

Iconic Brands, Inc.
Form 10-Q
December 10, 2010

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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED September 30, 2010

OR

**o 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)*

40 Marcus Boulevard

Hauppauge New York 11788
(Address of principal executive offices, including zip code.)

(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, 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 September 30, 2010.

ICONIC BRANDS INC.

FORM 10-Q

September 30, 2010

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PART I: FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

Iconic Brands, Inc. and Subsidiary		September 30,
Consolidated Balance Sheets		2010
		(Unaudited)
<u>Assets</u>		
Current assets:		
Cash	\$	3
Accounts receivable, net of allowance for doubtful accounts of		
\$0 and \$35,000, respectively		
Inventories		
Prepaid stock-based compensation arising out of consulting agreement (Note 9)		273,50
Advance to overseas vendor toward purchases of inventories		
Prepaid expenses and other current assets (Note 5)		7
Total current assets		274,6
Property, plant and equipment, net		
License agreement costs, net of accumulated amortization of		
\$0 and \$0, respectively		
Restricted cash		50,0
Total assets	\$	324,6
<u>Liabilities and Stockholders' Equity (Deficiency)</u>		
Current liabilities:		
Current portion of debt	\$	818,4
Accounts payable		1,315,1
Accrued expenses and other current liabilities		1,803,2
Total current liabilities		3,936,8
Long term debt		1,636,2
Total liabilities		5,573,0
Stockholders' deficiency:		

Preferred stock, \$.00001 par value; authorized 100,000,000	
shares:	
Series A, designated 1 share, issued and outstanding 1 and 1	
shares, respectively	
Series B, \$2.00 per share stated value; designated 1,000,000	
shares, issued and outstanding 916,603 and 916,603 shares,	
respectively	
Common stock, \$.00001 par value; authorized 100,000,000	1,833,2
shares, issued and committed to be issued and outstanding	
52,519,307 and 44,810,411 shares, respectively	
Additional paid-in capital	8,801,5
Accumulated deficit	(15,883,6
Total stockholders' deficiency	(5,248,4
Total liabilities and stockholders' deficiency	\$ 324,6

See notes to consolidated financial statements.

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

	Nine Months Ended September 30, 2010 (Unaudited)		Three Months Ended September 30, 2010 (Unaudited)		2009 (Unaudited)			
Sales	\$	371,313	\$	497,549	\$	32,863	\$	161,379
Cost of goods sold		235,744		327,947		22,217		99,576
Gross profit		135,569		169,602		10,646		61,803
Selling, general and administrative expenses:								
Selling, marketing and promotion		419,250		231,103		35,834		107,308
Administrative compensation and benefits		428,254		841,228		14,046		234,730
Stock-based compensation issued in connection with merger		-		2,063,411		-		-

Professional fees	480,627	389,418	161,982	100,900
Occupancy and warehousing	95,101	133,927	26,546	32,719
Travel and entertainment	62,891	90,707	2,227	54,470
Office	18,452	31,677	2,171	11,901
Licenses and permits	31,878	2,873	683	1,203
Other	16,092	33,179	2,346	9,959
Total	1,552,545	3,817,523	245,835	553,190
Loss from operations	(1,416,976)	(3,647,921)	(235,189)	(491,387)
Interest expense	(264,346)	(590,170)	(26,193)	(17,962)
Loss on write-off of assets seized by lender on defaulted promissory note (Note 3)	(816,793)	-	(816,793)	-
Loss before income taxes	(2,498,115)	(4,238,091)	(1,078,175)	(509,349)
Income taxes	-	-	-	-
Net loss	\$ (2,498,115)	\$ (4,238,091)	\$ (1,078,175)	\$ (509,349)
Net loss per common share - basic and diluted	\$ (0.05)	\$ (0.24)	\$ (0.02)	\$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	49,962,659	17,640,565	52,519,307	43,060,356
See notes to consolidated financial statements.				

Iconic Brands, Inc. and Subsidiary

Consolidated Statements of Changes in Stockholders' Equity (Deficiency)

Nine Months Ended September 30, 2010

(Unaudited)

