

ENCORE BRANDS, INC.

FORM 10-Q (Quarterly Report)

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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 December 31, 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.)

2215-B Renaissance Drive, Las Vegas, NV, 89119

(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: 19,214,555 shares of common stock issued and outstanding as of February 14, 2011.

ENCORE BRANDS, INC.
For the quarter ended December 31, 2010

FORM 10-Q

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PART I**ITEM 1. FINANCIAL STATEMENTS****ENCORE BRANDS, INC.
(A Development Stage Company)
BALANCE SHEETS**

	December 31, 2010 (Unaudited)	September 30, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,504	\$ --
Accounts receivable	--	20,000
Prepaid expense	16,156	14,548
Total current assets	21,660	34,548
Intangible asset, net	375	500
Total assets	<u>\$ 22,035</u>	<u>\$ 35,048</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued expenses	\$ 437,218	\$ 341,915
Shareholder advances	22,154	21,954
Convertible note payable and accrued interest	53,767	52,507
Note payable and accrued interest	19,207	18,783
Total current liabilities	532,346	435,159
Total liabilities	532,346	435,159
Commitments and contingencies	--	--
Stockholders' deficit:		
Common stock, \$0.001 par value; 75,000,000 shares authorized; 15,989,555 issued and outstanding at December 31, 2010 and September 30, 2010	15,990	15,990
Subscription receivable	(550)	(900)
Paid-in capital	289,920	289,920
Deficit accumulated during the development stage	(815,671)	(705,121)
Total stockholders' deficit	(510,311)	(400,111)
Total liabilities and stockholders' deficit	<u>\$ 22,035</u>	<u>\$ 35,048</u>

See accompanying notes to financial statements

ENCORE BRANDS, INC.
STATEMENTS OF OPERATIONS
(A Development Stage Company)
For the three months ended December 31, 2010 and 2009
And the period from September 16, 2008 (inception) to December 31, 2010
(Unaudited)

	Three Months Ended December 31,		September 16, 2008 (date of inception) to December 31, 2010
	2010	2009	
Revenue	\$ --	\$ --	\$ 20,000
Cost of Goods Sold	--	--	1,250
Gross Margin	--	--	18,750
Operating expenses			
General and administrative	110,550	76,296	834,421
Operating Loss	110,550	76,296	815,671
Net loss	\$ (110,550)	\$ (76,296)	\$ (815,671)
Weighted average number of common shares outstanding - basic and diluted	15,989,555	15,989,555	
Net loss per share - basic and diluted	\$ (0.01)	\$ (0.00)	

See accompanying notes to financial statements

ENCORE BRANDS, INC.
(A Development Stage Company)
STATEMENTS OF CASH FLOWS
For the three months ended December 31, 2010 and 2009
And the period from September 16, 2008 (inception) to December 31, 2010
(Unaudited)

	Three Months Ended		September
	December 31,		16, 2008,
	2010	2009	(inception)
			to
			December
			31,
			2010
Cash flows from operating activities			
Net loss	\$ (110,550)	\$ (76,296)	\$ (815,671)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation and amortization	125	125	1,125
Common stock issued for services	--	--	295,250
Changes in operating assets and liabilities			
Accounts receivable	20,000	--	--
Prepaid expense	(1,609)	(25,000)	(16,157)
Accounts payable and accrued expenses	95,303	57,079	437,218
Interest accrual	1,685	192	5,161
Net cash provided by (used in) in operating activities	4,954	(43,900)	(93,074)
Cash flows from financing activities			
Proceeds from issuance of common stock	350	675	8,750
Proceeds from notes payable	--	50,000	68,718
Proceeds from stockholder advance, net	200	10,000	21,250
Loans to officers	--	(5,000)	--
Repurchase and cancellation of common stock	--	--	(140)
Net cash provided by financing activities	550	55,675	98,578
Net increase (decrease) in cash and cash equivalents	5,504	11,775	5,504
Cash and cash equivalents, beginning of period	--	177	--
Cash and cash equivalents, end of period	\$ 5,504	\$ 11,952	\$ 5,504
Supplemental disclosure of cash flow information:			
Income taxes paid	\$ --	\$ --	\$ --
Interest paid	\$ --	\$ --	\$ 1,425
Non-cash transactions:			
Common stock issued for license rights	\$ --	\$ --	\$ 1,500
Issuance of common stock for subscription receivable	\$ --	\$ --	\$ 550

