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## **FORM 10-Q**

**Encore Brands, Inc. - ENCB**

**Filed: August 16, 2010 (period: June 30, 2010)**

Quarterly report which provides a continuing view of a company's financial position

**FORM 10-Q**

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

(Mark one)

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

**For the quarterly period ended June 30, 2010**

**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 **000-53046**

**Encore Brands, Inc.**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of incorporation  
or organization)

**26-3597500**

(I.R.S. Employer Identification No.)

**502 East John Street, Carson City, NV, 89706**

(Address of principal executive offices) (Zip Code)

**(310) 699-9937**

(Registrant's telephone number, including area code)

(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. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 16,114,555 common shares issued and outstanding as of August 16, 2010.

ENCORE BRANDS, INC.  
For the quarter ended June 30, 2010

FORM 10-Q

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**PART I**

**ITEM 1. FINANCIAL STATEMENTS**

**ENCORE BRANDS, INC.**  
**(A Development Stage Company)**  
**BALANCE SHEETS**

	<u>June 30,</u> 2010	<u>September 30,</u> 2009
	(Unaudited)	
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 314	\$ 177
Accounts receivable	10,000	--
Prepaid expense	25,000	--
Total current assets	<u>35,314</u>	<u>177</u>
Intangible asset, net	<u>625</u>	<u>1,000</u>
Total assets	<u>\$ 35,939</u>	<u>\$ 1,177</u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 261,871	\$ 39,299
Shareholder advances	36,860	12,360
Convertible note payable and accrued interest	51,247	--
Total current liabilities	<u>349,978</u>	<u>51,659</u>
Total liabilities	<u>349,978</u>	<u>51,659</u>
Commitments and contingencies		
<b>Stockholders' deficit:</b>		
Common stock, \$0.001 par value; 75,000,000 shares authorized; 15,989,555 issued and outstanding June 30, 2010 and September 30, 2009, respectively	15,990	15,990
Subscription receivable	(900)	(1,800)
Additional paid-in capital	289,920	233,670
Deficit accumulated during the development stage	<u>(619,049)</u>	<u>(298,342)</u>
Total stockholders' deficit	<u>(314,039)</u>	<u>(50,482)</u>
Total liabilities and stockholders' deficit	<u>\$ 35,939</u>	<u>\$ 1,177</u>

**See accompanying notes to financial statements.**

**ENCORE BRANDS, INC.**  
**(A Development Stage Company)**  
**STATEMENTS OF OPERATIONS**  
**For the three and nine months ended June 30, 2010 and 2009**  
**And the period from September 16, 2008 (inception) to June 30, 2010**  
**(Unaudited)**

	Three Months Ended June 30,		Nine Months Ended June 30,		September 16, 2008 (inception) to June 30,
	2010	2009	2010	2009	2010
Revenue	\$ 10,000	\$ --	\$ 10,000	\$ --	\$ 10,000
Operating expenses:					
General and administrative	163,042	2,836	330,707	290,754	629,049
Total operating expenses	163,042	2,836	330,707	290,754	629,049
Net loss	\$ (153,042)	\$ (2,836)	\$ (320,707)	\$ (290,754)	\$ (619,049)
Weighted average number of common shares outstanding - basic and diluted	15,989,555	15,935,679	15,989,555	15,935,679	
Net loss per share - basic and diluted	\$ (0.01)	\$ (0.00)	\$ (0.02)	\$ (0.02)	

See accompanying notes to financial statements.