	Series A Preferred Stock, \$.00001 par		Series B Preferred Stock, \$2.00 stated value		Common Stock, \$.00001 par		Additional Paid-in Capital
	Shares	Amount	Shares	Amount	Shares	Amount	Cap
Balance at December 31, 2009	1	\$ 1	916,603	\$ 1,833,206	44,810,411	\$ 448	\$ 7,3
Issuance of common stock and warrants in connection with \$220,000 promissory notes	-	-	-	-	200,000	2	
Issuance of common stock in satisfaction of convertible notes and accrued interest	-	-	-	-	152,546	2	
Issuance of common stock and warrants in connection with License Agreement with Tony Siragusa	-	-	-	-	250,000	2	1
Issuance of common stock to consulting firm in February 2010	-	-	-	-	300,000	3	
Issuance of common stock and warrants to consulting firm in March 2010	-	-	-	-	2,000,000	20	5
Issuance of common stock in connection with extension of due date of \$110,000 promissory note	-	-	-	-	250,000	2	
Issuance of common stock and warrants in satisfaction of debt and accrued interest	-	-	-	-	4,556,350	46	4
Stock options and warrants compensation expense	-	-	-	-	-	-	
Net loss	-	-	-	-	-	-	
Balance at September 30, 2010	1	\$ 1	916,603	\$ 1,833,206	52,519,307	\$ 525	\$ 8,8

See notes to

consolidated financial statements.

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

	Nine Months Ended September 30,	
	2010	2009
Cash flows from operating activities:		
Net loss	\$ (2,498,115)	\$ (4,238,091)
Adjustments to reconcile net loss to net cash		
used in operating activities:		
Loss on write-off of assets seized by lender on		
defaulted promissory note (Note 3), less \$1,552 cash		
reduction	815,191	-
Depreciation	3,033	1,538
Amortization of license agreement costs	25,538	-
Amortization of debt discounts charged to interest		
expense	185,938	268,125
Stock-based compensation	423,101	2,474,965
Changes in operating assets and liabilities:		
Accounts receivable, net	226,574	383,197
Inventories	(62,758)	233,084
Prepaid expenses and other current assets	151,272	6,665
Restricted cash and cash equivalents	25,000	25,000
Accounts payable	24,427	(117,590)
Accrued expenses and other current liabilities	302,631	610,969
Net cash used in operating activities	(378,168)	(352,138)
Cash flows from investing activities:		
Property, plant and equipment additions	-	(5,150)
Cash flows from financing activities:		
Increases in debt, net	661,067	310,000
Repayment of debt	(306,435)	(332,807)
Sale of Units of common stock and warrants, net of		
placement costs	-	445,000
Net cash provided by financing activities	354,632	422,193
Increase (decrease) in cash	(23,536)	64,905
Cash beginning of period	23,889	10,970
Cash end of period	\$ 353	\$ 75,875
Supplemental disclosures of cash flow information:		
Interest paid	\$ 23,190	\$ 248,470
Income taxes paid	\$ -	\$ -
Non-cash financing activities:		

Issuance of common stock and warrants in

connection with \$220,000 promissory notes	\$	78,930	\$	-
Shares of common stock issued to noteholders in				

satisfaction of debt and accrued interest	\$	531,908	\$	2,453,801
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Issuance of common stock and warrants in connection

with License Agreement with Tony Siragusa	\$	144,800	\$	-
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
September 30, 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 affected 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.

On August 20, 2010 (see Note 11), the company and Seven Cellos LLC terminated the License Agreement relating to the distribution of an alcoholic beverage known as Danny DeVito's Premium Limoncello . In the nine months ended September 30, 2010, this brand accounted for approximately 96% of total sales.

On August 20, 2010 (see Notes 3 and 8), Capstone Capital Group I, LLC, a holder of a Promissory Note with a then remaining balance of approximately \$190,000, delivered a Formal Notice of Default to the Company demanding payment of the balance on or before September 1, 2010. On September 16, 2010, Capstone delivered a Notification of Disposition of Collateral to the Company notifying the Company of its attachment of the Collateral (including accounts receivable, inventories, equipment, and contract rights) and its intent to sell the Collateral to the highest qualified bidder in a public sale on September 28, 2010.

On September 14, 2010 (see Note 11), the Second District Court of Suffolk County New York issued a Warrant of Eviction removing the Company from its Lindenhurst, New York office.

Iconic Brands, Inc. and Subsidiary
Notes to Consolidated Financial Statements
September 30, 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 September 30, 2010, the Company's wholly owned subsidiary Iconic Imports had its assets taken by the secured lender Capstone Capital Group I, LLC in satisfaction of their promissory note which had been defaulted on by Iconic Imports, Inc., leaving negative working capital of \$3,662,227 and a stockholders' deficiency of \$5,248,427. Further, from inception to September 30, 2010, the Company incurred losses of \$15,883,684. 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 introducing new products. Additionally, the Company intends to obtain new financing which will primarily be used to market and promote 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 September 30, 2010 and for the nine months ended September 30, 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, necessary to present fairly the financial position as of September 30, 2010 and the results of operations and cash flows for the periods ended September 30, 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 and nine months ended September 30, 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
September 30, 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 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.

