under the terms of the Merger Agreement and as a result of the Merger:

- Harbrew New York became our wholly owned subsidiary;
- In exchange for all of the shares of Harbrew common stock, each share of Harbrew's common stock issued and outstanding immediately prior to the closing of the Merger was converted into one share of Iconic Brands' common stock;

This transaction closed on June 10, 2009.

Prior to the merger on June 10, 2009, we 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, and the financial statements reflect the assets, liabilities, and operations of Harbrew New York from its inception on September 8, 1999 to June 10, 2009 and us thereafter. References to our company are with respect to Harbrew New York to June 10, 2009 and us thereafter.

We are in the business of importing and wholesaling spirits, wine and beer to distributors in the United States on a national basis and to retail licensees both on and off premise in New York, through our wholesale license. We are federally licensed, maintaining licenses to both import and sell to wholesale licensed distributors in 51 markets in the United States. In addition to the federal import and wholesale licenses, we maintain a federal customs bonded facility license for our premises in Lindenhurst, New York. Within the licensing category, we also maintain a New York State wholesale license and a New York State warehousing license, permitting us to warehouse products of other companies.

RESULTS OF OPERATIONS

Results of Operations for the Three Month Period ended March 31, 2010 Compared to the Three Month Period ended March 31, 2009

The following table set forth key components of our results of operations for the periods indicated, in dollars, and key components of our revenue for the period indicated, in dollars. The discussion following the table is based on these results.

	Three Months Ended March 31,	
	2010	2009
	(Unaudited)	(Unaudited)
Sales	\$ 266,347	\$ 83,937
Cost of goods sold	162,163	65,361
Gross profit	104,184	18,756
Selling, general and administrative expenses:		
Selling, marketing and promotion	268,555	92,425
Administrative compensation and benefits	200,417	181,344
Professional fees	120,171	149,150
Occupancy and warehousing	38,048	76,562
Travel and entertainment	32,424	25,050
Office	5,436	12,515
Licenses and permits	30,145	1,270
Other	8,554	5,207
Total	703,750	543,523
Income (loss) from operations	(599,566)	(524,947)
Interest expense	(163,854)	(198,272)
Income (loss) before income taxes	(763,420)	(723,219)
Income taxes	-	-
Net income (loss)	\$ (763,420)	\$ (723,219)
Net income (loss) per common share	\$ (0.02)	\$ (29.03)
Weighted Number of common shares outstanding- basic and diluted	45,800,067	24,909

Sales:

Sales increased by approximately \$182,410 or 217% from \$83,937 for the three month period ended March 31, 2009 to \$266,347 for the three month period ended March 31, 2010. This increase in sales reflects the Company's re-focus on its celebrity branded products as it directs resources to its organically developed brand portfolio as opposed to the distribution of the products of others.

Cost of goods sold:

Cost of revenue increased by \$96,802, or 148%, from \$65,361 for the three month period ended March 31, 2009 to \$162,163 for the three month period ended March 31, 2010. This increase in COGS is consistent with the increase in sales for the period as the Company shifts its focus and resources towards its organically developed brand portfolio.

Gross profit:

Gross profit increased by \$85,608, or 460%, from \$18,576 for the three month period ended March 31, 2009 to \$104,184 for the three month period ended March 31, 2010 mainly due to the increase in sales as the Company refocuses its resources to its organically developed brands.

Selling, general and administrative expenses:

Selling general and administrative expenses for the three month period ended March 31, 2010 and 2009 were \$703,750 and \$543,523 respectively, an increase of \$160,227 or 29%.

Income (loss) from Operations:

Loss from operations was \$599,566 for the three month period ended March 31, 2010 and \$524,947 for the three month period ended March 31, 2009. The increase in the loss from operations for the period resulted from the increase in sales and the increase in expenses, principally the costs associated with stock based compensation expense, as previously described.

Interest Expense:

Interest expense for the three month period ended March 31, 2010 and 2009 was \$163,854 and \$198,272, respectively, a decrease of \$34,418, or 17%. The decrease in interest expense for the period was a result of a rate reset by our largest creditor, and the conversion of convertible debt to equity.

Net Income (loss):

Net loss was \$763,420 for the three month period ended March 31, 2010, compared to \$723,219 for the three month period ended March 31, 2009, an increase of \$40,201, or 6%. The increase in the net loss for the period was a result of decreased sales, increased professional fees incurred relating to financing activities, increased costs associated with stock based compensation.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2010, we had negative working capital of \$2,564,946 compared to negative working capital of \$2,531,288 at March 31, 2009. Our balance of cash and cash equivalents at March 31, 2010 was \$2,615.

