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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2020

or

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

For the transition period from ________________ to ________________

Commission File Number: 333-227420

ICONIC BRANDS, INC.

(Exact name of registrant as specified in its charter)

Nevada	**13-4362274**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
44 Seabro Avenue Amityville, NY	**11701**
(Address of principal executive offices)	(Zip Code)

(866) 219-8112
(Registrant's telephone number, including area code)

N/A
Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 past 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, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
N/A	N/A	N/A

As of May 15, 2020, the registrant had 16,440,681 shares of common stock, $0.001 par value per share, issued and outstanding.

ICONIC BRANDS, INC.

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

Statements in this Quarterly Report on Form 10-Q may be "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934.

Forward-looking statements include, but are not limited to, statements that express our intentions, beliefs, expectations, strategies, predictions or any other statements relating to our future activities or other future events or conditions. These statements are often, but not always, made through the use of words or phrases such as "believe," "will," "expect," "anticipate," "estimate," "intend," "plan," and "would." These statements are based on current expectations, estimates and projections about our business based in part on assumptions made by management. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may, and are likely to, differ materially from what is expressed or forecasted in the forward-looking statements due to numerous factors, including those set forth in "Item 1A. Risk Factors" in our Annual Report on Form 10-K, and our other filings with the U.S. Securities and Exchange Commission.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. Any forward-looking statements speak only as of the date on which they are made, and we disclaim any obligation to publicly update or release any revisions to these forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this Quarterly Report on Form 10-Q or to reflect the occurrence of unanticipated events, except as required by applicable law.

Table of Contents

PART I – FINANCIAL INFORMATION

ITEM 1. Financial Statements

ICONIC BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
Three Months Ended March 31, 2020 and 2019

CONTENTS

Table of Contents

Iconic Brands, Inc. and Subsidiaries
Consolidated Balance Sheets

		March 31, 2020 (Unaudited)		December 31, 2019
Assets				
Current assets:				
Cash and cash equivalents	$	916,686	$	263,638
Accounts receivable (less allowance for doubtful accounts of $26,513 and $26,513, respectively)		247,965		573,747
Inventories		638,144		573,800
Prepaid expenses		126,005		-
Total current assets		1,928,800		1,411,185
Right-of-use assets, less accumulated amortization of $148,317 and $125,921, respectively		114,440		136,836
Leasehold improvements, furniture, and equipment (less accumulated depreciation and amortization of $4,615 and $0, respectively)		24,093		20,000
Investment in and receivable from Can B Corp		1,000,000		1,000,000
Total assets	$	3,067,333	$	2,568,021
Liabilities and Stockholders' Equity				
Current liabilities:				
Current portion of operating lease liabilities	$	84,286	$	90,982
Accounts payable and accrued expenses		1,698,492		1,852,563
Loans payable to officer and affiliated entity-noninterest bearing and due on demand		29,744		45,131
Note payable		15,000		40,000
Total current liabilities		1,827,522		2,028,676
Non-current portion of operating lease liabilities		33,943		49,147
Total liabilities		1,861,465		2,077,823
Commitments and contingencies (Note 13)				
Stockholders' equity:				
Preferred stock, $.001 par value; authorized 100,000,000 shares:				
Series A, 1 and 1 share issued and outstanding, respectively		1		1
Series E, 2,115,244 and 2,790,244 shares issued and outstanding, respectively		2,115		2,790
Series F ($1,000 per share stated value), 2965.75 and 3155.75 shares issued and outstanding, respectively		2,965,750		3,155,750
Series G ($1,000 per share stated value), 1475 and 0 shares issued and outstanding, respectively		1,475,000		-
Common stock, $.001 par value; authorized 200,000,000 shares, 15,985,681 and 14,576,681 shares issued and outstanding respectively		15,986		14,577
Additional paid-in capital		21,624,713		21,282,679
Accumulated deficit		(23,763,668)		(22,925,748)
Total Iconic Brands, Inc. stockholders' equity		2,319,897		1,530,049
Noncontrolling interests in subsidiaries and variable interest entity		(1,114,029)		(1,039,851)
Total stockholders' equity		1,205,868		490,198
Total liabilities and stockholders' equity	$	3,067,333	$	2,568,021

See notes to consolidated financial statements.

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

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Sales	$ 405,886	$ 121,913
Cost of Sales	252,426	81,435
Gross profit	153,460	40,478
Operating expenses:		
Officers compensation	103,750	185,750
Professional and consulting fees	186,789	448,519
Royalties	15,964	75,188
Marketing and advertising	128,645	46,467
Occupancy costs	22,251	27,623
Travel and entertainment	19,469	64,269
Investor relations	361,689	84,003
Other	227,001	91,023
Total operating expenses	1,065,558	1,022,842
Operating loss	(912,098)	(982,364)
Net loss attributable to noncontrolling interests in subsidiaries and variable interest entity	74,178	309,697
Net loss attributable to Iconic Brands, Inc.	$ (837,920)	$ (672,667)
Net loss per common share – basic and diluted:	$ (0.05)	$ (0.11)
Weighted average common shares outstanding and to be issued to Escrow Agent:		
Basic and diluted	15,416,710	6,159,404

See notes to consolidated financial statements.

[Table of Contents](#)

Iconic Brands, Inc. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity
(Unaudited)

	Series A Preferred Stock, $.001 par		Series C Preferred Stock, $.001 par		Series D Preferred Stock, $.001 par		Series E Preferred Stock, $.001 par		Series F Preferred Stock, $1,000 stated value per share		Series G Preferred Stock, $1,000 stated value per share		Common Stock, $.001 par		Common Stock to be issued to Escrow Agent, $0.001 par		Additional Paid-in Capital	Noncontrolling Interests in Sub-sidiaries and Variable Interest Entity	Accumulated Deficit	Total
	Shares	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**				
Three Months Ended March 31, 2020																				
Balance at January 1, 2020	1	$ 1	-	$ -	-	$ -	2,790,224	$ 2,790	3,156	$3,155,750	-	$ -	14,576,681	$ 14,577	-	-	$21,282,679	$ (1,039,851)	$ (22,925,748)	$ 490,19
Sale of Series G Preferred Stock and warrants	-	-	-	-	-	-	-	-	-	-	1,475	1,475,000	-	-	-	-	-	-	-	1,475,00
Placement agent fees and stock-based compensation	-	-	-	-	-	-	-	-	-	-	-	-	375,000	375	-	-	(150,375)	-	-	(150,00
Issuance of common stock in exchange for Series E Preferred Stock	-	-	-	-	-	-	(675,000)	(675)	-	-	-	-	270,000	270	-	-	405	-	-	
Issuance of common stock in exchange for Series F Preferred Stock	-	-	-	-	-	-	-	-	(190)	(190,000)	-	-	304,000	304	-	-	189,696	-	-	

Issuance of common stock in exchange for services rendered and to be rendered	-	-	-	-	-	-	-	-	-	-	-	-	460,000	460	-	-	302,308	-	-	302,76
Net loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(74,178)	(837,920)	(912,09
Balance at March 31, 2020	1	$ 1	-	-	-	-	2,115,224	$ 2,115	2,966	$2,965,750	1,475	$1,475,000	15,985,681	$ 15,986	-	-	$21,624,713	(1,114,029)	$ (23,763,668)	$ 1,205,86
Three Months Ended March 31, 2019																				
Balance, January 1, 2019 (as previously reported)	1	$ 1	1,000	$ 1	10	$ -	6,602,994	$ 6,603	-	$ -	-	$ -	5,440,312	$ 5,440	534,203	$ 534	$18,798,438	$ (615,300)	$ (21,233,083)	$(3,037,36
Cumulative effect adjustment relating to reduction of derivative liability on warrants, pursuant to ASU 2017-11	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,261,039	2,261,03
Balance, January 1, 2019 (as adjusted)	1	1	1,000	1	10	-	6,602,994	6,603	-	-	-	-	5,440,312	5,440	534,203	534	18,798,438	(615,300)	(18,972,044)	(776,32
Common stock issued to Escrow Agent	-	-	-	-	-	-	-	-	-	-	-	-	534,203	534	(534,203)	(534)	-	-	-	
Sale of Series E Preferred Stock and warrants in connection with Securities Purchase Agreement dated September 27, 2018	-	-	-	-	-	-	1,362,520	1,363	-	-	-	-	-	-	-	-	339,267	-	-	340,63
Issuance of common stock in connection with Settlement and Release Agreement dated February 7, 2019	-	-	-	-	-	-	-	-	-	-	-	-	120,000	120	-	-	91,080	-	-	91,20
Issuance of common stock in connection with Business Development Agreement dated March 15, 2019	-	-	-	-	-	-	-	-	-	-	-	-	150,000	150	-	-	199,350	-	-	199,50
Issuance of common stock in exchange for the surrender of Series C Preferred Stock on March 27, 2019	-	-	(1,000)	(1)	-	-	-	-	-	-	-	-	1,000,000	1,000	-	-	(999)	-	-	
Issuance of common stock in exchange for the surrender of Series D Preferred Stock on March 27, 2019	-	-	-	-	(10)	-	-	-	-	-	-	-	1,000,000	1,000	-	-	(1,000)	-	-	
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1)	-	258	25
Net income (loss)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(309,697)	(672,667)	(982,36
Balance, March 31, 2019	1	$ 1	-	$ -	-	$ -	7,965,514	$ 7,966	-	$ -	-	$ -	8,244,515	$ 8,244	-	$ -	$19,426,135	$ (924,997)	$ (19,644,453)	$(1,127,10

See notes to consolidated financial statements.