For the nine months ended September 30, 2010 and 2009, diluted common shares outstanding excluded the following dilutive securities as the effect of their inclusion was anti-dilutive:

	2010	2009
7% convertible notes and accrued interest	607,023	602,274
10% convertible notes and accrued interest	210,712	195,754
8% convertible note and accrued interest	6,115,726	-
Series B preferred stock owned by Capstone Capital Group I LLC (See notes 3, 8, and 9)	294,775,044	5,092,239
Stock Options	300,000	200,000
Warrants	19,522,184	11,810,834
Total	321,530,689	17,901,101

(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

September 30, 2010

(Unaudited)

3. LOSS ON WRITEOFF OF ASSETS ATTACHED BY LENDER ON DEFAULTED PROMISSORY NOTE

On September 16, 2010 (see Notes 1 and 8), Capstone Capital Group I, LLC, delivered a Notification of Disposition of Collateral to the Company notifying the Company of its attachment of the Collateral securing the defaulted promissory Note and its intent to sell the Collateral to the highest qualified bidder in a public sale on September 28, 2010. To date, Capstone has not notified the Company of the proceeds of such sale, if any, that may reduce the outstanding balance due Capstone of \$190,411 at September 30, 2010. Accordingly, the Company has recognized a default loss of \$816,793 in the three months ended September 30, 2010, equal to the carrying value of the respective Collateral assets at September 16, 2010, as follows:

Cash	\$	1,552
Accounts receivable, net		27,694
Inventories		456,569
Advances to overseas vendor toward purchase of inventories		207,476
Property, plant, and equipment, net		4,240
License agreement costs, net		119,262
Total	\$	816,793

At such time as the amount of the offsettable proceeds from the disposition of the collateral becomes known, the Company will decrease the debt due Capstone and will decrease the default loss recorded.

4. INVENTORIES

Inventories consist of:

September 30,	December 31,
2010	2009

Danny DeVito's Premium Limoncello (Liqueur) brand	\$	-	\$	13,626
Hot Irishman (Irish coffee) brand		-		125,718
Scotch Whiskey		-		108,470
George Vesselle (champagne) brand		-		75,110
Other		-		145,013
Sub-total		-		467,937
Reserve for slow moving		-		(74,126)
Total	\$	-	\$	393,811

On September 16, 2010, the Company wrote off inventories totaling \$456,569 pursuant to the attachment of Collateral (see Note 3)

5. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of:

	September 30, 2010	December 31, 2009
Royalty advance	\$ -	\$ 60,000
Other	784	33,456
	\$ 784	\$ 93,456

On September 16, 2010, the Company wrote off advances to overseas vendors toward purchase of inventories of \$207,476 pursuant to the seizure of collateral (see Note 3).

6. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net, consist of:

	September 30, 2010		December 31, 2009
Vehicles	\$ -	\$	126,295
Office and warehouse equipment	-		20,853
Total	-		147,148
Accumulated depreciation	-		(139,875)
Net	\$ -	\$	7,273

On September 16, 2010, the Company wrote off property, plant, and equipment, net of \$4,240 pursuant to the attachment of Collateral (see Note 3).

Iconic Brands, Inc. and Subsidiary
Notes to Consolidated Financial Statements
September 30, 2010
(Unaudited)

7. LICENSE AGREEMENT COSTS, NET

License agreement costs, net, changed in the nine months ended September 30, 2010 as follows:

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
Amortization for the period January 15, 2010 to September 16, 2010	(25,538)
Write-off of balance pursuant to the attachment of Collateral on September 16, 2010 (see Note 3)	<u>(119,262)</u>
Balance, September 30, 2010	\$ -

As more fully described in Note 11, 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 was 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.

8. DEBT

Debt consists of:

		September 30, 2010	
Due under Discount Factoring Agreement	(A)	\$	-\$
Convertible notes, interest at 7% to 14% due			
July 2, 2012 to July 2, 2013, net of unamortized			
discounts of \$25,909 and \$52,328, respectively	(B)		124,091
Promissory note, interest at 20%, due January 29, 2009			100,000
Secured promissory note, Payable to Capstone Capital Group I, LLC			
interest at 7% was due in installments until June 10, 2011-	(A)		190,411
defaulted/collateral seized (See Note 3)			
Convertible promissory note, interest of 7%, due September 13, 2014,			
net of unamortized discount of \$65,229 and \$77,595, respectively	(B)		34,771
Loan payable, interest at 0%, due on demand			173,070
Loan payable, interest at 12%, due January 14, 2010			
net of unamortized discount of \$0 and \$26,823, respectively			-
Promissory notes, interest at 13%, due May 31, 2010			220,000
Convertible promissory note, interest at 8% (default rate at 22%)			
due February 7, 2011	(B)		60,000
Convertible promissory notes, interest at 10%			
due October 25, 2007 to November 27, 2007	(B)		75,000
Due Donald Chadwell (5% stockholder at September 30, 2010)			
interest at 0%, no repayment terms.			763,000
Due Richard DeCicco (officer, director, and 30% stockholder at September 30, 2010)			
and affiliates, interest at 0%, no repayment terms			714,338
Total		\$	2,454,681\$
Less current portion of debt			(818,481)
Long term debt		\$	1,636,200\$