See accompanying notes to financial statements

ENCORE BRANDS, INC.
(A Development Stage Company)
Statement of Stockholders' Equity (Deficit)
For the Period from September 30, 2009 to December 31, 2010
(Unaudited)

	<u>Common Stock</u>		<u>Paid-in</u>	<u>Subscription</u>	<u>Deficit</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Capital</u>	<u>Receivable</u>	<u>Accumulated</u>	<u>Total</u>
					<u>in the</u>	
					<u>Development</u>	
					<u>Stage</u>	
Balance, September 30, 2010	15,989,555	\$ 15,990	\$ 289,920	\$ (900)	\$ (705,121)	\$ (400,111)
Net loss					(110,550)	(110,550)
Subscription Payments Received			-	350	-	350
Balance, December 31, 2010	<u>15,989,555</u>	<u>\$ 15,990</u>	<u>\$ 289,920</u>	<u>\$ (550)</u>	<u>\$ (815,671)</u>	<u>\$ (510,311)</u>

See accompanying notes to financial statements

ENCORE BRANDS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2010
(Unaudited)

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

We have a basic permit issued by the Department of Treasury's Alcohol and Tobacco and Trade Bureau ("TTB") to conduct business as a wholesaler and importer of alcoholic beverages. As such, we are engaged in the sale of distilled spirits to distributors of alcoholic beverages in the U.S. who sell to liquor stores, grocery stores, bars and restaurants, including those states that use a control board for distribution.

With a marketing focus, experience and industry relationships we plan to use our capital to build our own or acquire brands, increase distribution and drive sales. By leveraging traditional distribution channels with effective sale and marketing techniques management expects to experience growth without being dependent on one brand to succeed. This will also make us more valuable to distributors and not dependent on one contract manufacturer to provide products.

For our first brand, 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.

On December 20, 2010 Encore Brands and Worldwide Beverage Imports, LLC ("WWBI") entered into a three year agreement that Encore shall be engaged by WWBI to provide certain services in relation to WWBI's development, promotion and sales of its products. These services shall be provided as long as the marketing agreement contract between Encore and WWBI exists or is maintained between the two parties. Encore shall assist WWBI in the development, promotion and brokering of WWBI brands including, but not limited to Agave 99 Tequila in the United States.

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. Our operating results for the three months ended December 31, 2010 are not necessarily indicative of the results that may be expected for the year ending September 30, 2011. The accompanying unaudited financial statements should be read in conjunction with our audited financial statements for the year ended September 30, 2010, 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 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, see Note 3.

2. EQUITY

Common Stock

During the three months ended December 31, 2010, the Company collected \$350 of subscription receivables. No new shares of common stock were issued.

Common Stock Warrants

A summary of the Company's warrant activity and related information for the three months ended December 31, 2010 is provided below:

	<u>Exercise Price</u>	<u>Number of Warrants</u>	<u>Remaining Life (Years)</u>
Outstanding and exercisable at September 30, 2010	\$ 0.45	55,555	1.22
Warrants exercised	--	--	--
Warrants granted	--	--	--
Warrants expired	--	--	--
Outstanding and exercisable at December 31, 2010	<u>\$ 0.45</u>	<u>55,555</u>	<u>0.96</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.

As of the period ended December 31, 2010 the company had 75,000,000 million authorized and 15,989,555 shares outstanding.

During the period ending December 31 2010, the Company collected a subscription receivable of \$350.

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. These shares were issued in January 2011. The fair value of these shares was \$56,250, recognized in the fiscal year ended September 30, 2010.

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. Accordingly, no amounts have been recorded related to this agreement.

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 7th month of agreement and monthly payments of \$7,500 for the following six months
- Issuance of 500,000 shares of common stock due upon the 13th month of agreement and monthly payments of \$10,000 for the following six months
- Issuance of 500,000 shares of common stock due upon the 19th month of agreement and monthly payments of \$12,500 for the following six months.