Table of Contents

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

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Operating Activities:		
Net loss attributable to Iconic Brands, Inc.	$ (837,920)	$ (672,667)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Net loss attributable to noncontrolling interests in subsidiaries and variable interest entity	(74,178)	(309,697
Issuance of note payable to consultant	-	50,000
Stock-based compensation	243,081	290,700
Depreciation and amortization	4,615	-
Changes in operating assets and liabilities:		
Accounts receivable	325,782	9,566
Inventories	(64,344)	41,768
Prepaid expenses	(66,318)	-
Accounts payable and accrued expenses	(153,575)	220,754
Net cash used in operating activities	(622,857)	(369,576)
Investing Activities:		
Leasehold improvements	-	-
Furniture and equipment	(8,708)	-
Net cash used in investing activities	(8,708)	-
Financing Activities:		
Proceeds from sale of Series G Preferred Stock and warrants (net of placement agent fees of $150,000)	1,325,000	-
Proceeds from sale of Series E Preferred Stock and warrants	-	340,630
Repayment of note payable	(25,000)	-
Loans payable to officer and affiliated entity	(15,387)	-
Net cash provided by financing activities	1,284,613	340,630
Increase (decrease) in cash and cash equivalents	653,048	(28,946)
Cash and cash equivalents, beginning of period	263,638	191,463
Cash and cash equivalents, end of period	$ 916,686	$ 162,517
SUPPLEMENTAL CASH FLOW INFORMATION:		
Income taxes paid	$ -	$ -
Interest paid	$ -	$ -
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Issuance of common stock in exchange for the surrender of Series C Preferred Stock and Series D Preferred Stock	$ -	$ 2,000
Issuance of common stock in exchange for Series E Preferred Stock	$ 270	$ -
Issuance of common stock in exchange for Series F Preferred Stock	$ 304	$ -
Issuance of common stock to Escrow Agent in connection with Settlement Agreement and Amended Settlement Agreement	$ -	$ 534

See notes to consolidated financial statements.

Iconic Brands, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
Three months ended March 31, 2020 and 2019

1. ORGANIZATION AND NATURE OF BUSINESS

Iconic Brands, Inc., formerly Paw Spa, Inc. ("Iconic Brands" or "Iconic"), was incorporated in the State of Nevada on October 21, 2005. Effective December 31, 2016, Iconic closed on a May 15, 2015 agreement to acquire a 51% interest in BiVi LLC ("BiVi"), the brand owner of "BiVi 100 percent Sicilian Vodka," and closed on a December 13, 2016 agreement to acquire a 51% interest in Bellissima Spirits LLC ("Bellissima"), the brand owner of Bellissima sparkling wines. These transactions involved entities under common control of the Company's chief executive officer and represented a change in reporting entity. The financial statements of the Company have been retrospectively adjusted to reflect the operations of BiVi and Bellissima from their inception.

BiVi was organized in Nevada on May 4, 2015. Bellissima was organized in Nevada on November 23, 2015.

Effective May 9, 2019, Iconic closed on a May 9, 2019 Share Exchange Agreement to acquire a 51% interest in Green Grow Farms, Inc. ("Green Grow"), an entity organized on February 28, 2019 to grow hemp for CBD extraction. Effective December 31, 2019, Iconic sold its 51% interest in Green Grow Farms, Inc. to Can B Corp (see Note 3).

Reverse Stock Split

Effective January 18, 2019, the Company effectuated a 1 share for 250 shares reverse stock split which reduced the issued and outstanding shares of common stock at December 31, 2018 from 1,359,941,153 shares to 5,439,765 shares. The accompanying financial statements have been retrospectively adjusted to reflect this reverse stock split.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

The consolidated financial statements include the accounts of Iconic, its two 51% owned subsidiaries BiVi and Bellissima, and United Spirits, Inc., a variable interest entity of Iconic (see Note 6) (collectively, the "Company"). All inter-company balances and transactions have been eliminated in consolidation.

(b) Interim Financial Statements

The interim financial statements as of March 31, 2020 and for the three months ended March 31, 2020 and 2019 are unaudited and have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. These statements reflect all normal and recurring adjustments that, in the opinion of management, are necessary for a fair presentation of the information contained herein. Operating results for the three months ended March 31, 2020 are not necessarily indicative of results that may be expected for the year ending December 31, 2020.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the Unites States have been condensed or omitted pursuant to the Securities and Exchange Commission's rules and regulations. These unaudited financial statements should be read in conjunction with our audited financial statements and notes thereto for the year ended December 31, 2019 as included in our report on Form 10-K.

Iconic Brands, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
Three months ended March 31, 2020 and 2019

(c) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

(d) Fair Value of Financial Instruments

Generally accepted accounting principles require disclosing the fair value of financial instruments to the extent practicable for financial instruments which are recognized or unrecognized in the balance sheet. The fair value of the financial instruments disclosed herein is not necessarily representative of the amount that could be realized or settled, nor does the fair value amount consider the tax consequences of realization or settlement.

In assessing the fair value of financial instruments, the Company uses a variety of methods and assumptions, which are based on estimates of market conditions and risks existing at the time. For certain instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, loans payable to officer and affiliated entity, and note payable, it was estimated that the carrying amount approximated fair value because of the short maturities of these instruments.

(e) Cash and Cash Equivalents

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

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

The Company extends unsecured credit to customers in the ordinary course of business but mitigates risk by performing credit checks and by actively pursuing past due accounts. The allowance for doubtful accounts is based on customer historical experience and the aging of the related accounts receivable. At March 31, 2020 and December 31, 2019, the allowance for doubtful accounts was $26,513 and $26,513, respectively.

(g) Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market, with due consideration given to obsolescence and to slow moving items. Inventory at March 31, 2020 and December 31, 2019 consists of cases of BiVi Vodka and cases of Bellissima sparkling wines purchased from our Italian suppliers, and cases of alcoholic beverages and packaging materials relating to our Hooters line of products introduced in August 2019.

Iconic Brands, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
Three months ended March 31, 2020 and 2019

(h) Marketable Equity Securities

Marketable equity securities are recorded at fair value with unrealized gains and losses included in income. The Company has classified its investment in Can B Corp (see Note 3) as trading securities.

(i) Revenue Recognition

In May 2014, the FASB issued ASU 2014-09 "Revenue from Contracts with Customers" (Topic 606) which establishes revenue recognition standards. ASU 2014-19 was effective for annual reporting periods beginning after December 15, 2017. We adopted ASU 2014-09 effective January 1, 2018. ASU 2014-09 has not had a significant effect on the Company's financial position and results of operations.

Revenue from product sales is recognized when all of the following criteria are met: (1) persuasive evidence of an arrangement exists, (2) the price is fixed or determinable, (3) collectability is reasonably assured, and (4) delivery has occurred. Persuasive evidence of an arrangement and fixed price criteria are satisfied through purchase orders. Collectability criteria are satisfied through credit approvals. Delivery criteria are satisfied when the products are shipped to a customer and title and risk of loss passes to the customer in accordance with the terms of sale. The Company has no obligation to accept the return of products sold other than for replacement of damaged products. Other than quantity price discounts negotiated with customers prior to billing and delivery (which are reflected as a reduction in sales), the Company does not offer any sales incentives or other rebate arrangements to customers.

(j) Shipping and Handling Costs

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

(k) Stock-Based Compensation

Stock-based compensation is accounted for at fair value in accordance with Accounting Standards Codification ("ASC") Topic 718, "Compensation-Stock Compensation". For the three months ended March 31, 2020 and 2019, stock-based compensation was $243,081 and $290,700, respectively.

(l) Income Taxes

Income taxes are accounted for under the assets and liability method. Current income taxes are provided in accordance with the laws of the respective taxing authorities. Deferred income taxes are provided for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is not more likely than not that some portion or all of the deferred tax assets will be realized.

Iconic Brands, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
Three months ended March 31, 2020 and 2019

(m) 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 and to be issued to Escrow Agent (see Note 11) during the periods presented.

Diluted net income (loss) per common share is computed on the basis of the weighted average number of common shares and to be issued to Escrow Agent (see Note 11) 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.

(n) Recently Issued Accounting Pronouncements

Effective January 1, 2019, we adopted ASU 2016-2 (Topic 842) which establishes a new lease accounting model for lessees. Under the new guidance, lessees are required to recognize right of use assets and liabilities for most leases having terms of 12 months or more. We adopted this new accounting guidance using the effective date transition method, which permits entities to apply the new lease standards using a modified retrospective transition approach at the date of adoption. As such, historical periods will continue to be measured and presented under the previous guidance while current and future periods are subject to this new accounting guidance. Upon adoption we recorded a total of $223,503 for right-of-use assets related to our two operating leases (see Note 13g) and a total of $223,503 for lease liabilities.

On July 13, 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update ("ASU") 2017-11. Among other things, ASU 2017-11 provides guidance that eliminates the requirement to consider "down round" features when determining whether certain financial instruments or embedded features are indexed to an entity's stock and need to be classified as liabilities. ASU 2017-11 provides for entities to recognize the effect of a down round feature only when it is triggered and then as a dividend and a reduction to income available to common stockholders in basic earnings per share. The guidance is effective for annual periods beginning after December 15, 2018; early adoption is permitted. Accordingly, effective January 1, 2019, the Company reflected a $2,261,039 reduction of the derivative liability on warrants (see Note 10) and a $2,261,039 cumulative effect adjustment reduction of accumulated deficit.

Certain other 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.

(o) Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company has sustained significant net losses which have resulted in an accumulated deficit at March 31, 2020 of $23,763,668 and has experienced periodic cash flow difficulties, all of which raise substantial doubt regarding the Company's ability to continue as a going concern.

Continuation of the Company as a going concern is dependent upon obtaining additional working capital and attaining profitable operations. The management of the Company has developed a strategy which it believes will accomplish these objectives and which will enable the Company to continue operations for the coming year. However, there is no assurance that these objectives will be met. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might result from the outcome of this uncertainty.

Iconic Brands, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
Three months ended March 31, 2020 and 2019

3. DISCONTINUED OPERATIONS

Effective December 31, 2019, the Company sold its 51% equity interest in Green Grow Farms, Inc. ("Green Grow") to Can B Corp. in exchange for 37,500,000 shares of Can B Corp. common stock and a Can B Corp. obligation to issue additional shares ("Additional Purchases Shares") of Can B Corp. common stock to the Company on June 30, 2020 in such number so that the aggregate value of the aggregate shares issued to the Company equals $1,000,000. We acquired this equity interest on May 9, 2019 in exchange for a $200,000 note payable to NY Farms Group Inc. and 2,000,000 shares of Company common stock valued at $1,250,000.

4. INVESTMENT IN BIVI LLC

On May 15, 2015, Iconic entered into a Securities Exchange Agreement by and among the members of BiVi LLC, a Nevada limited liability company ("BiVi"), under which Iconic acquired a 51% majority interest in BiVi in exchange for the issuance of (a) 4,000 shares of restricted common stock and (b) 1,000 shares of newly created Series C Convertible Preferred Stock.