Iconic Brands, Inc. and Subsidiary

Notes to Consolidated Financial Statements

September 30, 2010

(Unaudited)

At September 30, 2010, the debt is due as follows:

Past due	\$	585,411
Year ending September 30, 2011		233,070
Year ending September 30, 2012		-
Year ending September 30, 2013		150,000
Year ending September 30, 2014		100,000
Year ending September 30, 2015		-
No repayment terms (due two significant stockholders)		1,477,338
Total		2,545,819
Less debt discounts		(91,138)
Net	\$	2,454,681

(A) On January 22, 2007 the company entered into a Purchase order Financing Agreement with a term of two years that 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 was 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 receivable 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 statements of operations.

At September 30, 2010, Capstone holds 916,603 shares of Series B Preferred Stock which, based on the volume weighted average price per share for the preceding 20 trading days, are convertible into 294,775,044 shares of the company common stock.

On August 20, 2010 (see Notes 1 and 3), the secured Party delivered a Formal Notice of Default to the Company demanding payment of the \$190,411 balance on or before September 1, 2010. On September 16, 2010, the Secured Party delivered a Notification of Disposition of Collateral to the Company notifying the Company of its attachment of the Collateral (including accounts receivable, inventories, equipment, and contract rights) and intent to sell the Collateral to the highest qualified bidder in a public sale on September 28, 2010. To date, the Secured Party has not notified the Company of the proceeds of such sale, if any, that may reduce the outstanding balance due the Secured Party. At such time as the amount of the offsettable proceeds from the disposition of the Collateral becomes known, the Company will decrease the debt due Capstone.

(B) \$325,000 total face value of convertible notes outstanding at September 30, 2010 is convertible into shares of the Company's common stock at a price of \$0.50 per share. The other \$60,000 face value of convertible notes outstanding at September 30, 2010 is convertible into shares of the Company's common stock at a variable conversion price equal to 60% of the Market Price, as defined.

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

	September 30 2010	December 31, 2009
Convertible notes, interest at 7%	\$ 53,512	\$ 56,651
Promissory note, interest at 13%	23,250	-
Convertible note, interest at 8%	1,157	
Promissory note, interest at 20%	24,986	10,082
Convertible promissory notes, interest at 10%	30,356	24,767
Total	\$ 133,261	\$ 91,500

9. 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
September 30, 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.

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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 7 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

September 30, 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 5) 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 satisfied debt totaling \$455,635 through its commitment to issue to the respective 5 creditors a total of 4,556,350 of its common stock and 4,556,350 three year warrants exercisable at \$0.20 per share. The Company expects to issue these shares and warrants once it pays its liability to its transfer agent.

On April 19, 2010, the Company agreed to issue to a noteholders 250,000 shares of its common stock in consideration of the noteholders extension of the due date (from March 31, 2010 to May 31,2010) of a \$110,000 promissory note. The \$21,400 fair value of the common stock at date of commitment was expensed in the three months ended June 30, 2010 and included interest expense. The Company expects to issue these shares once it pays its liability to its transfer agent.

On June 22, 2010, 8 shareholders representing a majority of the issued and outstanding shares of common stock approved an amendment to the Company's Articles of Incorporation to increase the number of authorized shares of common stock from 100,000,000 shares to 2,500,000,000 shares.

10. INCOME TAXES

No provision for income taxes was recorded in the nine months ended September 30, 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 attributable to the future utilization of the net operating loss carryforward as of September 30, 2010 will be realized. Accordingly, the Company has provided a 100% allowance against the deferred tax asset in the financial statements at September 30, 2010. The Company will continue to review this valuation allowance and make adjustments as appropriate.

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.

11. COMMITMENTS AND CONTINGENCIES

Lease Company Evicted from Facility

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 were met, the Company had an option to renew the lease for an additional two years at annual rentals ranging from \$92,991 to \$95,781. On September 14, 2010, the Second District Court of Suffolk County issued a Warrant of Eviction removing the Company from its facilities.