**ENCORE BRANDS, INC.**  
**(A Development Stage Company)**  
**STATEMENTS OF CASH FLOWS**  
**For the nine months ended June 30, 2010 and 2009**  
**And the period from September 16, 2008 (inception) to June 30, 2010**  
**(Unaudited)**

	<u>Nine Months Ended</u> <u>June 30,</u>		<u>September 16,</u> <u>2008,</u> <u>(inception) to</u> <u>June 30, 2010</u>
	<u>2010</u>	<u>2009</u>	
Cash flows from operating activities			
Net loss	\$ (320,707)	\$ (290,754)	\$ (619,049)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation and amortization	375	375	875
Interest accrual	2,671	--	2,671
Common stock issued for services	56,250	255,775	295,250
Changes in operating assets and liabilities			
Accounts receivable	(10,000)	--	(10,000)
Prepaid expense	(25,000)	--	(25,000)
Accounts payable and accrued expenses	221,148	15,460	260,447
Net cash used in operating activities	<u>(75,263)</u>	<u>(19,144)</u>	<u>(94,806)</u>
Cash flows from financing activities			
Proceeds from issuance of common stock	900	7,050	8,400
Proceeds from notes payable	50,000	--	50,000
Proceeds from shareholder advance	24,500	12,110	36,860
Repurchase and cancellation of common stock	--	--	(140)
Net cash provided by financing activities	<u>75,400</u>	<u>19,160</u>	<u>95,120</u>
Net increase (decrease) in cash and cash equivalents	137	16	314
Cash and cash equivalents, beginning of period	177	--	--
Cash and cash equivalents, end of period	<u>\$ 314</u>	<u>\$ 16</u>	<u>\$ 314</u>
<b>Supplemental disclosure of cash flow information:</b>			
Income taxes paid	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Interest paid	<u>\$ 1,425</u>	<u>\$ --</u>	<u>\$ 1,425</u>
<b>Non-cash transactions:</b>			
Common stock issued for license rights	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,500</u>

See accompanying notes to financial statements

**ENCORE BRANDS, INC.**  
**(A Development Stage Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Unaudited)**

**1. BASIS OF PRESENTATION**

Encore Brands, Inc. (the "Company" or "Encore Brands") is a wholesale supplier of alcoholic beverages located in Carson City, Nevada. It currently has the right and exclusive license to distribute Ecstasy Brand Liqueur, one of the world's first premium enhanced spirits, in the United States and Canada. The concept behind Ecstasy Liqueur is a combination of flavored liqueur and energy drink that is a growing taste preference among drinkers. We intend to utilize a small marketing focused team with decades of experience in brand building to create significant sales of unique non-competing brands on and off premise in the U.S. market place.

The accompanying unaudited financial statements of Encore Brands have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and applicable regulations of the U.S. Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been omitted pursuant to such rules and regulations. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair statement of financial position and results of operations have been included. Interim results for the three and nine months ended June 30, 2010 are not necessarily indicative of the results that may be expected for the full year ending September 30, 2010. The accompanying unaudited financial statements should be read in conjunction with our audited financial statements for the year ended September 30, 2009, which are included in our Annual Report on Form 10-K, and the risk factors contained therein.

The preparation of the accompanying unaudited financial statements requires the use of estimates that affect the reported amounts of assets, liabilities, revenues, expenses and contingencies. These estimates can include, but are not limited to, estimates related to revenue recognition, allowance for doubtful accounts, inventory valuation, tangible and intangible long-term asset valuation, warranty and other obligations and commitments. Estimates are updated on an ongoing basis and are evaluated based on historical experience and current circumstances. Changes in facts and circumstances in the future may give rise to changes in these estimates which may cause actual results to differ from current estimates.

**Derivative Instruments**

The Company's note payable contains terms which constitute a derivative liability under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 815 and require bifurcation from the host instrument. As required by FASB ASC 815, these instruments are required to be measured at fair value in its financial statements. Changes in the fair value of the derivative liabilities from period to period are charged to derivative income (expense) as incurred.

**Recently Adopted and Recently Issued Accounting Guidance**

On July 1, 2009, the FASB issued the FASB Accounting Standards Codification (the "Codification"). The Codification became the single source of authoritative nongovernmental U.S. GAAP, superseding existing FASB, American Institute of Certified Public Accountants ("AICPA"), Emerging Issues Task Force ("EITF") and related literature. The Codification eliminates the previous US GAAP hierarchy and establishes one level of authoritative GAAP. All other literature is considered non-authoritative. However, rules and interpretive releases of the Securities Exchange Commission ("SEC") issued under the authority of federal securities laws will continue to be sources of authoritative GAAP for SEC registrants. The Codification was effective for interim and annual periods ending after September 15, 2009. The Company adopted the Codification for the year ending September 30, 2009. There was no impact to the financial results as this change is disclosure-only in nature.

