

ICEWEB INC
Form 10-Q
May 15, 2014

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

Form 10-Q

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

For the quarterly period ended March 31, 2014

OR

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

For the transition period from October 1, 2013 to March 31, 2014

Commission file number: 0-27865

ICEWEB, INC.

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

DELAWARE

13-2640971
(I.R.S. Employer

(State or other jurisdiction
of

Identification No.)

incorporation or
organization)

324 E 11th, Suite 2425,
Kansas City, MO
(Address of principal
executive offices)

64106
(Zip Code)

(571) 287-2380

(Issuer's telephone number)

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

The number of shares of the registrant's Common Stock, \$.001 par value, outstanding at May 15, 2014 was: 530,519,968.

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, contemplate, would, should, could, or may. With respect to any forward-looking statement that is 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, Delaware corporation, and our subsidiaries. The information which appears on our web site at www.iceweb.com is not part of this quarterly report.

EXPLANATORY NOTE

The registrant is filing this Transition Report on Form 10-Q (this Transition Report) in connection with its change in fiscal year end from September 30 to June 30. The registrant previously reported its change in fiscal year end on a Current Report on Form 8-K, dated January 27, 2014.

ICEWEB, INC. AND SUBSIDIARIES
FORM 10-Q
QUARTERLY PERIOD ENDED MARCH 31, 2014

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

	March 31, 2014	September 30, 2013 ⁽¹⁾
ASSETS:		
CURRENT ASSETS:		
Cash	\$ 4,185	\$ 9,652
Other receivable	-	28
Accounts receivable, net	48,430	58,140
Inventory	172,130	163,168
Marketable securities	4	820
Other current assets	52,196	175,551
Prepaid expenses	223,721	36,925
Total Current Assets	500,666	444,284
OTHER ASSETS:		
Property and equipment, net of accumulated depreciation of \$3,061,753 and \$1,422,488, respectively	735,412	307,868
Deposits	5,924	13,320
Other assets	1,545	1,545
Total Assets	\$ 1,243,547	\$ 767,017
LIABILITIES AND STOCKHOLDERS DEFICIT:		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 981,429	\$ 649,294
Notes payable	719,619	-
Note payable, related parties	186,000	186,000
Deferred revenue	62,392	2,996
Convertible notes payable, net of discount	136,993	181,878
Derivative liability - warrants	76,285	117,424
Derivative liability - convertible debt	457,078	-
Total Current Liabilities	2,619,796	1,137,592
Note payable, long term portion	1,099,690	-
Total Liabilities	3,719,486	1,137,592
Commitments and contingencies (Note 13)	-	-

STOCKHOLDERS' DEFICIT

Preferred stock (\$0.001 par value; 10,000,000 shares authorized; Series B Convertible Preferred Stock (626,667 shares designated, issued and outstanding)	626	626
Common stock (\$.001 par value; 1,000,000,000 shares authorized; 509,908,883 shares issued and 509,746,383 outstanding, respectively and 410,424,772 shares issued and 410,262,272 shares outstanding, respectively)	509,891	410,262
Additional paid in capital	48,207,093	47,233,663
Accumulated deficit	(51,099,552)	(47,921,946)
Accumulated other comprehensive income (loss)	(80,996)	(80,180)
Treasury stock, at cost, (162,500 shares)	(13,000)	(13,000)
Total stockholders' deficit	(2,475,938)	(370,575)
Total Liabilities and Stockholders' Deficit	\$ 1,243,547	\$ 767,017

See accompanying notes to unaudited consolidated financial statements

(1)

Derived from audited financial statements

ICEWEB, Inc.

Consolidated Statements of Operations

(Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2014	2013	2014	2013
Sales	\$ 176,483	\$ 455,144	\$ 499,148	\$ 862,223
Cost of sales	75,357	254,119	252,311	538,755
Gross profit	101,126	201,025	246,837	323,468
Operating (income) expenses:				
Sales and marketing	40,198	480,175	226,890	1,091,393
Depreciation and amortization expense	180,493	52,977	462,237	123,689
Research and development expense	86,177	198,418	780,554	817,737
General and administrative	(145,814)	1,700,966	1,953,426	4,093,982
Total Operating Expenses	161,054	2,432,536	3,423,107	6,126,801
Loss from operations	(59,928)	(2,231,512)	(3,176,270)	(5,803,333)
Other income (expenses)				
Gain/(loss) on change of fair value of				
derivative liability	105,065	313,993	176,564	4,352,711
Loss on extinguishment of debt	-	-	(768,463)	-
Impairment of goodwill	-	-	(1,941,050)	-
Interest expense	(316,192)	(206,759)	(466,844)	(1,426,898)
Total other income (expenses):	(211,127)	107,234	(2,999,793)	2,925,813
Net loss	\$ (271,055)	\$ (2,124,277)	\$ (6,176,063)	\$ (2,877,519)
Loss per common share basic and diluted	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.00)
Weighted average common shares outstanding basic and diluted	486,505,383	251,338,384	436,870,645	226,142,884

See accompanying notes to unaudited consolidated financial statements

ICEWEB, Inc.

Statement of Consolidated Comprehensive Income

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2014	2013	2014	2013
Net loss	\$ (271,055)	\$ (2,124,227)	\$ (6,176,063)	\$ (2,877,519)
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on securities	(2)	(196,150)	(3,686)	15,800
Other comprehensive income (loss)	(2)	(196,150)	(3,686)	15,800
Comprehensive loss	(\$271,057)	(\$2,320,427)		