For the nine months ended September 30, 2010 and 2009, rent expense was \$69,639 and \$99,115, respectively.

Licensing Agreements

Danny DeVito Brand 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 was to continue through perpetuity unless otherwise terminated. In consideration for the license, the Company agreed to pay royalties as follows: 9a) 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.

On August 20, 2010, the Company and DDV terminated the License Agreement. In the nine months ended September 30, 2010, the Danny DeVito Premium Limoncello brand accounted for approximately 96% of total sales.

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. The Termination Agreement provides that DDV has not waived or otherwise prejudiced any of its rights with respect to the Company's past conduct with respect to the brand, including DDV's right to accrued and unpaid royalties based upon its right to inspect Company records and conduct an audit of the Company reported agreement defined net profit.

Godfather Brand - 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.

Iconic Brands, Inc. and Subsidiary

Notes to Consolidated Financial Statements

September 30, 2010

(Unaudited)

At September 30, 2010, the Company has not yet commenced sales of the product named "The Godfather". For the nine months ended September 30, 2010 and 2009, the Company expensed \$60,000 and \$20,000, respectively (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. The second royalty payment of \$100,000 due on November 1, 2010 has not been paid. At September 30, 2010, the Company has included \$40,000 of accrued minimum royalties (\$100,000 minimum royalties accrued for the 15 months from July 2009 to September 2010 less the \$60,000 advance royalty paid August 12, 2009) in accrued expenses and the other current liabilities in the consolidated balance sheet.

Tony Siragusa Brand 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 nine months ended September 30, 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. As of this date, the product has not been introduced to the market. Under the License Agreement, Tony Siragusa has the right to terminate the agreement, upon 10 days written notice to the Company, if the Company fails to launch the distribution of and secure availability to the general public of the beverage throughout the United States prior to June 1, 2010. The License Agreement does not provide for financial penalties that would be accruable by the Company in the event of a default.

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 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.

Iconic Brands, Inc. and Subsidiary

Notes to Consolidated Financial Statements

September 30, 2010

(Unaudited)

Former Chief Financial Officer Employment Agreement - 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. Mr. Blacker resigned September 15, 2010.

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.

Litigation 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 have a material adverse effect on the Company's consolidated results of operations and financial position.

Unless otherwise noted, the following legal actions pertain to Iconic Imports, Inc, (formally Harbrew Imports, Ltd.,)

On February 14, 2008, Chester Stewart, an individual, initiated a lawsuit, against Iconic Imports, Inc. 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 Iconic Imports Ltd. 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, as of this date, the final payment has not been rendered.

On October 23, 2008, Thermo Plastic Tech, Inc., a manufacturer of thermo plastic material, initiated litigation against Iconic Imports, Ltd. 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 due June 1, 2010. To date, the final payment has not been rendered.

On August 5, 2009, the Estate of Mercer K Ellington initiated litigation, against both Iconic Brands, Inc. and Iconic Imports Inc. 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 Iconic Imports, Inc. 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 Iconic Imports, Inc. 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; payments have not been made for the months of May and June. A levy has been placed against the checking account in the name of Iconic Imports, Ltd in the amount of \$68,000 (twice the amount of judgment).

On October 29, 2009, Fred and Joseph Scalamandre Real Estate initiated litigation against Iconic Imports, Inc. claiming non payment of rent in the amount of \$238,000 plus interest, fees, and real estate taxes for a specific time period. The company has recognized the total obligation on its books as of September 30, 2010, and has retained counsel.

On November 4, 2009, Toyota Motor Credit Corporation initiated litigation against Iconic Imports, Inc. 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.

On August 5, 2010, Coachman Luxury Transport initiated an action against Iconic Brands, Inc in the amount of \$5,000 claiming non payment of monies due for rental of a bus. The company is not contesting the amount due.

On July 19, 2010, Sherwood Suffolk Co initiated an action against Iconic Brands, Inc in the amount of \$7,518.56 for non payment of rent for the month of July. As today, the company owes Sherwood Suffolk Co, additional rent for the month of August in the amount of \$7,518.56.

On September 14, 2010, Sherwood Suffolk was given a warrant of eviction by the Second District Court of Suffolk County, and Sherwood Suffolk presented the warrant to the Sheriff of Suffolk County to enforce. In addition to the warrant of eviction, the court awarded a judgment in the amount of \$16,256.73 to Sherwood Suffolk Co.

On September 16, 2010, Capstone Capital Group LLC notified the Company that in accordance with the Formal Notice of Default dated August 20, 2010 , Capstone is exercising its right to attach and sell all the collateral referred to in the promissory note between the parties. The collateral consists of: all inventory, all equipment, machinery, fixtures, vehicles, furnishings, general intangibles, including trademarks, trade names, and anything else owned by Harbrew Imports Ltd, the predecessor name of Iconic Imports, Inc.