**2. EQUITY**

**Common Stock**

During the nine months ended June 30, 2010, the Company collected \$900 (of \$1,800) of subscription receivable. No new shares of common stock were issued. The Company recognized \$56,250 in stock-based compensation for 125,000 shares of the Company's common stock valued awarded to an attorney for legal services provided. The stock was valued at \$0.45 per share, the price of the Company's last private placement, due to the Company's lack of an active trading market. As of June 30, 2010, these and through the date of this report, these shares have not yet been issued.

During the nine months ended June 30, 2009, the Company issued 50,644 shares of common stock for the total consideration of \$22,790 and 568,389 shares for services rendered all at a value of \$0.45 per share. The grant-date fair value of these shares was \$255,775.

**Common Stock Warrants**

A summary of the Company's warrant activity and related information for the nine months ended June 30, 2010 is provided below:

Exercise Price	Number of	Remaining
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		<u>Warrants</u>	<u>Life (Years)</u>
Outstanding and exercisable at September 30, 2009	\$	--	--
Warrants exercised		--	--
Warrants granted		0.45	55,555
Warrants expired		--	--
Outstanding and exercisable at June 30, 2010	\$	<u>0.45</u>	<u>55,555</u>

The warrants above were issued in connection with the convertible note payable described in note 3. The Company valued the warrants using the Black-Scholes model, and the following assumptions: stock price of \$0.45, exercise price of \$0.45, expected term of 2 years, volatility of 0%, dividends of 0% and a risk-free interest rate of 0.82%. The fair value of the warrants based on these assumptions was determined to be immaterial, and accordingly no expense was recognized.

### **3. CONVERTIBLE NOTE PAYABLE**

On December 18, 2009, Encore Brands, Inc. entered into a \$50,000 Bridge Loan and Investment Agreement (the "Bridge Loan Agreement"), which is filed as by and between Peter Staddon, an individual (the "Lender"), and Encore Brands, Inc., a Nevada corporation ("Encore"). Encore's obligations under the Bridge Loan Agreement include: (1) the issuance of a Promissory Note, (2) a financing and documentation fee ("Financing Fee") to the Lender, and (3) the issuance of a 55,000 Common Stock Purchase Warrant to acquire shares of common stock at a price of \$0.45 per share. The loan is unsecured, bears interest at 10% per annum, and matures on December 18, 2010 at which time all unpaid principal and accrued interest is due. As of June 30, 2010, the Company had paid \$1,425 of interest.

The loan is convertible into shares of the Company's stock at a conversion price of a 15% discount to the ten-day volume weighted average price per share of the stock. If there is no market for the stock, the conversion price shall be determined by the Board of Directors. In no circumstances can the loan be converted if the conversion price will be less than \$0.30 per share.

All shares of stock issuable under the warrants and the loan conversion are provided registration rights. There are no penalties to the Company for non-registration of these shares.

Management determined that the conversion option in the note payable was a derivative liability as defined by GAAP, and required bifurcation as separate financial instrument due to the variable conversion terms. However, as the Company's stock has not traded significantly in an open market, the value of the derivative was determined to be immaterial.

### **4. RELATED PARTY TRANSACTIONS**

During the nine months ended June 30, 2010, the Company loaned a total of \$5,000 to its Chief Executive Officer, which was then recorded as salary expense during the current period.

During the nine months ended June 30, 2010, the Company received \$25,000 of advances from a shareholder. These advances are unsecured, bear interest at 3.25% and have no specific repayment date. The balance owed to the shareholder was \$36,860 and \$12,360 as of June 30, 2010 and September 30, 2009. The Company repaid \$500 of advances to the shareholder during the nine months ended June 30, 2010.