On August 12, 2010, both parties amended the agreement to change the effective date of the agreement to be contingent upon the completion of Encore's Form S-1 becoming effective. As of December 31, 2010, no shares have been issued or recognized and no payments have been made.

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, increasing to \$16,000 per month in year two and \$20,000 per month in year 3.

On October 1, 2010 Encore engaged the services of Christopher Risdon as a consultant to help represent, establish and create sales of the Company's products and brokered products both on and off premises for a monthly fee of \$2,000. Included in the agreement is the accrual of 6,000 shares of common stock monthly, to be issued and vested quarterly, with the first issuance scheduled to be January 1, 2011. Through the date of the filing, no shares have been issued for this agreement.

3. NOTES PAYABLE

As of December 31, 2010 and September 30, 2010 amounts outstanding on Notes Payable were \$72,974 and \$71,290, respectively.

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 55,555 Common Stock Purchase Warrant to acquire shares of common stock at a price of \$0.45 per share for two years. The loan is unsecured, bears interest at 10% per annum, and matured on March 31, 2010 at which time all unpaid principal and accrued interest is due. As of December 31, 2010, the Company had paid \$1,425 of interest. The notes maturity was extended to December 31, 2010, and is currently in default.

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 ASC 815, 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 by management to be immaterial.

On September 16, 2010, Encore Brands, Inc. entered into a \$18,718 Loan Agreement (the "Loan Agreement"), which is filed as by and between Global Premium Brands, Inc., a Nevada corporation (the "Lender"), and Encore Brands, Inc., a Nevada corporation ("Encore") and is secured by pending purchase orders with ACME Spiritz in India, and current inventory, if any. Currently, the note is in default due to the delay in the ACME order.

4. RELATED PARTY TRANSACTIONS

During the three months ended December 31, 2010, the Company received \$200 of advances from a shareholder. These advances are unsecured, bear interest at 3.25% and have no specific repayment date. The balance owed to shareholders was \$22,154 and \$21,954 as of December 31, 2010 and September 30, 2010.

In February 2010, the Company agreed to pay \$750 per month to its Chief Financial Officer for the use of office space. As of December 31, 2010 six months of rents had been paid, and \$3,750 was accrued and outstanding.

Each officer also receives \$12,500 per month as salary. No amounts were paid during the period, expense of \$75,000 was recorded during the first quarter, and \$362,500 was accrued for as of December 31, 2010.

5. COMMITMENTS

The Company currently has no contingent liabilities for existing or potential claims, lawsuits and other proceedings. We accrue liabilities when it is probable that future costs will be incurred and these costs can be reasonably estimated. Accruals are based on developments to date, our estimates of the outcomes of these matters and our experience in contesting, litigating and settling other matters. As the scope of the liabilities becomes better defined, there may be changes in the estimates of future costs.

6. SUBSEQUENT EVENTS

On January 10, 2011, Encore Brands, Inc. entered into a Design & Development Agreement (the "The Agreement"), between Cerveceria Mexicana, S. de R.I. de C.V., a corporation formed under the laws of the Republic of Mexico ("CERMEX"), and the Company for 3,000,000 shares of restricted Rule 144 shares in Encore's common stock, earned over the 3-year period. CERMEX's obligations under the Agreement are to provide the resources and assistance in the design and development of two private label beers a year, and Encore's obligations are to manage sales, promotional activities, etc. as the owner of any registered trademarks developed and in the brokering of any of CERMEX's existing labels. The 3,000,000 shares were issued in January 2011.

On January 27, 2011, the Company entered into a consulting agreement with Khanh Nyugen, to provide sales and marketing services to the Company in the Southern California region for a three month period. The terms of the agreement require the issuance of 100,000 shares of common stock. These shares were issued in January 2011.

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.

Introduction

As used in this Quarterly Report, the terms "we", "us", "our", "Registrant", and "the Company" mean Encore Brands, Inc.