We believe that these matters will have a material adverse effect on our financial condition and 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 other contemplated or pending legal proceedings against us.

Iconic Brands, Inc. and Subsidiary
Notes to Consolidated Financial Statements
September 30, 2010
(Unaudited)

12. STOCK OPTIONS AND WARRANTS

A summary of stock option and warrant activity for the year ended December 31, 2009 and for the nine months ended September 30, 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	-	7,756,350
Exercised	-	-
Forfeited/expired/cancelled	-	-
Outstanding at September 30, 2010	1,300,000	19,522,184

Stock options outstanding at September 30, 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, 2013
Total	1,300,000	300,000		

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

As of September 30, 2010, there was \$40,817 of total unrecognized compensation cost relating to unexpired stock options. That cost is expected to be recognized \$4,535 in 2010, \$18,140 in 2011, and \$18,142 in 2012.

Iconic Brands, Inc. and Subsidiary**Notes to Consolidated Financial Statements****September 30, 2010****(Unaudited)**

Warrants outstanding at September 30, 2010 consist of:

Date	Number	Number	Exercise	Expiration
Issued	Outstanding	Exercisable	Price	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, 2012
July 23, 2009	20,000	20,000	\$1.50	July 23, 2012
August 12, 2008	1,000,000	1,000,000	\$1.00	June 12, 2009
August 12, 2008	1,333,334	1,333,334	\$1.50	June 12, 2009
August 19, 2009	1,000,000	1,000,000	\$0.01	August 19, 2014
August 19, 2009	1,000,000	1,000,000	\$1.00	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

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September 16,2009	200,000	200,000	\$1.00	July 2, 2012
September 16,2009	200,000	200,000	\$1.50	July 2, 2012
January 6, 2010	100,000	100,000	\$0.22	January 4, 2015
January 13, 2009	100,000	100,000	\$0.23	January 13, 2015
February 8, 2010	500,000	500,000	\$1.00	February 8, 2015
February 8, 2010	500,000	500,000	\$1.50	February 8, 2015
March 16,2010	2,000,000	2,000,000	\$0.25	March 16,2015
April 19, 2010	4,556,350	4,556,350	\$0.20	April 14, 2013
Total	19,522,184	19,522,184		

As of September 30, 2010, there was \$68,004 of total unrecognized marketing cost relating to 2,333,334 of the unexpired warrants. That cost is expected to be recognized \$4,597 in 2010, \$18,388 in 2011, \$18,388 in 2012, \$18,388 in 2013, and \$8,243 in 2014.

Iconic Brands, Inc. and Subsidiary

Notes to Consolidated Financial Statements

September 30, 2010

(Unaudited)

13. SUBSEQUENT EVENTS

Operations of Iconic Imports, Inc

As a result of the eviction notice by the landlord Sherwood Suffolk and the concurrent attaching of its assets by the secured lender Capstone Capital Group I, LLC, Iconic Imports Inc. is not operational and will need to reorganize in order to continue. Iconic Brands, Inc. is in the process of relocating to 40 Marcus Boulevard, Hauppauge NY 11788.

License Agreements:

Iconic Imports, Inc, s Merchandising License with Paramount Licensing Inc. calls for a second payment of \$100,000 on November 1, 2010. As of this date, the payment has not been made.

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.

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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.

On July 9, 2010, The Board of directors approved the execution of a non-binding letter of intent (the LOI) by and between Iconic Brands, Inc. and Specialty Beverage and Supplement, Inc. (SBSI), a company dedicated to the production, distribution and marketing of functional drinks, energy drinks, sports drinks and wellness beverages, whereby Iconic proposes to purchase the assets and operations of SBSI. The LOI is intended as merely an outline of certain material terms of a proposed transaction and remains subject to, among other things, due diligence, execution of definitive transaction documents, and the satisfaction of customary terms and conditions.

Pursuant to the Letter of Intent, Iconic plans to enter into a definitive agreement to acquire the assets and operations of SBSI. Post-merger, the current operations of Iconic and SBSI will be shifted into two wholly owned subsidiaries of the new public company, one being the alcoholic beverage division, and the other the non-alcoholic beverage division. A third wholly-owned subsidiary will also be created for specialty products.

Immediately prior to or simultaneous with the closing of the transaction proposed by the LOI, Iconic will amend its Articles of Incorporation to increase the number of authorized shares of common stock to 2,500,000,000, and effect a 5-for-1 forward split of its issued and outstanding shares of common stock.