During the nine months ended June 30, 2010, the Company agreed to pay \$750 to its Chief Financial Officer for the use of office space. As of June 30, 2010, no amounts had been paid, and \$4,500 was accrued. Each officer also receives \$12,500 per month as salary. No amounts were paid during the period, and expense of \$212,500 was accrued for as of June 30, 2010.

### **5. COMMITMENTS**

On May 7, 2010, the Company entered into an agreement with Sichenzia Ross Friedman Ference LLP, to provide legal representation in connection with SEC matters. The terms of the agreement require the issuance of 125,000 shares of common stock and a monthly retainer of \$3,500. As of June 30, 2010, these shares have yet to be issued as discussed in Note 2.

On June 17, 2010 the Company entered into a two-year agreement with Heerdink Advisory Services, LLC to provide Securities and Investment Advisory Services in order to solicit and obtain financings for a completion fee of 8% and warrants equal to 8% of the shares purchased in the financing, contingent upon the completion of Encore's Form S-1 becoming effective.

On June 21, 2010 the Company entered into an two-year agreement with Vista Partners to act as a capital market advisor. Under terms of the agreement, the Company is to make the following payments:

- Issuance of 750,000 shares of common stock and \$10,000 due upon the effective date of the agreement.
- Issuance of 500,000 shares of common stock due upon the 7<sup>th</sup> month of agreement and monthly payments of \$7,500 for the next six months
- Issuance of 500,000 shares of common stock due upon the 13<sup>th</sup> month of agreement and monthly payments of \$10,000 for the next six months
- Issuance of 500,000 shares of common stock due upon the 19<sup>th</sup> month of agreement and monthly payments of \$12,500 for the next six months.

On August 12, 2010, both parties amended the agreement to extend the effective date of the agreement to be contingent upon the completion of Encore's Form S-1 becoming effective. As of June 30, 2010, no shares have been issued or recognized and no payments have been made.

### **6. SUBSEQUENT EVENTS**

On July 27, 2010, the Company entered into a three-year and three-year rolling MOU with Pelican Brands, LLC to act as its National Sales and Marketing Agent for the U.S. market. The terms of the agreement in year one include a minimum cases sold requirement of 8,000 9-liter cases, sales commissions of 12% and a monthly management fee of \$8,000.

On, August 12, 2010, the Company agreed to an amendment to the Licensing Agreement with Encore Brands, LLC, to automatically renew the licensing period and additional three-years, due to delays in getting operations up and running.

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

### FORWARD-LOOKING STATEMENTS

*This Quarterly Report on Form 10-Q, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 2 of Part I of this report include forward-looking statements. These forward looking statements are based on our management's current expectations and beliefs and involve numerous risks and uncertainties that could cause actual results to differ materially from expectations. In some cases, you can identify forward-looking statements by terminology such as "may," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "proposed," "intended," or "continue" or the negative of these terms or other comparable terminology. You should read statements that contain these words carefully, because they discuss our expectations about our future operating results or our future financial condition or state other "forward-looking" information. Many factors could cause our actual results to differ materially from those projected in these forward-looking statements, including but not limited to: variability of our revenues and financial performance; risks associated with product development and technological changes; the acceptance our products in the marketplace by existing and potential future customers; general economic conditions. You should be aware that the occurrence of any of the events described in this Quarterly Report could substantially harm our business, results of operations and financial condition, and that upon the occurrence of any of these events, the trading price of our securities could decline. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, growth rates, levels of activity, performance or achievements. We are under no duty to update any of the forward-looking statements after the date of this Quarterly Report to conform these statements to actual results.*

#### Overview

We are a wholesale distributor of alcoholic beverages. We intend to utilize a small marketing focused team with decades of experience in brand building to create significant sales of unique noncompeting brands on and off premise in the U.S. and International market place.

We have entered into a license agreement with Encore Brands LLC pursuant to which Encore Brands has the limited exclusive right to sell, distribute and market Ecstasy™ Brand Liqueur in the United States of America and Canada, one of the world's first premium enhanced spirits.