Prior to May 15, 2015, BiVi was beneficially owned and controlled by Richard DeCicco, the controlling shareholder and chief executive officer of Iconic Brands, Inc.

5. INVESTMENT IN BELLISSIMA SPIRITS LLC

On December 13, 2016, Iconic entered into a Securities Purchase Agreement with Bellissima Spirits LLC ("Bellissima") and Bellissima's members under which Iconic acquired a 51% majority interest in Bellissima in exchange for the issuance of a total of 10 shares of newly designated Iconic Series D Convertible Preferred Stock. Each share of Iconic Series D Convertible Preferred Stock was convertible into the equivalent of 5.1% of Iconic common stock issued and outstanding at the time of conversion.

Prior to December 13, 2016, Bellissima was controlled by Richard DeCicco, the controlling shareholder and chief executive officer of Iconic.

Iconic Brands, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
Three months ended March 31, 2020 and 2019

6. UNITED SPIRITS, INC.

United Spirits, Inc. ("United") is owned and managed by Richard DeCicco, the controlling shareholder and chief executive officer of Iconic. United provides distribution services for Iconic, BiVi and Bellissima (see Note 13e) and is considered a variable interest entity ("VIE") of Iconic. Since Iconic has been determined to be the primary beneficiary of United, we have included United's assets, liabilities, and operations in the accompanying consolidated financial statements of Iconic. Summarized financial information of United follows:

Balance Sheets:	**March 31, 2020**	**December 31, 2019**
Cash and cash equivalents	$ 647,742	$ 130,454
Intercompany receivable from Iconic (A)	-	56,495
Right-of-use asset	42,794	54,955
Total assets	$ 690,536	$ 241,904
Accounts payable and accrued expense	$ 190,321	$ 187,658
Loans payable to officer and affiliated entity	72,692	88,077
Intercompany payable to Iconic (A)	3,200	-
Intercompany payable to Bellissima (A)	794,156	317,722
Intercompany payable to BiVi (A)	66,876	66,876
Operating lease liability	42,794	54,955
Total Liabilities	1,170,039	715,288
Noncontrolling interest in VIE	(479,503)	(473,384)
Total liabilities and stockholders' deficiency	$ 690,536	$ 241,904

	Three months ended March 31,	
Statements of operations:	**2020**	**2019**
Intercompany distribution income (A)	$ 3,125	$ 2,075
Royalty expense	-	63,750
Officers' compensation	-	82,000
Other operating expenses – net	9,245	9,028
Total operating expenses	9,245	154,778
Net income (loss)	$ (6,120)	$ (152,703)

(A) Eliminated in consolidation

Table of Contents

7. INVENTORIES

Inventories consist of:

		March 31, 2020		December 31, 2019
Finished goods:				
Hooters brands	$	318,968	$	286,123
Bellissima brands		234,330		199,580
BiVi brands		47,880		48,132
Total finished goods		601,178		533,835
Raw materials:				
Hooters brands		36,966		39,965
Total raw materials		36,966		39,965
Total	$	638,144	$	573,800

8. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of:

		March 31, 2020		December 31, 2019
Accounts payable	$	539,260	$	737,850
Accrued officers compensation		837,800		813,050
Accrued royalties		311,006		295,042
Other		10,426		6,621
Total	$	1,698,492	$	1,852,563

9. NOTE PAYABLE

Note payable consists of:

		March 31, 2020		December 31, 2019
Amount due to a former Bellissima consultant pursuant to a Settlement and Release Agreement dated February 7, 2019, due December 31, 2019	$	15,000	$	40,000
Total	$	15,000	$	40,000

10. DERIVATIVE LIABILITY ON WARRANTS

From September 2017 to November 2017, in connection with the sale of a total of 480,000 shares of common stock, the Company issued a total of 480,000 Common Stock Purchase Warrants (the "Warrants") to the respective investors. The Warrants were exercisable into ICNB common stock at a price of $2.50 per share, were to expire five years from date of issuance, and contained "down round" price protection.

Effective May 21, 2018, in connection with the sale of a total of 120,000 shares of Series E Preferred Stock, the Company issued a total of 480,000 Warrants to four investors. These warrants were exercisable into ICNB common stock at a price of $2.50 per share, were to expire five years from date of issuance, and contained "down round" price protection.

The down round provision of the above Warrants required a reduction in the exercise price if there were future issuances of common stock equivalents at a lower price than the $2.50 exercise price of the Warrants. Accordingly, we recorded the $2,261,039 fair value of the Warrants at December 31, 2018 as a derivative liability.

Effective January 1, 2019 (see Note 2), the Company adopted ASU 2017-11 and reduced the $2,261,039 derivative liability on warrants at December 31, 2018 to $0 and recognized a $2,261,039 cumulative effect adjustment reduction of accumulated deficit.

Iconic Brands, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
Three months ended March 31, 2020 and 2019

11. CAPITAL STOCK

Preferred Stock

The one share of Series A Preferred Stock, which was issued to Richard DeCicco on September 10, 2009, entitles the holder to two votes for every share of Common Stock Deemed Outstanding and has no conversion or dividend rights.

The 1000 shares of Series C Preferred Stock, which were issued to Richard DeCicco on May 15, 2015 pursuant to the Securities Exchange Agreement (see Note 4) for the Company's 51% investment in BiVi, entitled the holder in the event of a Sale (as defined) to receive out of the proceeds of such Sale (in whatever form, be it cash, securities, or other assets), a distribution from the Company equal to 76.93% of all such proceeds received by the Company prior to any distribution of such proceeds to all other classes of equity securities, including any series of preferred stock designated subsequent to this Series C Preferred Stock. Effective March 27, 2019, pursuant to a Preferred Stock Exchange Agreement, Mr. DeCicco exchanged the 1,000 shares of Series C Preferred Stock for 1,000,000 shares of Company common stock.

The 10 shares of Series D Preferred Stock, which were issued to Richard DeCicco and Roseann Faltings (5 shares each) on December 13, 2016 pursuant to the Securities Purchase Agreement (See Note 5) for the Company's 51% investment in Bellissima, entitled the holders to convert each share of Series D Preferred Stock to the equivalent of 5.1% of the common stock issued and outstanding at the time of conversion. Effective March 27, 2019, pursuant to a Preferred Stock Exchange Agreement, Mr. DeCicco and Ms. Faltings exchanged the 10 shares of Series D Preferred Stock for 1,000,000 shares of Company common stock (500,000 shares each).

Effective May 21, 2018, the Company entered into a Share Purchase Agreement with the four investors who purchased 480,000 shares of common stock pursuant to a Securities Purchase Agreement dated October 27, 2017. The Exchange Agreement provided for the exchange of the 480,000 shares of common stock for 1,200,000 shares of Series E Preferred Stock. Each share of Series E Preferred Stock is convertible into 0.4 shares of common stock, is entitled to 0.4 votes on all matters to come before the common stockholders or shareholders generally, is entitled to dividends on an as-converted-to-common stock basis, is entitled to a distribution preference of $0.25 upon liquidation, and is not redeemable.

Also effective May 21, 2018, the Company sold a total of 1,200,000 shares of Series E Preferred Stock and 480,000 warrants to the four investors referred to in the preceding paragraph for $300,000 cash pursuant to an Amendment No. 1 to Securities Purchase Agreement.

Effective October 4, 2018, the Company closed on the first tranche of the Securities Purchase Agreement dated September 27, 2018 with nine (9) accredited investors for the sale of an aggregate of 4,650,000 shares of our Series E convertible preferred stock and warrants to acquire 1,860,000 shares of our common stock (at an exercise price of $1.25 per share for a period of five years) for gross proceeds of $1,162,500. The first tranche sale was for 1,550,000 shares of our Series E Preferred stock and warrants to acquire 620,000 shares of our common stock for gross proceeds of $387,500.

As a condition to the closing of the first tranche, the Company entered into Securities Exchange Agreements with holders of convertible notes totaling $519,499 who exchanged their convertible notes for an aggregate of 2,077,994 shares of our Series E Preferred stock plus warrants to acquire 831,198 shares of our common stock. Also, holders of convertible notes totaling $76,569 exchanged their notes for an aggregate of 122,510 shares of our common stock and holders of convertible notes totaling $90,296 were paid off with cash.

On November 30, 2018 and December 20, 2018, the Company received two payments of $71,875 and $71,875 respectively (totaling $143,750) in exchange for 287,500 and 287,500 shares of Series E Preferred Stock (totaling 575,000 shares) respectively at $0.25 per share. These payments represented advance payments in connection with the second tranche of the Securities Purchase Agreement dated September 27, 2018 which closed February 7, 2019.

Iconic Brands, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
Three months ended March 31, 2020 and 2019

Effective February 7, 2019, the Company closed on the second tranche of the Securities Purchase Agreement dated September 27, 2018. The Company received the remaining $243,750 (of the $387,500 total second tranche proceeds) and issued the investors the remaining total of 975,000 shares of Series E Preferred Stock (of the 1,550,000 total second tranche shares) and warrants to acquire 620,000 shares of our common stock.

On February 12, 2019 and March 18, 2019, the Company received two payments of $71,880 and $25,000 respectively (totaling $96,880) in exchange for 287,520 and 100,000 shares of Series E Preferred Stock (totaling 387,520 shares) respectively at $0.25 per share. These payments represent advance payments in connection with the third tranche of the Securities Purchase Agreement dated September 27, 2018. Closing of the third tranche of $387,500 has not occurred.

On April 25, 2019 and September 4, 2019, the Company received payments of $71,875 and $96,875 respectively (totaling $168,750) in exchange for 287,500 and 387,500 shares of Series E Preferred Stock (totaling 675,000 shares) respectively at $0.25 per share. These payments represent advance payments in connection with the third tranche of the Securities Purchase Agreement dated September 27, 2018. Closing of the third tranche of $387,500 has not occurred.

On April 23, 2019, a holder converted 673,398 shares of Series E Preferred Stock into 269,359 shares of Iconic common stock.

On May 17, 2019, a holder converted 800,000 shares of Series E Preferred Stock into 320,000 shares of Iconic common stock.