This letter of intent was terminated by both parties (8K filing)

RESULTS OF OPERATIONS

Results of Operations for the Nine Month Period ended September 30, 2010 Compared to the Nine Month Period ended September 30, 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.

Iconic Brands, Inc. and Subsidiary
Consolidated Statements of Operations

	(Unaudited)	
	Nine Months Ended	
	September 30, 2010 (Unaudited)	2009 (Unaudited)
Sales	\$ 371,313	\$ 497,541
Cost of goods sold	235,744	327,941
Gross profit	135,569	169,600
Selling, general and administrative expenses:		
Selling, marketing and promotion	419,250	231,103
Administrative compensation and benefits	428,254	841,223
Stock-based compensation issued in connection with merger	-	2,063,411
Professional fees	480,627	389,411
Occupancy and warehousing	95,101	133,921
Travel and entertainment	62,891	90,701
Office	18,452	31,671
Licenses and permits	31,878	2,871
Other	16,092	33,171
 Total	 1,552,545	 3,817,522
 Loss from operations	 (1,416,976)	 (3,647,921)
 Interest expense	 (264,346)	 (590,170)
 Loss on writeoff of assets seized by lender on defaulted promissory note (Note 3)	 (816,793)	
 Loss before income taxes	 (2,498,115)	 (4,238,091)
 Income taxes	 -	
 Net loss	 \$ (2,498,115)	 \$ (4,238,091)

Net loss per common share - basic and diluted

\$ (0.05) \$ (0.24)

Weighted average number of common shares

outstanding - basic and diluted 49,962,659 17,640,56

See notes to consolidated financial statements.

Sales:

Sales decreased by \$ 126,236 or 25% from \$ 497,549 for the nine month period ended September 30, 2009 to \$ 371,313 for the nine month period ended September 30, 2010. The decrease in sales for the nine months reflects the company's inability to raise capital and support its brands.

Cost of goods sold:

Cost of goods sold decreased by \$92,203, or 28%, from \$ 327,947 for the nine month period ended September 30, 2009 to \$ 235,744 for the nine month period ended September 30, 2010. This decrease in COGS is consistent with the decrease in sales for the period as the Company could not raise sufficient funds to support its business.

Gross profit:

Gross profit decreased by approximately \$34,000 or 20 %, from \$169,602 for the nine month period ended September 30, 2009 to \$135,569 for the nine month period ended September 30, 2010 mainly due a decrease in sales and cost of goods sold.

Selling, general and administrative expenses:

Selling general and administrative expenses for the nine month period ended September 30, 2010 and 2009 were \$1,552,545 and \$3,817,523 respectively, a decrease of \$2,264,978 or, 59%. The majority of the decrease reflects the expense of stock-based compensation paid in the year 2009 of \$2,063,411.

Income (loss) from Operations:

Loss from operations was \$1,416,976 for the nine month period ended September 30, 2010 and \$3,647,921 for the nine month period ended September 30, 2009. The decrease in the loss from operations for the period results from the decrease in sales, offset by the decrease in expenses, principally the costs associated with the stock based compensation expense, as previously described.

Interest Expense:

Interest expense for the nine month period ended September, 2010 and 2009 was \$264,346 and \$590,170, respectively, a decrease of \$ 326,824, or 55 %. 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, and notes to equity.

Loss incurred on write-off of assets seized on defaulted promissory note:

On August 20, 2010, the secured lender served the company with a formal notice of default, with a deadline of September 1, 2010 to pay in full all amounts outstanding on the promissory note originally referred to in the Termination Agreement dated June 5, 2009. As a result of the company not being able to satisfy the demand, Capstone Capital Group I LLC, on September 16, 2010 served the company with a Notification of Disposition of Collateral. Accordingly the book value of all the collateral referred to in the Termination Agreement of June 5, 2009 between Iconic Imports, Inc, the wholly owned subsidiary of Iconic Brands, Inc. have been written off against the debt of Capstone Capital Group I LLC, giving rise to the charge for the period of \$816,793 (Note 3). Final determination of the loss, and or possible recovery will be made when the assets are liquidated and a final accounting is rendered by Capstone Capital Group I, LLC.

Net Income (loss):

Net loss was \$ 2,498,115 for the nine month period ended September 30, 2010, compared to \$4,238,091 for the nine month period ended September 30, 2009, a decrease of \$1,739,976 or 41 %. The decrease in the net loss for the period was a result of the culmination of all the reasons previously described.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2010, we had negative working capital of \$3,662,227 compared to negative working capital of \$2,531,288 at December 31, 2009. Our balance of cash and cash equivalents at September 30, 2010 was \$35,300.