The concept behind Ecstasy™ Liqueur is a combination of flavored liqueur and energy drink which is a growing taste preference among drinkers. The combination produced is a 70-proof clear spirit with pomegranate and citrus flavors, column distilled four times from winter white wheat and yellow corn. Exotic herbs, which are the energy-stimulating ingredients, are ginseng, guarana, taurine, and caffeine. Ecstasy™ is produced in such a way that it can be consumed straight up or be mixed with other ingredients as cocktails.

Shortly after inception, we filed a registration statement on Form S-1 pursuant to which we registered 20,000,000 shares of our common stock to be sold by us to qualified investors at \$0.45 per share (the "Financing"). In the Financing, we sold an aggregate total of 20,666 shares ("Shares") to 34 subscribers at a price of \$0.45 per share for total consideration of \$9,300. In addition we issued 468,889 shares to 18 consultants for services rendered. The issuance of these shares were primarily attributable to professional fees, and legal and audit fees related to our public offering and ongoing compliance with our obligations under federal securities laws. The proceeds from our public offering were used to pay for start-up costs and the related fees associated with registering our securities, our ongoing compliance requirement under federal securities laws and to apply for various licenses and permits with governmental agencies related to our future operations.

#### Recent Developments

On April 6, 2010, the Company was granted a stock symbol on the Over-the-Counter Bulletin Board by the Financial Industry Regulatory Authority ("FINRA") bearing the name ENCB.

On May 7, 2010, the Company entered into an agreement with Sichenzia Ross Friedman Ference LLP, to provide legal representation in connection with SEC matters, specifically, with its S-1 amendment. The terms of the agreement require the issuance of 125,000 shares of common stock and a monthly retainer of \$3,500.

On June 16, 2010, we entered into a non-binding Letter of Intent ("LOI") with Cermex SA to have a Design and Development Agreement ("agreement"). This agreement allows Encore Brands Inc. to produce its own proprietary brands of imported Mexican beer, and an equity stake contingent upon the completion of Encore's Form S-1 becoming effective.

On June 16, 2010 the Company entered into a Letter of Intent ("LOI") with KSB, LLC to design and develop products under the Zephyr Gin labels, to provide marketing and sales in the US and the World, and the desire to become an equity partner, contingent upon the completion of Encore's Form S-1 becoming effective.

On June 17, 2010 the Company entered into a two-year agreement with Heerdink Advisory Services, LLC to provide Securities and Investment Advisory Services in order to solicit and obtain financings for a completion fee of 8% and warrants equal to 8% of the shares purchased in the financing, contingent upon the completion of Encore's Form S-1 becoming effective.

On June 21, 2010 the Company entered into an two-year agreement with Vista Partners to act as a capital market advisor, services provided under consideration of a monthly fee and shares of common stock, contingent upon the completion of Encore's Form S-1 becoming effective.

### **Results of Operations for the three and nine months ended June 30, 2010 and 2009**

#### *Revenue*

For the three and nine months ended June 30, 2010, we generated revenues \$10,000 for assisting in the creation of a broker relationship and subsequent sales of 2000 cases of Zephyr Gin. Based on prior history, we will continue to have insufficient revenue to satisfy current and recurring liabilities as we continue development activities. For short term needs we will be dependent on receipt, if any, of private placement proceeds. With the receipt of any of these private placement proceeds, the Company expects to see significant growth in 2010 as we increase marketing efforts, bring on additional customers and future customers become more aware of our brands.

## *General and administrative*

The types of costs included in selling, general and administrative expenses consist predominately of professional fees, advertising and non-manufacturing administrative and overhead costs. Distribution network costs are not included in the Company's selling, general and administrative expenses, but are included in cost of goods sold.

The Company expenses advertising costs as incurred, shown or distributed.

General and administrative expenses during the three and nine months ended June 30, 2010 was \$163,042 and \$330,707 respectively and for the three and nine months ended June 30, 2009 were \$2,836 and \$290,754 respectively. The increase was due to stock-based compensation and management salaries of \$12,500 per month for each officer in the current period.