Encore Brands, Inc. was incorporated in the State of Nevada on September 16, 2008.

Immediately following the incorporation, in a Form S-1 we offered 15,989,555 of our securities to qualified investors (the "Financing"). In the Financing, we sold an aggregate total of 20,666 shares ("Shares") at a price of \$0.45 per share for total consideration of \$9,300 and issued 468,889 shares for services rendered. Each share consists of one share of common stock.

Operations

We have a basic permit issued by the Department of Treasury's Alcohol and Tobacco and Trade Bureau ("TTB") to conduct business as a wholesaler and importer of alcoholic beverages. As such, we are engaged in the sale of distilled spirits to distributors of alcoholic beverages in the U.S. who sell to liquor stores, grocery stores, bars and restaurants, including those states that use a control board for distribution.

With a marketing focus, experience and industry relationships we plan to use our capital to build our own or acquire brands, increase distribution and drive sales. By leveraging traditional distribution channels with effective sale and marketing techniques management expects to experience growth without being dependent on one brand to succeed. This will also make us more valuable to distributors and not dependent on one contract manufacturer to provide products.

For our first brand, 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.

On June 16, 2010 we entered into a non-binding Letter of Intent ("LOI") with KSB, LLC to design and develop products under the Zephyr Gin ("Zephyr") labels, to provide marketing and sales in the US and the World. Zephyr is a premium gin brand in the US and UK with limited distribution and a demographic profile in line with the brand strategy of our initial product, Ecstasy Liqueur.

The concept behind Zephyr Gin is an update to the old, stodgy gin image, with the design of a new gin that will appeal to the next generation of drinkers. Everything about it is new, beginning with its contemporary bottle design and two distinct flavors, including the 88 proof reserve with unique elderflower botanicals for the traditionalist and the 70 proof blue tinted elderberry flavor for the more adventurous.

To date, we have not received any revenues from the sale of either Ecstasy Liqueur or Zephyr Gin products. However, we have received a formal Purchase Order from India's Acme Spiritz for 430 cases of Ecstasy Brand Liqueur (40 1000ml, 360 750ml, 10 375ml and 20 50ml). Additionally, we have acted as a consultant and broker for the sales and marketing of Zehyr Gin, including services for the placement of 2,000 cases of Zephyr into Sabemos, a national beverage broker, for which we received compensation in the amount of \$20,000. Since we now have our TTB basic permit, we will begin to sell both of these brands as we become TTB compliant in each state.

As of December 31, 2010, we have generated limited revenues to cover operations. 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.

The Company expects to see significant growth in 2011 as we increase marketing efforts, bring on additional customers and future customers become more aware of our brands.

Results of Operations for the three months ended December 31, 2010 and 2009

The following discussion should be read in conjunction with our financial statements and the related notes that appear elsewhere in this Quarterly Report.

Revenue

For the three months ended December 31, 2010 and 2009 we did not generate any revenue. We have generated limited revenues since inception to cover operations from consulting services based on brokering third party products and providing advisory services in our capacity as a sales and marketing company. Based on prior history, we will continue to have insufficient revenue to satisfy current and recurring liabilities as we continue development activities.

Gross margin

Total gross margin for the three months ended December 31, 2010 and December 31, 2009 was \$0 respectively, as there were no sales by the Company.

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, including management salaries. 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 months ended December 31, 2010 and 2009 were \$110,550 and \$76,296, respectively. The increase was due to the addition of sales consultants for services and increased professional fees in the current period.

Net Loss

Net loss for the three months ended December 31, 2010 was approximately (\$110,550) an increase to the net loss during the same period in 2009 of approximately \$33,000. The increase in the net loss is primarily due to fees associated with filing and professional fees associated with SEC filings and the Form S-1 in the period.

Liquidity and Capital Resources

As of December 31, 2010, we had a negative working capital of (\$510,686) compared to December 31, 2009 of (\$126,978).

Our net loss was (\$110,550) for the three months ended December 31, 2010 compared to a net loss of (\$76,296) for the three months ended December 31, 2009. Net cash provided by operating activities was approximately \$4,954 for the three months ended December 31, 2010 compared to cash used in operating activities of approximately \$43,900 for the same period in 2009. The cash provided by operating activities in the current period is primarily attributable to collection of outstanding accounts receivable of \$20,000, as compared to the absence of revenue or collections in the prior period.