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,
- Increased 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 nine month period ended September 30, 2010, net cash used in operating activities was \$378,168, consisting primarily of losses from operations of \$2,498,115, offset by a non-cash charge for stock-based compensation of \$423,101 decreases in receivables of \$226,574, decreases in prepaid expenses and other current assets of \$151,272, and increases in accrued expenses of \$302,631

Net Cash Used in Investing Activities

For the nine month period ended September 30, 2010 and 2009, net cash used in investing activities was \$0 and \$5,150 respectively.

Net Cash Provided by Financing Activities

For the nine month period ended September, 2010, funds provided by financing activities amounted to \$354,632 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 will 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

See insert for updates

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. The following legal actions pertain to the wholly owned subsidiary of Iconic Brands, Inc, Iconic Imports Ltd, formally Harbrew Imports Ltd, unless otherwise noted.

On February 14, 2008, Chester Stewart, an individual, initiated a lawsuit, against Iconic Imports, Ltd. 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 Iconic Imports Ltd. 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 Iconic Imports, Ltd. 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, as of this date, the final payment has not been rendered.

On August 5, 2009, the Estate of Mercer K Ellington initiated litigation, against both Iconic Brands, Inc and Iconic Imports, Ltd. 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.

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On August 12, 2009, Christina Hsu, a former employee, initiated an action claiming Iconic Imports, Ltd 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 Iconic Imports, Ltd. in the Supreme Court of the State of New York County of Suffolk (index # 09-43045). The plaintiff has demanded payment 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; payments have not been made for the months of May and June. A levy has been placed against the checking account in the name of Iconic Imports, Ltd in the amount of \$68,000 (twice the amount of judgment).

On October 29, 2009, Fred and Joseph Scalamandre Real Estate initiated litigation against Iconic Imports, Ltd. claiming non payment of rent in the amount of \$238,000 plus interest, fees, and real estate taxes for a specific time period. The company has recognized the total obligation on its books as of December 31, 2009, and has retained counsel.

On November 4, 2009, Toyota Motor Credit Corporation initiated litigation against Iconic Imports, Ltd. 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.

On August 5, 2010, Coachman Luxury Transport initiated an action against Iconic Brands, Inc in the amount of \$5,000 claiming non payment of monies due for rental of a bus. The company is not contesting the amount due.

On July 19, 2010, Sherwood Suffolk Co initiated an action against Iconic Brands, Inc in the amount of \$7,518.56 for non payment of rent for the month of July. As today, the company owes Sherwood Suffolk Co, additional rent for the month of August in the amount of \$7,518.56.

On September 14, 2010, Sherwood Suffolk was given a warrant of eviction by the Second District Court of Suffolk County, and Sherwood Suffolk presented the warrant to the Sheriff of Suffolk County to enforce. In addition to the warrant of eviction, the court awarded a judgment in the amount of \$16,256.73 to Sherwood Suffolk Co.

On September 16, 2010, Capstone Capital Group LLC notified the Company that in accordance with the Formal Notice of Default dated August 20, 2010 (subject of 8k filing), Capstone is exercising there right to attach and sell all the collateral referred to in the promissory note between the parties. The collateral consists of: all inventory, all equipment, machinery, fixtures, vehicles, furnishings, general intangibles, including trademarks, trade names, and anything else owned by Harbrew Imports Ltd, the predecessor name of Iconic Imports, Inc.

We believe that these matters will have a material adverse effect on our financial condition and operations.

and. 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 satisfied debt totaling \$455,635 through its commitment to issue to the 5 creditors a total of 4,556,350 shares of its common stock and 4,556,350 three year warrants exercisable at \$0.20 per share. The Company expects to issue these shares and warrants once it pays its liability to its transfer agent.

On April 19, 2010, the Company agreed to issue to a noteholder 250,000 shares of its common stock in consideration of the noteholders extension of the due date (from March 31, 2010 to May 31, 2010) of a \$110,000 promissory note. The \$21,400 fair value of the common stock at the date of commitment was expensed in the three months ended June 30, 2010 and included interest expense. The Company expects to issue these shares once it pays its liability to its transfer agent.

On June 22, 2010, 8 stockholders representing a majority of the issued and outstanding shares of common stock approved an amendment to the Company's Articles of Incorporation to increase the number of authorized shares of common stock from 100,000,000 shares to 2,500,000,000 shares.

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 of 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 45-day duration to a lender. Principal and interest were not paid by the Company when due.

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 ____ day of 2010.

Iconic Brands, Inc.

By: */s/Richard DeCicco*

Richard DeCicco

President, Principal Executive Officer