## *Net Loss*

Net loss for the nine months ended June 30, 2010 was approximately \$320,707 an increase to the net loss during the same periods in 2009 of \$29,953 or 10%. The increase in the net loss is due to stock-based compensation to professionals for services rendered and management salaries of \$12,500 per month for each officer.

## **Liquidity and Capital Resources**

As of June 30, 2010, we had negative working capital of \$314,664 compared to September 30, 2009 of \$51,482.

Our net loss was (\$320,707) for the nine months ended June 30, 2010 compared to a net loss of (\$290,754) for the nine months ended June 30, 2009. Net cash used in operating activities was approximately (\$75,000) for the nine months ended June 30, 2010 compared to approximately (\$19,000) for the same period in 2009. The increase in cash used in operating activities is primarily attributable amounts paid for accounting and legal services, and corporate compliance fees.

Net cash provided by financing activities during the nine months ended June 30, 2010 was approximately \$75,400 as compared to \$19,160 for the nine months ended June 30, 2009. This increase is primarily due to the closing of a note payable of \$50,000 and shareholder loans of \$24,500.

No shares were sold and no warrants were exercised during the three and nine months ended June 30, 2010.

We have not yet recognized significant revenues from our operations. As a result, our current cash position is not sufficient to fund our cash requirements during the next twelve months, including operations and capital expenditures.

Our future financial results will depend primarily on (1) our ability to fully implement our business plan and (2) our ability to develop our brand awareness. We cannot assure that we will be successful in any of these activities will be at a level allowing for profitable production.

During the remainder of the current fiscal year, we expect to accomplish the foregoing through the following milestones:

1. We hope to hire a marketing focused team to create significant sales of unique non-competing brands on and off premise in the U.S. market place. Our marketing plan includes partnering with traditional and online media, attracting celebrity brand ambassadors and producing unique ad campaigns and promotions for each brand. Product placement and event sponsorship will also be used to create awareness and drive sales. This will be an immediate need of the Company and will be ongoing from the commencement of operations. These costs are estimated at \$575,000.

2. Since dealer support is critical, we will also build ties with highly-capable distributors across the United States. These costs are estimated at \$250,000.

3. We intend to identify a key market demographic and focus on that consumer till reaching an awareness and mass level to move to a wider distribution presence including retail. Utilizing relevant communications and grass roots marketing, Encore will make the brand resonate in the consumers mind and be a part of their behavior. By creating pivotal catalysts for trial and awareness, Encore will leverage the distribution network to support the key markets serving this demographic and utilize additional broker support when Encore's own inside sales people are not available. This will be an immediate need of the Company and will be ongoing from the commencement of operations. These costs are estimated at \$323,750.

If we cannot generate sufficient revenues or raise sufficient funds to continue operations and pay our expenses we will need to suspend or cease operations.

Our funding requirements will depend on numerous factors, including:

- Executing our vision effectively;
- Initial sales performance of new products;
- Competition, either from known competitors in the beverage industry, or others entering into our chosen markets;

- Changes in consumer preferences and discretionary spending;
- Consumer understanding and acceptance of the Ecstasy experience;
- General economic conditions, which can affect store traffic, local labor costs and prices we pay for the ingredients, equipment and other supplies we use; and
- Changes in government regulation.

As noted above, we believe that we do not have sufficient liquidity to satisfy our cash requirements for the next twelve months, which will require us to raise additional external funds through the sale of additional equity or debt securities. In any event, we expect that unless our sales increase significantly, we will need to raise additional funds in over the next 12 months to finance the costs of establishing the corporate infrastructure and related expenses, as well as sales and marketing expenses to support our introduction of our brands. The sale of additional equity securities will result in additional dilution to our shareholders. Sale of debt securities could involve substantial operational and financial covenants that might inhibit our ability to follow our business plan. Additional financing may not be available in amounts or on terms acceptable to us or at all. If we are unable to obtain additional financing, we may be required to reduce the scope of, delay or eliminate some or all of our planned research, development and commercialization activities, which could harm our financial conditions and operating results.

## Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

## Inflation

We do not believe our business and operations have been materially affected by inflation.

## Critical Accounting Policies and Estimates

Our critical accounting policies are as follows:

### *Derivative Instruments*

The Company's note payable contains terms with constitute a derivative liability under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 815 and require bifurcation from the host instrument. As required by FASB ASC 815, these instruments are required to be measured at fair value in its financial statements. Changes in the fair value of the derivative liabilities from period to period are charged to derivative income (expense) as incurred.

### *Recently Issued Accounting Standards*

On July 1, 2009, the FASB issued the FASB Accounting Standards Codification (the "Codification"). The Codification became the single source of authoritative nongovernmental U.S. GAAP, superseding existing FASB, American Institute of Certified Public Accountants ("AICPA"), Emerging Issues Task Force ("EITF") and related literature. The Codification eliminates the previous US GAAP hierarchy and establishes one level of authoritative GAAP. All other literature is considered non-authoritative. However, rules and interpretive releases of the Securities Exchange Commission ("SEC") issued under the authority of federal securities laws will continue to be sources of authoritative GAAP for SEC registrants. The Codification was effective for interim and annual periods ending after September 15, 2009. The Company adopted the Codification for the year ended September 30, 2009. There was no impact to the consolidated financial results as this change is disclosure-only in nature.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a "smaller reporting company", we are not required to provide the information under this Item 3.

## ITEM 4. CONTROLS AND PROCEDURES.

### *Evaluation of Disclosure Controls and Procedures*

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation 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 of the end of the period covered by this report (the "Evaluation Date"). Based upon the evaluation, our principal executive officer and principal financial officer concluded as of the Evaluation Date that our disclosure controls and procedures were effective. Disclosure controls are controls and procedures designed to reasonably ensure that information required to be disclosed in our reports filed under the Exchange Act, such as this report, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls include controls and procedures designed to reasonably ensure that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

### *Changes in Internal Controls Over Financial Reporting*

There were no changes in our internal controls over financial reporting that occurred during the quarterly period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS.

We know of no material, existing or pending legal proceedings against us, nor are we involved as a plaintiff in any material proceeding or material pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our company.

### ITEM 1A. RISK FACTORS.

As a “smaller reporting company”, we are not required to provide disclosure under this Item 1A.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

None.

**ITEM 4. REMOVED AND RESERVED.**

None.

**ITEM 5. OTHER INFORMATION.**

None

**ITEM 6. EXHIBITS.**

- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act
- 32.1 Certification of Chief Executive and Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

### ENCORE BRANDS, INC.

Date: August 16, 2010

By: /s/ ALEX G. MCKEAN  
Alex McKean,  
Chief Financial Officer (Principal Financial and Accounting  
Officer)

Date: August 16, 2010

By: /s/ GARETH WEST  
Gareth West,  
Chief Executive Officer (Principal Executive Officer) and  
Director



**CERTIFICATION PURSUANT TO  
SECTION 302(a) OF THE SARBANES-OXLEY ACT OF 2002**

I, Gareth West, certify that:

1. I have reviewed this Form 10-Q of Encore 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 Exchange 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.

Date: August 16, 2010

/s/Gareth West  
Gareth West  
Chief Executive Officer

**CERTIFICATION PURSUANT TO  
SECTION 302(a) OF THE SARBANES-OXLEY ACT OF 2002**

I, Alex McKean, certify that:

1. I have reviewed this Form 10-Q of Encore 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 Exchange 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.

Date: August 16, 2010

/s/ Alex McKean

Alex McKean

Chief Financial Officer

CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Form 10-Q of Encore Brands, Inc. (the "Company") for the quarter ended June 30, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gareth West, the Chief Executive Officer, and I, Alex McKean, the Chief Financial Officer, of the Company, do hereby certify pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 16, 2010

/s/ Gareth West  
Gareth West  
Chief Executive Officer

/s/ Alex McKean  
Alex McKean  
Chief Financial Officer

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

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