Net cash provided by financing activities during the three months ended December 31, 2010 was approximately \$550.

We have recognized limited 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 or that they will be at a level allowing for profitable production.

We estimate that we will need approximately \$9,000,000 to fund our operations over the next twelve months. Depending on the timing and amount of our ability to raise capital, we expect to accomplish the foregoing over the subsequent twelve months 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. The team will consist of contract service providers on a performance based compensation plan to be scaled by region and the number of brands we manage. 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 for us and will be ongoing from the commencement of operations.
2. Since distributor support is critical, we will use management's existing relationships to continue to build ties with highly-capable distributors across the United States. With the approval of our TTB permit, as we begin to introduce our products into each state and become tax compliant, we have to decide on which distributor to use for that particular state.
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.

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 our brand(s) 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, based on budgeted expenditures, we believe that we do not have sufficient liquidity to satisfy our cash requirements for the next twelve months, which will require us to rely on internally generated sales, third-party brokering, or 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

Critical accounting policies are those that management believes are both most important to the portrayal of the Company's financial condition and results, and require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Judgments and uncertainties affecting the application of those policies may result in materially different amounts being reported under different conditions or using different assumptions.

Encore Brands, Inc. considers its policies on management's use of estimates, stock-based compensation, and development stage financials to be the most critical in understanding the judgments that are involved in preparing its consolidated financial statements.

Management's Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Sales will be recognized when title passes to the customer, which is generally when the product is shipped or services are provided, assuming no significant Company obligations remain and the collection of relevant receivables is probable. Amounts billed to customers for shipping and handling will be classified as sales. Sales will reflect reductions attributable to consideration given to customers in various customer incentive programs, including pricing discounts on single transactions, volume discounts, promotional and advertising allowances, coupons, and rebates.

Product Warranty

We currently do not offer a warranty for our goods.

Cost of Goods Sold

The types of costs included in cost of product sold will be glass, labeling, packaging materials, finished goods, support and overheads, and freight and warehouse costs (including distribution network costs). Distribution network costs will include inbound freight charges and outbound shipping and handling costs, purchasing and receiving costs, inspection costs, warehousing and internal transfer costs. When new product is ordered, the company incurs the purchase of bottles and packaging related expenses in order to supply these materials to the distillery.

Shipping and Handling

Shipping and handling for product purchases will be included in cost of goods sold. Shipping and handling cost incurred for shipping of finished goods to customers will be included in selling expense. To date, the Company has not recorded any product purchases or shipping and handling costs of finished products to customers.

Selling, General and Administrative Expenses

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

The Company expenses advertising costs as incurred.

Accounts Receivable and Allowance for Doubtful Accounts

The majority of the Company's accounts receivable will arise from sales of products under typical industry trade terms. Trade accounts receivable will be stated at cash due from customers less allowances for doubtful accounts. Past due amounts will be determined based on established terms and charged-off when deemed uncollectible.

The Company will record an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The allowance will be based on management's assessment of the business environment, customers' financial condition, accounts receivable aging and historical collection expense. Changes in any of these items may impact the level of future write-offs. As of December 31, 2010 and 2009, the Company has had limited sales, and as such no reserve was required. The Company's sales in 2010 were from one customer.

Cash and Cash Equivalents

Cash and cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original purchase maturities of three months or less. As of December 31, 2010 we had cash and cash equivalents the amount of \$5,504.

Inventory

Inventories will be valued at the lower of cost or market. The cost will be determined by the first-in, first-out (FIFO) method and inventories are reviewed for excess quantities and obsolescence.

Costs will include customs duty (where applicable), and all costs associated with bringing the inventory to a condition for sale. These costs include importation, handling, storage and transportation costs, and exclude rebates received from suppliers, which are reflected as reductions to closing inventory. Inventories will be comprised primarily of beer, wine, spirits, packaging materials and non-alcoholic beverages.