On July 18, 2019, Iconic entered into Securities Purchase Agreements with certain accredited investors (the "Investors") for the sale of an aggregate of 3,125 shares of newly designated Series F Convertible Preferred Stock plus 5,000,000 warrants at a price of $1,000 per share of Series F Convertible Preferred Stock or for a total of $3,125,000 (which was collected in full from July 18, 2019 to August 2, 2019). On August 2, 2019, Iconic paid $322,500 in commissions and expenses to the placement agent of this offering. Each share of Series F Convertible Preferred Stock has a stated value of $1,000, is convertible into 1,600 shares of common stock (subject to adjustment under certain circumstances), has no voting rights, is entitled to dividends on an as-converted-to common stock basis, is entitled to a distribution preference of $1,000 upon liquidation, and is not redeemable. Each warrant is exercisable into one share of common stock at an exercise price of $0.625 per share (subject to adjustment under certain circumstances) for a period of five years from the date of issuance.

We also entered into separate Registration Rights Agreements with the Investors, pursuant to which the Company agreed to undertake to file a registration statement to register the resale of the shares underlying the Series F Convertible Preferred Stock and Warrants within thirty (30) days following the closing date (the "Filing Date"), to cause such registration statement to be declared effective within 60 days following the earlier of (i) the date that the registration statement is filed with the Securities and Exchange Commission (the "SEC") and (ii) the Filing Date, and to maintain the effectiveness of the registration statement until all of such shares of Common Stock have been sold or are otherwise able to be sold pursuant to Rule 144 under the Securities Act, without any restrictions. We filed the Form S-1 registration statement on September 9, 2019 which was declared effective by the SEC on September 18, 2019. If we fail to maintain the effectiveness of the registration statement for the required time period, the Company is obligated to pay the Investors liquidated damages in the amount of 1% of their subscription amount, per month, until such event is satisfied.

Iconic Brands, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
Three months ended March 31, 2020 and 2019

Concurrently with the closing of the financing transaction described above, we entered into Securities Exchange Agreements with certain holders of our Series E Convertible Preferred Stock and exchanged their 2,725,000 shares of Series E Convertible Preferred Stock for an aggregate of 681.25 shares of our Series F Convertible Preferred Stock.

From July 26, 2019 to August 28, 2019, three holders converted a total of 1,000,000 shares of Series E Preferred Stock into a total of 400,000 shares of Iconic common stock.

From September 19, 2019 to September 27, 2019, three holders converted a total of 14.20 shares of Series E Preferred Stock into a total of 227,200 shares of Iconic common stock.

On October 25, 2019 and December 28, 2019, two holders converted a total of 651,892 shares of Series E Preferred Stock into a total of 260,757 shares of Iconic common stock.

From October 2, 2019 to December 31, 2019, six holders converted a total of 508.50 shares of Series F Preferred Stock into a total of 813,600 shares of Iconic common stock.

On January 12, 2020, the Company entered into securities purchase agreements with certain accredited investors for the sale of a total of 1,500 shares of Series G Convertible Preferred Stock and warrants o purchase 1,200,000 shares of our common stock for gross proceeds of $1,500,000 (of which $1,475,000 was collected on January 13, 2020 and January 14, 2020). Each share of Series G Convertible Preferred Stock (designated on January 13, 2020) has a stated value of $1,000, is convertible into shares of common stock at a price of $1.25 per share (subject to adjustment under certain circumstances), has no voting rights, is entitled to dividends on an as-converted-to common stock basis, is entitled to a distribution preference of $1,000 upon liquidation, and is not redeemable. Each warrant is exercisable into one share of common stock at an exercise price of $1.25 per share (subject to adjustment under certain circumstances) for a period of five years from the date of issuance.

On February 12, 2020, February 13, 2020, and February 14, 2020, three holders converted a total of 675,000 shares of Series E Preferred Stock into a total of 270,000 shares of Iconic common stock.

From January 16, 2020 to February 24, 2020, two holders converted a total of 190 shares of Series F Preferred Stock into a total of 304,000 shares of Iconic common stock.

Common Stock

On March 28, 2017, the Company executed a Settlement Agreement and Release (the “Settlement Agreement”) with 4 holders of convertible notes payable. Notes payable and accrued interest totaling $892,721 were satisfied through the Company’s agreement to irrevocably reserve a total of 1,931,707 shares of its common stock and to deliver such shares in separate tranches to the Escrow Agent upon receipt of a conversion notice delivered by the Escrow Agent to the Company.

Iconic Brands, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
Three months ended March 31, 2020 and 2019

On May 5, 2017, the Company executed an Amended Settlement Agreement and Release (the “Amended Settlement Agreement”) replacing the Settlement Agreement and Release dated March 28, 2017 (see preceding paragraph). The Amended Settlement Agreement is with 5 holders of convertible notes payable (the 4 holders who were parties to the Settlement Agreement and Release dated March 28, 2017 and one additional holder) and provided for the satisfaction of notes payable and accrued interest totaling $1,099,094 (a $206,373 increase from the $892,721 amount per the Settlement Agreement and Release dated March 28, 2017) through the Company’s agreement to irrevocably reserve a total of 2,452,000 shares of its common stock (a 520,293 shares increase from the 1,931,707 shares per the Settlement Agreement and Release dated March 28, 2017) and deliver such shares in separate tranches to the Escrow Agent upon receipt of a conversion notice delivered by the Escrow Agent to the Company.

In the quarterly period ended June 30, 2017, the Company issued an aggregate of 284,777 shares of its common stock to the Escrow Agent pursuant to the Amended Settlement Agreement. In the quarterly period ended September 30, 2017, the Company issued an aggregate of 253,333 shares of its common stock to the Escrow Agent pursuant to the Amended Settlement Agreement.

From September 2017 to November 2017, pursuant to a Securities Purchase Agreement dated October 27, 2017 (the “SPA”), the Company issued a total of 480,000 shares of its common stock and 480,000 warrants to four investors for a total of $300,000 cash. The Warrants, which were exercised May 8, 2019 pursuant to Warrant Exercise Agreements, were exercisable into ICNB common stock at a price of $2.50 per share, were to expire five years from date of issuance, and contained “down round” price protection (see Note 10).

On January 2, 2018, the Company issued 103,447 shares of its common stock to the Escrow Agent pursuant to the Amended Settlement Agreement.

On January 19, 2018, the Company issued 216,127 shares of its common stock to the Escrow Agent pursuant to the Amended Settlement Agreement.

On March 14, 2018, the Company issued 126,667 shares of its common stock to the Escrow Agent pursuant to the Amended Settlement Agreement.

On April 5, 2018, the Company issued 172,000 shares of its common stock to the Escrow Agent pursuant to the Amended Settlement Agreement.

On April 9, 2018, the Company issued 280,296 shares of its common stock to the Escrow Agent pursuant to the Amended Settlement Agreement.

On April 12, 2018, the Company issued 481,151 shares of its common stock to the Escrow Agent pursuant to the Amended Settlement Agreement.

On August 14, 2018, the Company issued 51,938 shares of its common stock in settlement of convertible notes payable and accrued interest payable totaling $32,461.

Iconic Brands, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
Three months ended March 31, 2020 and 2019

On September 7, 2018, the Company issued 70,572 shares of its common stock in settlement of convertible notes payable and accrued interest payable totaling $44,108.

Effective May 21, 2018, the Company entered into a Share Purchase Agreement with the four investors who purchased 480,000 shares of common stock pursuant to a Securities Purchase Agreement dated October 27, 2017. The Exchange Agreement provided for the exchange of the 480,000 shares of common stock for 1,200,000 shares of Series E Preferred Stock. Each share of Series E Preferred Stock is convertible into 0.4 shares of common stock, is entitled to 0.4 votes on all matters to come before the common stockholders or shareholders generally, is entitled to dividends on an as-converted-to-common stock basis, is entitled to a distribution preference of $0.25 upon liquidation, and is not redeemable.

On January 16, 2019, the Company issued 436,125 shares of its common stock to the Escrow Agent pursuant to the Amended Settlement Agreement.

On January 24, 2019, the Company issued 98,078 shares of its common stock to the Escrow Agent pursuant to the Amended Settlement Agreement. This issuance completed the Company's obligation to deliver shares of our common stock to the Escrow Agent.

On February 7, 2019, the Company agreed to issue 120,000 shares of its common stock (issued April 18, 2019) and a $50,000 note payable due December 31, 2019 to a former Bellissima consultant pursuant to a Settlement and Release Agreement. The $141,200 total fair value of the note ($50,000) and the 120,000 shares of common stock ($91,200) was expensed as consulting fees in the three months ended March 31, 2019.

On March 15, 2019, the Company agreed to issue 150,000 shares of its common stock (issued April 8, 2019) to a consulting firm entity pursuant to a Business Development Agreement. The $199,500 fair value of the 150,000 shares of common stock was expensed as consulting fees in the three months ended March 31, 2019.

On March 27, 2019, the Company issued 1,000,000 shares of its common stock to Chief Executive Officer Richard DeCicco in exchange for the surrender of the 1,000 shares of Series C Preferred Stock owned by Mr. DeCicco.

On March 27, 2019, the Company issued a total of 1,000,000 shares of its common stock (500,000 shares to Chief Executive Officer Richard DeCicco; 500,000 shares to Vice President Roseann Faltings) in exchange for the surrender of the 5 shares each of Series D Preferred Stock owned by Mr. DeCicco and Ms. Faltings.

Effective April 15, 2019 the Company issued 50,000 shares of its common stock to a consulting firm entity pursuant to a Consulting Agreement. The $95,000 fair value of the 50,000 shares of Iconic common stock was expensed as consulting fees in the three months ended June 30, 2019.

Iconic Brands, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
Three months ended March 31, 2020 and 2019

On April 23, 2019, a stockholder converted 673,398 shares of Series E Preferred Stock into 269,359 shares of Iconic common stock.

On May 8, 2019, Iconic executed Warrant Exercise Agreements with four holders of Company warrants. The holders exercised a total of 960,000 warrants at an agreed price of $0.32 per share and paid the Company a total of $307,200. Pursuant to the Warrant Exercise Agreements, the holders were issued a total of 1,920,000 New Warrants which are exercisable into Company common stock at a price of $2.25 per share for a period of five years.