Our primary uses of cash have been for selling and marketing expenses, employee compensation, new product development and working capital. The main sources of cash have been from the financing of purchase orders and the factoring of accounts receivable. In addition, we issued convertible notes and promissory notes to bridge the gap between our primary lender and our working capital requirements. All funds received have been expended in the furtherance of growing the business and establishing the brand portfolios. The following trends are reasonably likely to result in a material decrease in our liquidity over the near to long term:

- An increase in working capital requirements to finance higher level of inventories and accounts receivable,
- Addition of administrative and sales personnel as the business grows,
- Increases in advertising, public relations and sales promotions for existing and new brands as the company expands within existing markets or enters new markets,

- Development of new brands to complement our current celebrity portfolio, and
- The cost of being a public company and the continued increase in costs due to governmental compliance activities.

Net Cash Used in Operating Activities

A substantial portion of our available cash has been used to fund operating activities. In general, these cash funding requirements are based on operating losses, driven principally by our sizeable investment in selling and marketing, and general expenses. The business has incurred significant losses since inception.

For the three month period ended March 31, 2010, net cash used in operating activities was \$(298,880), consisting primarily of losses from operations of \$763,420, offset by a non-cash charge for stock-based compensation of \$104,029, decreases in receivables of \$90,422, decreases in prepaid expenses and other current assets of \$90,208, and increases in accrued expenses of \$128,125.

Net Cash Used in Investing Activities

For the three month period ended March 31, 2010 and 2009, net cash used in investing activities was \$0 and \$5,149, respectively.

Net Cash Provided by Financing Activities

For the three month period ended March 31, 2010, funds provided by financing activities amounted to \$277,606 resulting from increases of debt.

We anticipate that we will need to make significant expenditures during the next 12 months, contingent upon raising capital. These anticipated expenditures are for advertising, marketing, promotional items, overhead and working capital purposes. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all. We anticipate that we will require up to \$7,500,000 for funding our plan of operations for the next twelve months, depending on revenues, if any, from operations.

By adjusting our operations and development to the level of capitalization, we believe we have sufficient capital resources to meet projected cash flow deficits. However, if during that period or thereafter, we are not successful in generating sufficient liquidity from operations or in raising sufficient capital resources, on terms acceptable to us, this could have a material adverse effect on our business, results of operations liquidity and financial condition.

We will still need additional investments in order to continue operations to break even. We are seeking additional investments, but we cannot guarantee that we will be able to obtain such investments. Financing transactions may include the issuance of equity or debt securities, obtaining credit facilities, or other financing mechanisms. However, the downturn in the U.S. stock and debt markets could make it more difficult to obtain financing through the issuance of equity or debt securities. Even if we are able to raise the funds required, it is possible that we could incur unexpected costs and expenses, fail to collect significant amounts owed to us, or experience unexpected cash requirements that would force us to seek alternative financing. Further, if we issue additional equity or debt securities, stockholders may experience additional dilution or the new equity securities may have rights, preferences or privileges senior to those of existing holders of our common stock. If additional financing is not available or is not available on acceptable terms, we will have to curtail our operations.

Impact of Inflation

We expect to be able to pass inflationary increases for raw materials and other costs on to our customers through price increases, as required, and do not expect inflation to be a significant factor in our business.

Seasonality

Although our operating history is limited, we do not believe our products are seasonal.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Recent 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.

Critical Accounting Policies

Our financial statements and related public financial information are based on the application of accounting principles generally accepted in the United States (“GAAP”). GAAP requires the use of estimates, assumptions, judgments and subjective interpretations of accounting principles that have an impact on the assets, liabilities, revenues and expense amounts reported. These estimates can also affect supplemental information contained in our external disclosures including information regarding contingencies, risk and financial condition. We believe our use of estimates and underlying accounting assumptions adhere to GAAP and are consistently and conservatively applied. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions or conditions. We continue to monitor significant estimates made during the preparation of our financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

ITEM 4(T). CONTROLS AND PROCEDURES.

Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 (“Exchange Act”), the Company carried out an evaluation, with the participation of the Company’s management, including the Company’s Chief Executive Officer (“CEO”) and Chief Accounting Officer (“CAO”) (the Company’s principal financial and accounting officer), of the effectiveness of the Company’s disclosure controls and procedures (as defined under Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, the Company’s CEO and CAO concluded that the Company’s disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to the Company’s management, including the Company’s CEO and CAO, as appropriate, to allow timely decisions regarding required disclosure.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. Litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business.

On or about January 24, 2008, Connecticut Container Corp., a wholesale distributor of packaging materials, initiated litigation against us in the Supreme Court of the State of New York in Nassau County (Docket No. 1458/08). The plaintiff had demanded payment of an aggregate of \$31,693 in connection with certain amounts allegedly owed by us. On August 7, 2008, we settled the litigation for the full amount. We agreed to pay one-half of such amount on each of August 20, 2008 and September 20, 2008. We paid \$24,500 and due to non-payment of the remaining amount a judgment for \$7,443 was issued against us by the court.

On February 14, 2008, Chester Stewart, an individual, initiated a lawsuit in the State of Connecticut Superior Court (Docket No. D.N. HHD CV08-5018180S) alleging breach of a promissory note in the amount of \$100,000. A judgment was entered in Connecticut, and will be defended when the action is entered in New York.

On or about July 24, 2008, Elite Marketing Concepts, a wholesale distributor of wine, initiated litigation against us in the Supreme Court of New York in Nassau County (Docket No. 08-009338). The plaintiff has demanded payment in the amount of \$32,270 for goods sold and delivered to us by the plaintiff. On August 15, 2008, we reached an agreement to pay Elite \$29,000 in two equal payments. We paid the first \$14,500 and due to non-payment a judgment was issued against us on June 5, 2009 in the amount of \$9,679. On May 6, 2009 a payment of \$4,129.12 was made bringing the balance to \$2,549.88

On October 23, 2008, Thermo Plastic Tech, Inc., a manufacturer of thermo plastic material, initiated litigation against us in the Superior Court of New Jersey Law Division, Civil Part, Union County (Docket No. UNN-L-3062-08). The plaintiff has demanded payment in the amount of \$30,292 for goods sold and delivered to us by the plaintiff. The court issued a judgment against us in the amount of \$30,292. A settlement agreement was reached in the amount of \$12,500; final releases will be given with the last payment of \$2,500 on June 1, 2010.

On August 5, 2009, The Estate of Mercer K Ellington initiated litigation claiming the company used the name Duke Ellington without permission. The company has retained counsel, answered all the accusations, and has initiated a counter claim against the estate.

On August 12, 2009, Christina Hsu, a former employee, initiated an action claiming the company owed wages and consulting services in the amount of \$20,000. The company has retained counsel and answered all the pleadings.

On October 28, 2009, Contri Spumanti S.P.A., a producer of wine, initiated litigation against us in the Supreme Court of the State of New York County of Suffolk (index # 09-43045). The plaintiff has demanded payment in the amount of \$37,516.14 for goods sold by the company. The Court issued a judgment in the amount of the claim. A settlement agreement was reached for the amount claimed for 8 payments of a similar amount commencing April 1, 2010.

On October 29, 2009, Fred and Joseph Scalamandre Real Estate initiated litigation claiming non-payment of rent in the amount of \$238,000 plus interest and fees for a specific time period. The company has recognized the total obligation on its books as of September 30, 2009, and has retained counsel to file an answer.

On November 4, 2009, Toyota Motor Credit Corporation initiated litigation in the amount of \$17,104.09 claiming a default on the lease of an automobile. The company has retained counsel, and has answered all the pleadings.

We believe that the ultimate resolution of these matters will not have a material adverse effect on our financial condition or operations. Apart from the legal proceedings noted in the previous paragraphs, we are not party to any legal proceedings, nor are we aware of any contemplated or pending legal proceedings against us.

ITEM 1A. RISK FACTORS

Not applicable because we are a smaller reporting company.

ITEM 2. UNREGISTERED SALE OF EQUITY SECURITIES AND USE OF PROCEEDS

On August 19, 2009, the Company sold 1,000,000 shares of its common stock at \$.50 per share, including 1,000,000 five year warrants with an exercise price of \$1.00 per share (which was reduced to \$0.01 per share on December 14, 2009 in connection with a \$100,000 loan from the investor) and 1,000,000 five year warrants with an exercise price of \$1.50 per share, to an investor for total proceeds of \$500,000.