Depreciation and Amortization

Depreciation will be provided over the estimated useful lives of the assets (up to 40 years for buildings, 5 to 20 years for machinery and plant equipment, 3 to 5 years for office equipment and computers and 2.5 to 7 years for vehicles) or the remaining terms of the leases, whichever is shorter, using the straight-line method for financial reporting purposes and accelerated methods for tax purposes.

Amortization is provided on the Company's identified amortizable intangible assets recorded as a result of the license acquisition (see Note 2 for further information).

Income Taxes

The Company accounts for income taxes under ASC 740, "Income Taxes." ASC 740 requires an asset and liability approach for financial reporting for income taxes. Under ASC 740, deferred taxes are provided for the estimated income tax effect of temporary differences between the carrying values of assets and liabilities for financial reporting and tax purposes at the enacted rates at which these differences are expected to reverse.

Long-Lived Assets

In accordance with the ASC 360, "Property, Plant, and Equipment", the Company evaluate whenever events or changes in circumstances indicate carrying amount may not be recoverable. The Company evaluates the realizability of its long-lived assets based on cash flow expectations for the related assets. Any write-downs are treated as permanent reductions in the carrying amount of the assets.

Advertising Expense

The Company expenses advertising costs as incurred.

Earnings Per Share

In accordance with ASC 260, "Earnings Per Share", the basic net loss per common share is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding. Diluted net loss per common share is computed similar to basic net loss per common share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. At December 31, 2010, diluted net loss per share is equivalent to basic net loss per share as there were no dilutive securities outstanding.

Stock-Based Compensation

Stock based compensation expense is recorded in accordance with ASC Topic 718, "Compensation – Stock Compensation", for stock and stock options awarded in return for services rendered. The expense is measured at the grant-date fair value of the award and recognized as compensation expense on a straight-line basis over the service period, which is the vesting period. The Company estimates forfeitures that it expects will occur and records expense based upon the number of awards expected to vest.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash, accounts payable and accrued expenses, shareholder loans, convertible notes payable and note payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. Because of the short maturity of such assets and liabilities the fair value of these financial instruments approximate their carrying values, unless otherwise noted.

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. Since inception, the fair value of the derivative has been estimated to be zero.

Development Stage Company

The Company is considered a development stage company. In a development stage company, management devotes most of its activities to preparing the business for operations. The ability of the Company to emerge from the development stage with respect to any planned principal business activity is dependent upon its successful efforts to obtain additional equity financing and/or attain profitable operations. There is no guarantee that the Company will be able to obtain any equity financing or sell any of its products at a profit. There is, therefore, doubt regarding the Company's ability to continue as a going concern.

Recent Accounting Pronouncements

Effective September 16, 2008, we adopted ASC 820, “Fair Value Measurements and Disclosures,” with respect to recurring financial assets and liabilities. We adopted ASC 820 on October 1, 2009, as it relates to nonrecurring fair value measurement requirements for nonfinancial assets and liabilities. ASC 820 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The adoption of ASC 820 did not have a material impact on our results of operations or financial condition.

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 not 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. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

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: February 14, 2011

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

Date: February 14, 2011

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

CERTIFICATIONS

I, Gareth West, certify that:

1. I have reviewed this quarterly report on 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: February 14, 2011

/s/ Gareth West

Gareth West

Chief Executive Officer (Principal Executive Officer) and Director

CERTIFICATIONS

I, Alex G. McKean, certify that:

1. I have reviewed this quarterly report on 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: February 14, 2011

/s/ Alex G. McKean

Alex G. McKean

Chief Financial Officer (Principal Financial and Accounting Officer)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Encore Brands, Inc. (the "Company") on Form 10-Q for the quarter ended December 31, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Gareth West, acting in the capacity as the Chief Executive Officer and Alex G. McKean, acting in the capacity as the Chief Financial Officer of the Company, certify to the best of our knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ Gareth West

Chief Executive Officer (Principal Executive Officer) and Director
February 14, 2011

/s/ Alex G. McKean

Chief Financial Officer (Principal Financial and Accounting Officer)
February 14, 2011