On May 9, 2019, Iconic closed on a Share Exchange Agreement (the "Agreement") with Green Grow Farms, Inc. ("Green Grow") and NY Farms Group Inc. ("NY Farms"). Pursuant to the Agreement, Iconic acquired a 51% equity interest in Green Grow in exchange for (i) note payable of $200,000 and (ii) 2,000,000 shares of Company common stock. Effective December 31, 2019, Iconic sold its 51% equity interest in Green Grow (see Note 3).

On May 17, 2019, a stockholder converted 800,000 shares of Series E Preferred Stock into 320,000 shares of Iconic common stock.

Effective May 23, 2019, the Company issued 250,000 shares of its common stock to a consulting firm entity pursuant to a Consulting Agreement. The $390,000 fair value of the 250,000 shares of Iconic common stock was expensed as consulting fees in the three months ended June 30, 2019.

From July 26, 2019 to August 28, 2019, three holders converted a total of 1,000,000 shares of Series E Preferred Stock into a total of 400,000 shares of Iconic common stock.

On September 3, 2019, the Company issued a total of 781,250 shares of common stock to the placement agent and five associated individuals for services relating to the offering of 3,125 shares of Series F Preferred Stock which concluded on August 2, 2019 (see Preferred Stock above).

From September 19, 2019 to September 27, 2019, three holders converted a total of 14.2 shares of Series F Preferred Stock into a total of 227,200 shares of Iconic common stock.

On October 25, 2019 and December 26, 2019, two holders converted a total of 651,892 shares of Series E Preferred Stock into a total of 260,757 shares of Iconic common stock.

From October 2, 2019 to December 31, 2019, six holders converted a total of 508.50 shares of Series F Preferred Stock into a total of 813,600 shares of Iconic common stock.

On January 22, 2020, the Company issued a total of 375,000 shares of its common stock to the placement agent and four associated individuals for services relating to the offering of 1,500 shares of Series G Preferred Stock which concluded on January 14, 2020 (see Preferred Stock above).

On January 22, 2020, and February 27, 2020, the Company issued a total of 160,000 shares of its common stock to an investor relations firm for services rendered to the Company. The $101,018 total fair value of the 160,000 shares of Iconic common stock on the respective dates of issuance was expensed as investor relations in the three months ended March 31, 2020.

Iconic Brands, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
Three months ended March 31, 2020 and 2019

On January 26, 2020, the Company issued 150,000 shares of its common stock to a consulting firm for services rendered to the Company. The $100,500 fair value of the 150,000 shares of Iconic common stock was expensed as consulting fees in the three months ended March 31, 2020.

On February 24, 2020, the Company issued 100,000 shares of its common stock to William Clyde Elliot II pursuant to an Endorsement Agreement dated February ___, 2020 (see Note 13h). The $67,500 fair value of the 100,000 shares of Iconic common stock was charged to prepaid expenses and is being expensed over the term of the Endorsement Agreement.

On February 24, 2020, the Company issued 50,000 shares of its common stock to a consulting firm for services rendered to the Company. The $33,750 fair value of the 50,000 shares of Iconic common stock was expensed as consulting fees in the three months ended March 31, 2020.

On February 12, 2020, February 13, 2020, and February 14, 2020, three holders converted a total of 675,000 shares of Series E Preferred Stock into a total of 270,000 shares of Iconic common stock.

From January 16, 2020 to February 24, 2020, two holders converted a total of 190 shares of Series F Preferred Stock into a total of 304,000 shares of Iconic common stock.

Warrants

A summary of warrants activity for the period January 1, 2018 to March 31, 2020 follows:

	Common shares Equivalent
Balance, January 1, 2018	534,000
Issued in the year ended December 31, 2018	2,361,198
Balance, December 31, 2018	2,895,198
Issued in the three months ended March 31, 2019	620,000
Balance, March 31, 2019	3,515,198
Exercise of warrants in connection with Warrant Exercise Agreements dated May 8, 2019	(960,000)
Issuance of New Warrants in connection with Warrant Exercise Agreements dated May 8, 2019	1,920,000
Balance, June 30, 2019	4,475,198
Issued in the three months ended September 30, 2019	5,000,000
Balance, September 30, 2019 and December 31, 2019	9,475,198
Issued in the three months ended March 31, 2020	1,180,000
Balance, September 30, 2019 and December 31, 2019	10,655,198

Iconic Brands, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
Three months ended March 31, 2020 and 2019

Issued and outstanding warrants at March 31, 2020 consist of:

Year Granted	Number Common Shares Equivalent		Exercise Price Per Share	Expiration Date
2017	54,000	$	2.50	June 22, 2022 to June 30, 2022
2018	400,000	$	0.625	March 28, 2021
2018	30,000	$	2.50	May 21, 2023
2018	831,198	$	1.25	September 20, 2023
2018	620,000	$	1.25*	September 20, 2023
2019	620,000	$	1.25*	February 7, 2024
2019	1,920,000	$	2.25*	May 8, 2024
2019	5,000,000	$	0.625	August 2, 2024
2020	1,180,000	$	1.25	January 12, 2025
Total	10,655,198			

*** These warrants contain a "down round" provision and thus the exercise price is reduceable to $0.625 per share as a result of the Series F Preferred Stock financing which closed on August 2, 2019.**

Effective October 4, 2018, the Company closed on the first tranche of the Securities Purchase Agreement dated September 27, 2018 with nine (9) accredited investors for the sale of an aggregate of 4,650,000 shares of our Series E convertible preferred stock and warrants to acquire 1,860,000 shares of our common stock (at an exercise price of $1.25 per share for a period of five years) for gross proceeds of $1,162,500. The first tranche sale was for 1,550,000 shares of our Series E convertible preferred stock and warrants to acquire 620,000 shares of our common stock for gross proceeds of $387,500. The second tranche of $387,500 closed on February 7, 2019 and also was for 1,550,000 shares of our Series E convertible preferred stock and warrants to acquire 620,000 shares of our common stock.

On May 8, 2019, Iconic executed Warrant Exercise Agreements with four holders of Company warrants. The holders exercised a total of 960,000 warrants (which were acquired from September 2017 to November 2017 and on May 21, 2018) at an agreed price of $0.32 per share and paid the Company a total of $307,200. Pursuant to the Warrant Exercise Agreements, the holders were issued a total of 1,920,000 New Warrants which are exercisable into Company common stock at a price of $2.25 per share for a period of five years and contain "down round" price protection.

As discussed in Preferred Stock above, the Company issued a total of 5,000,000 warrants to investors as part of the offering of 3,125 shares of Series F Preferred Stock which concluded on August 2, 2019. Each warrant is exercisable into one share of common stock at an exercise price of $0.625 per share for a period of five years from the date of issuance and contains "down round" price protection.

As also discussed in Preferred Stock above, the Company issued a total of 1,180,000 warrants to investors as part of the offering of 1,500 shares of Series G Preferred Stock which concluded on January 14, 2020. Each warrant is exercisable into one share of common stock at an exercise price of $1.25 per share for a period of five years from the date of issuance and contains "down round" price protection.

Iconic Brands, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
Three months ended March 31, 2020 and 2019

12. INCOME TAXES

No income taxes were recorded in the periods presented since the Company had taxable losses in these periods.

The provision for (benefit from) income taxes differs from the amount computed by applying the statutory United States federal income tax rate of 21% for the periods presented to income (loss) from continuing operations before income taxes. The sources of the difference are as follows:

	Three months ended March 31,	
	2020	2019
Expected tax at 21%	$ (191,541)	$ (206,296)
Nondeductible stock-based compensation	51,047	61,047
Increase (decrease) in valuation allowance	140,494	145,249
Income tax provision	$ -	$ -

Significant components of the Company's deferred income tax assets are as follows:

	March 31, 2020	December 31, 2019
Net operating loss carryforward	$ 4,435,577	$ 4,295,083
Less valuation allowance	(4,435,577)	(4,295,083)
Deferred income tax assets - net	$ -	$ -

Based on management's present assessment, the Company has not yet determined that a deferred tax asset attributable to the future utilization of the net operating loss carryforward as of March 31, 2020 and December 31, 2019 will be realized. Accordingly, the Company has maintained a 100% valuation allowance against the deferred tax asset in the financial statements at March 31, 2020 and December 31, 2019. The Company will continue to review this valuation allowance and make adjustments as appropriate.

Current United States income tax laws limit the amount of loss available to be offset against future taxable income when a substantial change in ownership occurs. Therefore, the amount available to offset future taxable income may be limited.

All tax years remain subject to examination by major taxing jurisdictions.

Iconic Brands, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
Three months ended March 31, 2020 and 2019

13. COMMITMENTS AND CONTINGENCIES

a. Iconic Guarantees

On May 26, 2015, BiVi LLC ("BiVi") entered into a License Agreement with Neighborhood Licensing, LLC (the "BiVi Licensor"), an entity owned by Chazz Palminteri ("Palminteri"), to use Palminteri's endorsement, signature and other intellectual property owned by the BiVi Licensor. Iconic has agreed to guarantee and act as surety for BiVi's obligations under certain sections of the License Agreement and to indemnify the BiVi Licensor and Palminteri against third party claims.

On November 12, 2015, Bellissima Spirits LLC ("Bellissima") entered into a License Agreement with Christie Brinkley, Inc. (the "Bellissima Licensor"), an entity owned by Christie Brinkley ("Brinkley"), to use Brinkley's endorsement, signature, and other intellectual property owned by the Bellissima Licensor. Iconic has agreed to guarantee and act as surety for Bellissima's obligations under certain sections of the License Agreement and to indemnify the Bellissima Licensor and Brinkley against third party claims.

b. Royalty Obligations of BiVi and Bellissima

Pursuant to the License Agreement with the Bivi Licensor (see Note 13a. above), BiVi is obligated to pay the BiVi Licensor a Royalty Fee equal to 5% of monthly gross sales of BiVi Brand products payable monthly subject to an annual Minimum Royalty Fee of $100,000 in year 1, $150,000 in year 2, $165,000 in year 3, $181,500 in year 4, $199,650 in year 5, and $219,615 in year 6 and each subsequent year.