On October 6, 2009, the Company issued 1,000,000 shares of its common stock to a consultant pursuant to a one month consulting agreement for financial services. The Company included this issuance in its consolidated statement of operations for the year ended December 31, 2009 in professional fees at the \$200,000 estimated fair value of the shares.

On January 6 and 13, 2010, the Company issued a total of 200,000 shares of common stock, 100,000 five year warrants exercisable at \$0.22 per share, and 100,000 five year warrants exercisable at \$0.23 per share, along with two promissory notes in the amount of \$110,000 each (one due March 31, 2010 and one due May 31, 2010), to an investor in exchange for a \$200,000 loan. The fair value of the common stock (\$45,000) and warrants (\$33,930), along with the \$20,000 discount, were recorded as debt discounts, which are being amortized over the terms of the notes as interest expense. The warrants were valued using the Black-Scholes option pricing model and the following assumptions: risk free interest rates of 2.6% and 2.55%, volatility of 100%, and terms of five years.

On January 15 and 25, 2010, the Company issued a total of 152,546 shares of common stock to three investors in satisfaction of a total of \$62,500 of convertible debt and approximately \$13,773 of accrued interest.

On February 8, 2010, the Company issued 250,000 shares of common stock and 1,000,000 warrants to Tony Siragusa pursuant to the License Agreement described in Note 6 above.

On February 24, 2010, the Company issued 300,000 shares of common stock to CorProminence pursuant to a 45 day consulting agreement dated January 4, 2010. The \$69,000 fair value of the common stock at date of issuance was expensed in full in the three months ended March 31, 2010 and included in professional fees.

On March 16, 2010, the Company issued 2,000,000 shares of common stock and 2,000,000 five year warrants exercisable at \$0.25 per share to Cresta Capital Strategies pursuant to a one year extension of a consulting agreement. The fair value of the common stock (\$350,000) and warrants (\$246,000) at date of issuance was capitalized as a prepaid expense (see note 4) and is being amortized over the one year term as professional fees. The warrants were valued using the Black-Scholes option pricing model and the following assumptions: risk free interest rate of 2.37%, volatility of 100%, and term of five years.

On April 19, 2010, the Company issued 1,000,000 shares of common stock and 1,000,000 three year warrants exercisable at \$0.20 per share to a lender in satisfaction of a \$100,000 past due loan due January 14, 2010.

Also effective April 19, 2010, the Company issued a total of 3,556,350 shares of common stock and 3,556,350 three year warrants exercisable at \$0.20 per share to four other lenders in satisfaction of loans due on demand totaling \$355,635.

Also effective April 19, 2010, the Company issued 250,000 shares of common stock to a lender in exchange for an extension of the due date of a \$110,000 promissory note due March 31, 2010.

These securities are issued in reliance on the exemption under Section 4(2) of the Securities Act of 1933, as amended (the "Act"). These securities qualified for exemption under Section 4(2) of the Securities Act of 1933 since the issuance securities by us did not involve a public offering. The offering was not a "public offering" as defined in Section 4(2) due to the insubstantial number of persons involved in the deal, size of the offering, manner of the offering and number of securities offered. We did not undertake an offering in which we sold a high number of securities to a high number of investors. In addition, these shareholders had the necessary investment intent as required by Section 4(2) since they agreed to and received share certificates bearing a legend stating that such securities are restricted pursuant to Rule 144 of the 1933 Securities Act. This restriction ensures that these securities would not be immediately redistributed into the market and therefore not be part of a "public offering." Based on an analysis of the above factors, we have met

the requirements to qualify for exemption under Section 4(2) of the Securities Act of 1933 for this transaction.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

On November 25, 2008, the Company issued a \$100,000 promissory note with a 45-day duration to a lender. Principal and interest were not paid by the Company when due. The Company plans pay the lender upon the completion of a contemplated capital raise.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

The following documents are included herein:

Exhibit No.	Document Description
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-15(e) and 15d-15(e), promulgated under the Securities and Exchange Act of 1934, as amended.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-15(e) and 15d-15(e), promulgated under the Securities and Exchange Act of 1934, as amended.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer).
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following person on behalf of the Registrant and in the capacities on this 14th day of May, 2010.

Iconic Brands, Inc.

By: /s/Richard DeCicco
Richard DeCicco
President, Principal Executive
Officer

By: /s/William Blacker
William Blacker
Principal Financial Officer