

ICEWEB INC
Form 10-Q
May 16, 2011

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

FORM 10-Q

(Mark One)

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

For the period ended March 31, 2011

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT

For the transition period from _____ to _____

Commission file number: 0-27865

ICEWEB, INC.

(Exact name of small business issuer as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

13-2640971
(I.R.S. Employer Identification No.)

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22900 Shaw Road, Suite 111

Sterling, VA 20166

(Address of principal executive offices)

(571) 287-2380

(Issuer's telephone number)

(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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input checked="" type="checkbox"/>

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: At May 16, 2011, there were 145,017,061 outstanding shares of common stock, \$.001 par value per share.

Transitional Small Business Disclosure Format (Check one): Yes No

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

This quarterly report contains forward-looking statements. These forward-looking statements are subject to risks and uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from the results, performance or achievements expressed or implied by the forward-looking statements. You should not unduly rely on these statements. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as anticipate, estimate, expect, project, intend, believe, project, contemplate, would, should, could, or may. With respect to any forward-looking statement includes a statement of its underlying assumptions or bases, we believe such assumptions or bases to be reasonable and have formed them in good faith, assumed facts or bases almost always vary from actual results, and the differences between assumed facts or bases and actual results can be material depending on the circumstances. When, in any forward-looking statement, we express an expectation or belief as to future results, that expectation or belief is expressed in good faith and is believed to have a reasonable basis, but there can be no assurance that the stated expectation or belief will result or be achieved or accomplished. All subsequent written and oral forward-looking statements attributable to us, or anyone acting on our behalf, are expressly qualified in their entirety by the cautionary statements.

OTHER PERTINENT INFORMATION

When used in this quarterly report, the terms IceWEB, the Company, we, our, and us refers to IceWEB, Inc., a Delaware corporation, and our subsidiaries. The information which appears on our web site at www.iceweb.com is not part of this quarterly report.

ICEWEB, INC. AND SUBSIDIARIES

FORM 10-Q

QUARTERLY PERIOD ENDED March 31, 2011

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PART I - FINANCIAL INFORMATION**Item 1. Consolidated Financial Statements****ICEWEB, Inc.****Consolidated Balance Sheets**

	March 31, 2011 (Unaudited)	September 30, 2010⁽¹⁾
CURRENT ASSETS:		
Cash	\$ 42,259	\$ 540,156
Accounts receivable, net	2,173,588	1,529,852
Inventory	84,252	62,197
Other current assets	20,624	6,875
Prepaid expenses	40,150	31,230
	2,360,875	2,170,310
OTHER ASSETS:		
Property and equipment, net	262,344	418,873
Deposits	13,320	13,320
Marketable Securities	172,800	524,800
Intangible assets, net	425,407	546,952
Total Assets	\$ 3,234,745	\$ 3,674,255
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 2,173,786	\$ 1,711,621
Notes payable	1,776,133	1,649,140
Deferred revenue	27,124	59,582
	3,977,043	3,420,343
Total Liabilities	3,977,043	3,420,343
Stockholders' Equity (Deficit)		
Series B convertible preferred stock (\$.001 par value; 626,667 shares issued and outstanding)	626	626
Common stock (\$.001 par value; 1,000,000,000 shares authorized; 142,912,886 shares issued and 142,750,386 shares outstanding)	142,752	134,445
Additional paid in capital	30,598,377	29,360,833
Accumulated deficit	(31,512,853)	(29,622,792)
Accumulated other comprehensive income	124,800	476,800
Subscription receivable	(83,000)	(83,000)
Treasury stock, at cost, (162,500 shares)	(13,000)	(13,000)

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Total stockholders' equity (deficit)	(742,298)	253,912
Total Liabilities and Stockholders' Equity (Deficit)	\$ 3,234,745	\$ 3,674,255

(1) Derived from audited financial statements

See accompanying notes to unaudited consolidated financial statements

ICEWEB, Inc.

Consolidated Statements of Operations

(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2011	2010	2011	2010
Sales	\$ 1,116,585	\$ 1,011,205	\$ 1,794,437	\$ 1,612,022
Cost of sales	585,858	456,094	936,515	729,718
Gross profit	530,727	555,111	857,922	882,304
Operating expenses:				
Sales and marketing	319,322	472,359	774,344	785,217
Depreciation and amortization expense	127,177	162,926	293,794	330,399
Research and development expense	153,642	105,745	359,768	185,311
General and administrative	464,457	1,560,401	1,121,823	2,654,370
Total Operating Expenses	1,064,598	2,301,431	2,549,729	3,955,297
Loss from operations	(533,871)	(1,746,320)	(1,691,806)	(3,072,993)
Other income (expenses):				
Interest expense	(100,376)	(141,995)	(198,256)	(274,956)
Total other expenses:	(100,376)	(141,995)	(198,256)	(274,956)
Net loss	\$ (634,247)	\$ (1,888,315)	\$ (1,890,063)	\$ (3,347,949)
Basic and diluted loss per common share	\$ (0.00)	\$ (0.02)	\$ (0.01)	\$ (0.04)
Basic and diluted weighted average common shares outstanding	140,456,142	88,205,555	138,429,677	83,652,224

See accompanying notes to unaudited consolidated financial statements

ICEWEB, Inc.**Consolidated Statements of Cash Flows****(Unaudited)**

	Six Months Ended March 31,	
	2011	2010
NET CASH USED IN OPERATING ACTIVITIES	\$ (1,456,279)	\$ (1,431,078)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in marketable securities		(48,000)
Purchase of property and equipment	(15,720)	(37,444)
NET CASH USED IN INVESTING ACTIVITIES	(15,720)	(85,444)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the sale of restricted common stock	225,000	490,000
Proceeds from notes payable	628,428	799,460
Proceeds from exercise of common stock options	622,109	1,122,134
Payments on notes payable	(501,435)	(811,082)
NET CASH PROVIDED BY FINANCING ACTIVITIES	974,102	1,600,512
NET INCREASE (DECREASE) IN CASH	(497,897)	83,990