Pursuant to the License Agreement and Amendment No. 1 to the License Agreement effective September 30, 2017 with the Bellissima Licensor (see Note 13a. above), Bellissima is obligated to pay the Bellissima Licensor a Royalty Fee equal to 10% of monthly gross sales (12.5% for sales in excess of defined Case Break Points) of Bellissima Brand products payable monthly. The Bellissima Licensor has the right to terminate the endorsement if Bellissima fails to sell 10,000 cases of Bellissima Brand products in year 1, 15,000 cases in year 2, or 20,000 cases in year 3 and each subsequent year.

c. Brand Licensing Agreement relating to Hooters Marks

On July 23, 2018, United Spirits, Inc. ("United") executed a Brand Licensing Agreement (the "Agreement") with HI Limited Partnership ("the Licensor"). The Agreement provides United a license to use certain "Hooters" Marks to manufacture, market, distribute, and sell alcoholic products.

The Initial Term of the Agreement is from July 23, 2018 through December 31, 2020. Provided that United is not in breach of any terms of the Agreement, United may extend the Term for an additional 3 years through December 31, 2023.

The Agreement provides for United's payment of Royalty Fees (payable quarterly) to the Licensor equal to 6% of the net sales of the licensed products subject to a minimum royalty fee of $65,000 for Agreement year 1 (ending December 31, 2018), $255,000 for Agreement year 2, $315,000 for Agreement year 3 and 4, $360,000 for Agreement year 5, and $420,000 for Agreement year 6.

The Agreement also provided for United's payment of an advance payment of $30,000 to the Licensor to be credited towards royalty fees payable to Licensor. On September 6, 2018, the $30,000 advance payment was paid to the Licensor. The Agreement also provides for United's payment of a marketing contribution equal to 2% of the prior year's net sales of the Licensed Products. If United fails to spend the required marketing contribution in any calendar year, the deficiency will be paid to Licensor.

For the three months ended March 31, 2020 and 2019, royalties expense under this Agreement was $4,406 and $63,750, respectively.

Iconic Brands, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
Three months ended March 31, 2020 and 2019

d. Marketing and Order Processing Services Agreement

During October 2019, United Spirits, Inc. ("United") executed a Marketing and Order Processing Services Agreement (the "Agreement") with QVC, Inc. ("QVC"). Among other things, the Agreement provides for United's grant to QVC of an exclusive worldwide right to promote the Bellissima products through direct response television programs.

The Initial License Period commenced October 2019 and expires December 2021 (i.e., two years after first airing of a Bellissima product). Unless either party notifies the other party in writing at least 30 days prior to the end of the Initial License Period or any Renewal License Period of its intent to terminate the Agreement, the License continually renews for additional two-year periods (each, a "Renewal License Period" in perpetuity).

The Agreement provides for United's payment of "Marketing Fees" (payable no less than monthly) to QVC in amounts agreed to between United and QVC from time to time. For the three months ended March 31, 2020, the Marketing Fees expense (payable to QVC) was $53,724 and the direct response sales generated from QVC programs was $252,340.

e. Distribution Agreement

On May 1, 2015, BiVi entered into a Distribution Agreement with United Spirits, Inc. ("United") for United to distribute and wholesale BiVi's product and to act as the licensed importer and wholesaler. The Distribution Agreement provides United the exclusive right for a term of ten years to sell BiVi's product for an agreed distribution fee equal to $1.00 per case of product sold. United is owned and managed by Richard DeCicco, the controlling shareholder and chief executive officer of Iconic.

In November 2015, Bellissima and United agreed to have United distribute and wholesale Bellissima's products under the same terms contained in the Distribution Agreement with BiVi described in the preceding paragraph.

Effective April 1, 2019, Iconic and United agreed to have United distribute and wholesale Hooters brand products under the same terms contained in the Distribution Agreement with BiVi described in the second preceding paragraph.

Iconic Brands, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
Three months ended March 31, 2020 and 2019

f. Compensation Arrangements

Effective April 1, 2018, the Company executed Employment Agreements with its Chief Executive Officer Richard DeCicco ("DeCicco") and its Vice President of Sales and Marketing Roseann Faltings ("Faltings"). Both agreements have a term of 24 months (to June 30, 2020). The DeCicco Employment Agreement provides for a base salary at the rate of $265,000 per annum and a compensation stock award of 300,000 shares of Iconic common stock issuable upon the effective date of the planned reverse stock split. The Faltings Employment Agreement provides for a base salary at the rate of $150,000 per annum and a compensation stock award of 100,000 shares of Iconic common stock issuable upon the effective date of the planned reverse stock split.

For the year ended December 31, 2018, we accrued a total of $311,250 officers compensation pursuant to these two Employment Agreements. In 2018, the accrued compensation was allocated 50% to Iconic ($155,625), 40% to Bellissima ($124,500), and 10% to BiVi ($31,125). For the year ended December 31, 2019, we accrued a total of $415,000 officers compensation pursuant to these two Employment Agreements which was allocated 50% to Iconic ($207,500), 40% to Bellissima ($166,000), and 10% to BiVi ($41,500).

For the three months ended March 31, 2020, we accrued a total of $103,750 officers compensation pursuant to these two Employment Agreements which was allocated 50% to Iconic ($51,875) and 50% to Bellissima ($51,875).

As of March 31, 2020 and December 31, 2019, accrued officers compensation was $837,800 and $813,050, respectively.

g. Lease Agreements

On March 27, 2018, United Spirits, Inc. executed a lease extension for the Company's office and warehouse space in North Amityville New York. The extension has a term of three years from February 1, 2018 to January 31, 2021 and provides for monthly rent of $4,478.

On January 1, 2019, United Spirits, Inc. executed a lease agreement with the two officers of the Company to use part of their residence in Copiague, New York for Company office space. The agreement has a term of three years from January 1, 2019 to December 31, 2021 and provides for monthly rent of $3,930.

At March 31, 2020, the future minimum lease payments under these two non-cancellable operating leases were:

Year ended December 31, 2020	$	75,672
Year ended December 31, 2021		51,643
Total	$	127,315

The operating lease liabilities totaling $118,229 at March 31, 2020 as presented in the Consolidated Balance Sheets represents the discounted (at our 10% estimated incremental borrowing rate) value of the future lease payments of $127,315 at March 31, 2020.

Iconic Brands, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
Three months ended March 31, 2020 and 2019

h. Endorsement Agreement

In February 2020, Iconic executed an Endorsement Agreement with an entity ("CEE") controlled by Chase Elliott ("Elliott"), driver of the Hendrick Motorsports Number 9 NAPA/Hooter's Chevrolet in races of the NASCAR Cup Series. The agreement, which has a term ending on December 31, 2021, provides Iconic the right to utilize Elliott's name in connection with the promotion and distribution of Hooters brand products and requires CEE and Elliott to perform certain specified services for Iconic including certain promotional appearances. The agreement provides for compensation payable to CEE of (1) Initial Share Award of 100,000 shares of Iconic common stock (which was issued on February 24, 2020); (2) $75,000 year 2020 cash compensation (which was paid March 6, 2020); (3) $75,000 year 2021 cash compensation payable on or before February 15, 2021; and (4) Year 2021 Second Share Award of that number of shares of Iconic common stock equal to $75,000 based upon the average closing price of the common stock for the five trading days immediately preceding February 15, 2021.

For the three months ended March 31, 2020, we expensed $16,495 in license fees relating to the Endorsement Agreement. As of March 31, 2020, prepaid license fees relating to the Endorsement Agreement was $126,005.

i. Concentration of sales

For the three months ended March 31, 2020 and 2019, sales consisted of:

	2020	2019
Bellissima product line:		
QVC direct response sales	$ 252,340	$ -
Other	80,105	118,213
Total Bellissima	332,445	118,213
BiVi product line	-	3,700
Hooters product line	73,441	-
Total	$ 405,886	$ 121,913

j. Coronavirus

In December 2019, a novel strain of coronavirus was reported to have surfaced in China. The spread of this virus began to cause some business disruption in our United States operations in March 2020. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, the Company expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

[Table of Contents](#)

ITEM 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

Our Management's Discussion and Analysis contains not only statements that are historical facts, but also statements that are forward-looking (within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934). Forward-looking statements are, by their very nature, uncertain and risky. These risks and uncertainties include international, national and local general economic and market conditions; demographic changes; our ability to sustain, manage, or forecast growth; our ability to successfully make and integrate acquisitions; raw material costs and availability; new product development and introduction; existing government regulations and changes in, or the failure to comply with, government regulations; adverse publicity; competition; the loss of significant customers or suppliers; fluctuations and difficulty in forecasting operating results; changes in business strategy or development plans; business disruptions; the ability to attract and retain qualified personnel; the ability to protect technology; and other risks that might be detailed from time to time in our filings with the Securities and Exchange Commission.

Although the forward-looking statements in this Quarterly Statement reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by them. Consequently, and because forward-looking statements are inherently subject to risks and uncertainties, the actual results and outcomes may differ materially from the results and outcomes discussed in the forward-looking statements. You are urged to carefully review and consider the various disclosures made by us in this report and in our other reports as we attempt to advise interested parties of the risks and factors that may affect our business, financial condition, and results of operations and prospects.

The following discussion and analysis of financial condition and results of operations of the Company is based upon, and should be read in conjunction with, its unaudited financial statements and related notes elsewhere in this Form 10-Q, which have been prepared in accordance with accounting principles generally accepted in the United States.

Summary Overview

Overview

We are a lifestyle branding company with the highest expertise of developing, from inception to completion, alcoholic beverages for ourselves and third parties. We market and place products into national distribution through long-standing industry relationships. We are a leader in "Celebrity Branding" of beverages, procuring superior and unique products from around the world and branding our products with internationally recognized celebrities. We currently market and sell the following products:

- Bellissima Prosecco – these products comprise a line of all-natural and Vegan Prosecco and Sparkling Wine made with organic grapes, including a Zero Sugar, Zero Carb option, a DOC Brut and a Sparkling Rose;
- Bella Sprizz Apertifs - these products comprise a line of aperitifs consisting of three different expressions, a classic Italian aperitif an all-natural elderflower aperitif and a classic Italian bitter;
- BiVi Vodka – this product is made from semolina wheat grown out of the rich volcanic soil and pure mountain spring water of Sicily; and
- Hooters Spirits – these products comprise a line of private-label premium spirits that are sold under the Hooters brand. The full line of Hooters Spirits includes Vodka, Gin, Rum (Dark & Light), Tequila (Silver & Gold), American Whiskey and Hooters Heat Cinnamon Whiskey.

In addition, we also develop private label spirits for domestic and international established chains.

Our mission is to be the industry leader in brand development, marketing, and sales of the alcoholic beverages by capitalizing on our ability to procure products from around the world. Our relationships with internationally recognized celebrities will be leveraged to add value to a product and create brand awareness in unbranded niche categories.

We market and sell a line of line of all-natural and Vegan Prosecco and Sparkling Wine made with organic grapes, including a Zero Sugar, Zero Carb option, a DOC Brut and a Sparkling Rose, pursuant to a License Agreement entered into between our majority-owned (51%) subsidiary, Bellissima Spirits LLC and Christie Brinkley, Inc., an entity owned by supermodel and entrepreneur Christie Brinkley.

We also market and sell a Vodka product, under the brand "BiVi 100 percent Sicilian Vodka," pursuant to a License Agreement entered into between our majority-owned (51%) subsidiary, BiVi LLC and Neighborhood Licensing, LLC, an entity owned by Chazz Palminteri.

In addition, we market and sell a line of private-label premium spirits under the Hooters brand, including Vodka, Gin, Rum (Dark & Light), Tequila (Silver & Gold), American Whiskey and Hooters Heat Cinnamon Whiskey, pursuant to a Marketing and Distribution Agreement entered into between us and United Spirits, Inc., a company owned and managed by Richard DeCicco, the controlling shareholder, President, Chief Executive Officer, Chief Financial Officer and Director of the Company, which we treat as a variable interest entity.

Recent Developments

Series G Preferred Stock Financing

On January 12, 2020, we entered into securities purchase agreements with certain accredited investors for the sale of an aggregate of 1,500 shares of our Series G Preferred Stock and warrants to purchase up to 1,200,000 shares of our common stock for gross proceeds of $1,500,000, before deducting placement agent and other offering expenses.

Going Concern

As a result of our current financial condition, we have received a report from our independent registered public accounting firm for our financial statements for the years ended December 31, 2019 and 2018 that includes an explanatory paragraph describing the uncertainty as to our ability to continue as a going concern. In order to continue as a going concern, we must effectively balance many factors and generate more revenue so that we can fund our operations from our sales and revenues. If we are not able to do this, we may not be able to continue as an operating company. Until we can grow revenues sufficient to meet our operating expenses, we must continue to raise capital by issuing debt or through the sale of our stock. There is no assurance that our cash flow will be adequate to satisfy our operating expenses and capital requirements.

[Table of Contents](#)

Results of Operations for the Three months Ended March 31, 2020 and 2019

Introduction

We had sales of $405,886 for the three months ended March 31, 2020 and $121,913 for the three months ended March 31, 20219, an increase of $283,973. Our operating expenses were $1,065,558for the three months ended March 31, 2020, compared to $1,022,842 for the three months ended March 31, 2019, an increase of $42,716or approximately 4%. Our net operating (loss) was ($912,098) for the three months ended March 31, 2020, compared to ($982,364) for the three months ended March 31, 2019, a decrease of $70,266 or approximately 7%.

Revenues and Net Operating Loss

Our operations for the three months ended March 31, 2020 and 2019 were as follows:

	March 31, 2020	March 31, 2019	Increase / (Decrease)
Sales	$ 405,886	$ 121,913	$ 283,973
Cost of Sales	252,426	81,435	170,991
Gross Profit	153,460	40,478	112,982
Operating expenses:			
Officers compensation	103,750	185,750	(82,000)
Professional and consulting	186,789	448,519	(261,730)
Royalties	15,964	75,188	(59,224)
Investor relations	361,689	84,003	277,686
Marketing and advertising	128,645	46,467	82,178
Travel and entertainment	19,469	64,269	(44,800)
Other operating expenses, including occupancy	249,252	118,646	130,606
Total operating expenses	1,065,558	1,022,842	42,716
Net operating income (loss)	(912,098)	(982,364)	(70,266)
Other income (expense)	-	-	
Net loss (income) attributable to noncontrolling interests in subsidiaries and variable interest entity	74,178	309,367	(235,189)
Net income (loss) attributable to Iconic Brands, Inc	(837,920)	(672,667)	165,253

Sales

Our sales are comprised of sales of BiVi Sicilian Vodka, Bellissima Prosecco and Sparkling Wine, and the line of Hooters brand products introduced in August 2019. Sales were $405,886 for the three months ended March 31, 2020 and $121,913 for the three months ended March 31, 2019, an increase of $283,973 or approximately 232%. The increase in sales was primarily due to continued expansion of the OVC Network sales of our Bellissima products.

Cost of Sales

Cost of sales was $252,426, or approximately 62% of sales, for the three months ended March 31, 2020 and $81,435, or approximately 67% of sales, for the three months ended March 31, 2019. Cost of sales includes the cost of the products purchased from our suppliers, freight-in costs and import duties. The decrease in cost of sales as a percentage of sales is due primarily to product mix and slightly lower production costs.

Officers Compensation

Officers compensation was $103,750 for the three months ended March 31, 2020 and $185,750 for the three months ended March 31, 2019, a decrease of $82,000. Officers compensation in 2019 includes a catch-up accrual of $82,000 relating to employment agreements executed April 1, 2018 with our two officers.

Professional and Consulting Fees

Professional and consulting fees were $186,789 for the three months ended March 31, 2020 and $448,519 for the three months ended March 31, 2019, an decrease of $261,730. Professional and consulting fees consist primarily of legal and accounting and auditing services. The decrease was a result of lower professional fees as we were engaged in a purchase transaction in 2019.

Royalties

Royalties were $15,964, or approximately 4% of sales, for the three months ended March 31, 2020 and $75,188 for the three months ended March 31, 2019, a decrease of $59,224. Royalties decreased primarily due to the sales to QVC in 2020 do not have a royalty associated with them and in 2019 we paid a royalty advance on our Hooters product line.

Marketing and Advertising

Marketing and advertising expenses were $128,645 for the three months ended March 31, 2020 and $46,467 for the three months ended March 31, 2019, an increase of $82,178 or approximately 177%. The increase was a result of marketing fees associated with the QVC sales channel.

Occupancy Costs

Occupancy costs were $22,251 for the three months ended March 31, 2020 and $27,623 for the three months ended March 31, 2019, a decrease of $5,372.

Travel and Entertainment

Travel and entertainment expenses were $19,469 for the three months ended March 31, 2020 and $64,269 for the three months ended March 31, 2019, a decrease of $44,800 or approximately 70%. The decrease is a result of timing of product development activity.

Investor relations

Investor relation expenses were $361,689 for the three months ended March 31, 2020 and $84,003 for the three months ended March 31, 2019, an increase of $277,686 or approximately 330%. The increase was primarily related to cost associated with a large investor relations campaign, including a national road show.

Other Operating Expenses

Other operating expenses were $227,001 for the three months ended March 31, 2020 and $91,023 for the three months ended March 31, 2019, an increase of $135,978 or approximately 149%. The increase was primarily related to cost associated with equity financing transactions.

Income (Loss) from Operations

We had a (loss) from operations of ($912,098) for the three months ended March 31, 2020 and ($982,364) for the three months ended March 31, 2019, an increase of $70,266 or approximately 7%. Our loss from operations decreased, as set forth above, primarily because certain operating expenses, marketing and advertising and other operating expenses, increased, offset by an increase in sales.

Net Loss attributable to Noncontrolling Interests in Subsidiaries and Variable Interest Entity

The net loss attributable to noncontrolling interests in subsidiaries and variable interest entity represents 49% of the net loss of Bellissima, BiVi and Green Grow (which we own 51%) and 100% of United Spirits (which we own 0%) and is accounted for as a reduction in the net loss attributable to the Company. This net loss was $74,178 for the three months ended March 31, 2020 and $309,697for the three months ended March 31, 2019, an decrease of $235,519.

Net Loss Attributable to Iconic Brands, Inc.

The net loss attributable to Iconic Brands, Inc. was ($837,920) for the three months ended March 31, 2020 and ($672,667) for the three months ended March 31, 2019, an increase of $165,253 or approximately 25%. The net loss from Iconic Brands increased primarily as a result of lower net loss of $253,519 attributable to noncontrolling interests in subsidiaries and variable interest entity.

Liquidity and Capital Resources

Introduction

During the three months ended March 31, 2020 and March 31, 2019, we had negative operating cash flows. Our cash on hand as of March 31, 2020 was $916,686, which was derived from the sale of Series G preferred stock and warrants. Our monthly cash flow burn rate for 2019 was approximately $228,000, and our monthly burn rate through the three months ended March 31, 2020 was approximately $225,000. We have strong medium to long term cash needs. We anticipate that these needs will be satisfied through the issuance of debt or the sale of our securities until such time as our cash flows from operations will satisfy our cash flow needs.

Our cash, current assets, total assets, current liabilities, and total liabilities as of March 31, 2020 and December 31, 2019, respectively, were as follows:

	March 31, 2020	December 31, 2019	Change
Cash	$ 916,686	$ 263,638	$ 653,048
Total Current Assets	1,928,800	1,411,185	517,615
Total Assets	3,067,333	2,568,021	499,312
Total Current Liabilities	1,827,522	2,028,676	(201,154)
Total Liabilities	$ 1,861,465	2,077,823	(216,358)

Our cash increased $653,048 and total current assets increased $517,615. Our total current liabilities decreased $201,154 as our accounts payable and accrued expenses decreased, reflecting our decrease in professional and consulting fees. Our total liabilities decreased $216,358. Our stockholders' equity increased from $490,198 to $1,205,868due primarily to proceeds from the sale of preferred stock.

In order to repay our obligations in full or in part when due, we will be required to raise significant capital from other sources. There is no assurance, however, that we will be successful in these efforts.

Cash Requirements

Our cash on hand as of March 31, 2020 was $916,686. Based on our minimal sales and annualized monthly burn rate of approximately $225,000 per month, we will need to raise additional funding through strategic relationships, public or private equity or debt financings. If such funding is not available, or not available on terms acceptable to us, our current development plans may be curtailed.

We have funded our operations from proceeds from the sale of equity and debt securities. We will require significant additional capital to make the investments we need to execute our longer-term business plan. Our ability to successfully raise sufficient funds through the sale of debt or equity securities when needed is subject to many risks and uncertainties and, even if we are successful, future equity issuances would result in dilution to its existing stockholders and any future debt securities may contain covenants that limit our operations or ability to enter into certain transactions.

Sources and Uses of Cash

Operations

We had net cash used in operating activities for the three months ended March 31, 2020 of ($622,857), compared to ($369,576) for the three months ended March 31, 2019. For the three months ended March 31, 2020, the net cash used in operating activities consisted primarily of our net loss of ($837,920) plus a net loss attributable to non-controlling interests in our subsidiaries of ($74,178) and inventories increase of ($64,344), offset primarily by stock-based compensation of $243,081 and accounts payable and accrued expenses increase of $153,575.

Investments

Except for $8,708 of furniture purchased in in 2020, we had no investing activities for the three months ended March 31, 2020 or March 31, 2019.

[Table of Contents](#)

Financing

Our net cash provided by financing activities for the three months ended March 31, 2020 was $1,284,613 compared to $340,630 for the three months ended March 31, 2019, which consisted principally of proceeds from the sale of our Series G preferred stock and warrants.

January 2020 Financing

On January 12, 2020, we entered into securities purchase agreements (collectively, the "Purchase Agreement") with certain accredited investors for the sale of an aggregate of 1,500 shares of the Company's series G convertible preferred stock (the "Series G Convertible Preferred Stock"), and warrants (the "Warrants") to purchase 1,200,000 shares of our common stock for gross proceeds of $1,500,000, before deducting placement agent and other offering expenses. The terms of the Series G Convertible Preferred Stock are set forth under Items 3.02 and 5.03 below.

The Warrants are exercisable for a period of five years from the date of issuance at an exercise price of $1.25 per share (the "Exercise Price"). The Investors may exercise the Warrants on a cashless basis if the shares of common stock underlying the Warrants are not then registered pursuant to an effective registration statement.

The conversion price of the Series G Convertible Preferred Stock and the exercise price of the Warrants are subject to anti-dilution adjustment for subsequent lower price issuances by the Company, as well as customary adjustments provisions for stock splits, stock dividends, recapitalizations and the like.

The Series G Convertible Preferred Stock and the Warrant each contain a beneficial ownership limitation that restricts each of the Investor's ability to exercise the Warrants and convert the Series G Convertible Preferred Stock such that the number of shares of the Company common stock held by each of them and their affiliates after such conversion or exercise does not exceed 4.99% or 9.99% (at the election of the Investor) of the Company's then issued and outstanding shares of common stock.

The Purchase Agreement also provides that until the 18 month anniversary of the date of the Purchase Agreement, in the event of a subsequent financing (except for certain exempt issuances as provided in the Purchase Agreement) by the Company, each Investor that invested over $500,000 pursuant to the Purchase Agreement will have the right to participate in such subsequent financing up to an amount equal to the Investor's proportionate share of the subsequent financing based on such Investor's participation in this private placement on the same terms, conditions and price provided for in the subsequent financing up to an amount equal to 50% of the subsequent financing. The Purchase Agreements also provide that for as long as the Series G Convertible Preferred Stock or Warrants are outstanding, if the Company effects a subsequent financing, an Investor may elect, in its sole discretion, to exchange all or a portion of the Series G Convertible Preferred Stock then held by such Investor for any securities issued in a subsequent financing on a $1.00 for $1.00 basis, provided such subsequent financing is not a firm commitment underwritten offering.

From the date of the Purchase Agreement until the date that is the earlier of (i) nine (9) months following the date of the Purchase Agreement and (ii) the date that the VWAP for 10 consecutive Trading Days following January 12, 2020 is greater than $1.25, subject to adjustment, the Company shall not issue, enter into any agreement to issue or announce the issuance or proposed issuance of any shares of common stock or Common Stock Equivalents (as defined in the Purchase Agreement).

We also entered into separate Registration Rights Agreements with the Investors, pursuant to which the Company agreed to undertake to file a registration statement to register the resale of the shares underlying the Series G Convertible Preferred Stock and Warrants within ten (10) days following the date of written demand by the lead investor (the "Demand Date") , and to maintain the effectiveness of the registration statement until all of such shares of Common Stock have been sold or are otherwise able to be sold pursuant to Rule 144 under the Securities Act, without any restrictions. If we fail to file the registration statement or have it declared effective by the dates set forth above, among other things, the Company is obligated to pay the investors liquidated damages in the amount of 1% of their subscription amount, per month, until such events are satisfied.

Off-Balance Sheet Arrangements; Commitments and Contractual Obligations

As of March 31, 2020, we did not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K and did not have any commitments or contractual obligations.

ITEM 3 Quantitative and Qualitative Disclosures About Market Risk

As a smaller reporting company, we are not required to provide the information required by this Item.

ITEM 4 Controls and Procedures

(a) Disclosure Controls and Procedures

We conducted an evaluation, with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, as of March 31, 2020, to ensure that information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities Exchange Commission’s rules and forms, including to ensure that information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of March 31, 2020, our disclosure controls and procedures were not effective at the reasonable assurance level due to the material weaknesses identified and described in our Annual Report on Internal Control Over Financial Reporting filed in our Annual Report on Form 10-K.

Our principal executive officers do not expect that our disclosure controls or internal controls will prevent all errors and all fraud. Although our disclosure controls and procedures were designed to provide reasonable assurance of achieving their objectives and our principal executive officers are determined to make our disclosure controls and procedures effective at doing so, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute assurance that the objectives of the system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented if there exists in an individual a desire to do so. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

(b) Changes in Internal Control over Financial Reporting

No change in our system of internal control over financial reporting occurred during the period covered by this report, the three month period ended March 31, 2020, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II – OTHER INFORMATION

ITEM 1 Legal Proceedings

From time to time, we may be subject to litigation and claims arising in the ordinary course of business. We are not currently a party to any material legal proceedings and we are not aware of any pending or threatened legal proceeding against us that we believe could have a material adverse effect on our business, operating results, cash flows or financial condition.

ITEM 1A Risk Factors

The Company is not required to provide the information required by this Item as it is a “smaller reporting company,” as defined in Rule 229.10(f)(1).

ITEM 2 Unregistered Sales of Equity Securities and Use of Proceeds

Except as set forth below or previously reported on a Current Report on Form 8-K, we had no unregistered sales of equity securities during the three month period ended March 31, 2020.

On January 12, 2020, the Company entered into securities purchase agreements with certain accredited investors for the sale of an aggregate of 1,500 shares of the Company’s series G convertible preferred stock, and warrants to purchase 1,200,000 shares of our common stock for gross proceeds of $1,500,000

On January 12, 2020, the Company issued an aggregate of 375,000 shares of common stock to a FINRA-registered broker-dealer and certain individuals associated with the broker-dealer for services related to the January 202 Offering of Series G Convertible Preferred Stock.

On January 22, 2020, and February 27, 2020, the Company issued a total of 160,000 shares of its common stock to an investor relations firm for services rendered to the Company.

On January 26, 2020, the Company issued 150,000 shares of its common stock to a consulting firm for services rendered to the Company.

On February 12, 2020, February 13, 2020, and February 14, 2020, three holders converted a total of 675,000 shares of Series E Preferred Stock into a total of 270,000 shares of Iconic common stock.

From January 16, 2020 to February 24, 2020, two holders converted a total of 190 shares of Series F Preferred Stock into a total of 304,000 shares of Iconic common stock.

On February 24, 2020, the Company issued 100,000 shares of its common stock to William Clyde Elliot II pursuant to an Endorsement Agreement effective as of February 24, 2020.

On February 24, 2020, the Company issued 50,000 shares of its common stock to a consulting firm for services rendered to the Company.

All of the issuances were exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933, there was no solicitation, and the investors were accredited or sophisticated.

ITEM 3 Defaults Upon Senior Securities

None.

ITEM 4 Mine Safety Disclosures

Not applicable.

ITEM 5 Other Information

None.

Table of Contents

ITEM 6 Exhibits

(a) Exhibits

Exhibit No.	Description of Exhibits
3.1	Certificate of Designation of Series G Convertible Preferred Stock (Incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed on January 13, 2020).

10.1	Form of Securities Purchase Agreement, dated January 12, 2020 between Iconic Brands, Inc. and the signatories thereto (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on January 13, 2020).
10.2	Form of Warrant (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed on January 13, 2020).
10.3	Form of Registration Rights Agreement, dated January 12, 2020, between Iconic Brands, Inc. and the signatories thereto (Incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed on January 13, 2020).
10.4	Form of Lock-Up Agreement dated January 12, 2020 (Incorporated by reference to Exhibit 10.4 to the Company's Form 8-K filed on January 13, 2020).
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Labels Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

(1) Incorporated by reference to Form SB-2 filed on November 30, 2007.
(2) Incorporated by reference to our Registration Statement on Form S-1 filed on September 19, 2018 (File No. 333-227420).

[Table of Contents](#)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Iconic Brands, Inc.

Dated: May 15, 2020

By: */s/ Richard J. DeCicco*
Richard J. DeCicco
Its: Chief Executive Officer

EXHIBIT 31.1

Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer

I, Richard J. DeCicco, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Iconic Brands, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exhibit Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 15, 2020

By: */s/ Richard J. DeCicco*
Richard J. DeCicco
Chief Executive Officer

EXHIBIT 31.2

Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer

I, Richard J. DeCicco, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Iconic Brands, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exhibit Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting**.**

Dated: May 15, 2020

By: */s/ Richard J. DeCicco*
Richard J. DeCicco
Principal Financial and Accounting Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 USC, SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Iconic Brands, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2020, as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Richard J. DeCicco, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 15, 2020

By: *\/s\/ Richard J. DeCicco*
Richard J. DeCicco
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Iconic Brands, Inc., and will be retained by Iconic Brands, Inc., and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 USC, SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Iconic Brands, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2020, as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Richard J. DeCicco, Principal Financial and Accounting Officer of the Company, certify, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 15, 2020

By: */s/ Richard J. DeCicco*
Richard J. DeCicco
Principal Financial and Accounting Officer

A signed original of this written statement required by Section 906 has been provided to Iconic Brands, Inc., and will be retained by Iconic Brands, Inc., and furnished to the Securities and Exchange Commission or its staff upon request.