

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10QSB

ALEC BRADLEY CIGAR CORP/FL
Form 10QSB
May 23, 2003

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended March 31, 2003.

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from _____ to _____.

Commission file number: _____0-32137_____

ALEC BRADLEY CIGAR CORPORATION

(Exact name of registrant as specified in its charter)

FLORIDA

65-0701352

State or other jurisdiction of
incorporation or organization

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

1750 N. W. 65th Avenue, Plantation, Florida

33313

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (954) 321-5991

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 report(s), and (2) has been subject to such filing requirements for the past 90 days.

Yes

No

APPLICABLE ONLY TO CORPORATE ISSUERS

As of March 31, 2003, there were 4,899,777 shares of Common Stock, par value \$.0001 per share, outstanding.

I N D E X

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10QSB

Part I.	Financial Information.	3
Item 1.	Financial Statements (Unaudited).	3
	Balance Sheet	3
	Statements of Operations	4
	Statement of Cash Flows	5
	Notes to Combined Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations.	7
Item 3.	Controls and Procedures.	8
Part II.	Other Information.	9

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10QSB

ITEM 1. FINACIAL STATEMENTS (UNAUDITED)

ALEC BRADLEY CIGAR CORP.
BALANCE SHEET

	March 31 2003 ----- (Unaudited)	Decemb 20 --
ASSETS -----		
Current Assets:		
Cash and cash equivalents	\$ 37,998	\$ 46
Accounts receivable	138,901	103
Inventory	149,534	308
Prepaid expenses	700	20
	-----	-----
Total Current Assets	327,133	478
	-----	-----
Furniture and Equipment - Net	2,607	4
Trademarks and Other Assets	3,702	4
	-----	-----
	\$ 333,442	\$ 486
	=====	=====
LIABILITIES AND EQUITY -----		
Current Liabilities		
Accounts payable	\$ 112,074	350
Income taxes payable	13,354	
Loan Payable	15,000	
	-----	-----
Total Current Liabilities	140,428	350
	-----	-----
Equity		
Common Stock	490	
Paid in capital	479,055	479
Accumulated Deficit	(286,531)	(343)
	-----	-----
Total Equity	193,014	136
	-----	-----
	\$ 333,442	\$ 486
	=====	=====

See notes to financial statements.

3

ALEC BRADLEY CIGAR CORP.
STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended March 31,	
	2003	2002
	----	----
Sales	\$ 467,106	\$ 236,276
Cost of Sales	253,647	142,727
	-----	-----
Gross Profit	213,459	93,549
Operating Expenses		
General and administrative	85,974	65,671
Selling	58,311	13,929
	-----	-----
	144,285	79,600
	-----	-----
Income from Operations Before Income Taxes	69,174	13,949
Provision for Income Taxes	12,300	2,000
	-----	-----
Net Income	\$ 56,874	\$ 11,949
	=====	=====
Basic net income (loss) per common share	\$ 0.01	\$ 0.00
	=====	=====
Weighted average common shares outstanding - basic	4,484,777	4,484,777
	=====	=====

See notes to financial statements.

4

ALEC BRADLEY CIGAR CORP.
STATEMENT OF CASH FLOWS
(Unaudited)

	Three months ended March 31, 2003 ----	2002 -----
Cash Flows From Operating Activities		
Net Income	\$ 56,874	\$ 11,9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,950	1,9
Changes in current assets and liabilities:		
Accounts receivable	(35,277)	(11,2
Inventory	158,916	(7,9
Prepaid expenses	19,512	(5,8
Accounts payable	(238,295)	20,9
Income taxes payable	13,306	(4,9
Directors' loans and advances	15,000	
	-----	-----
Net Cash Used in Operating Activities	(8,014)	4,7
	-----	-----
Cash flows From Investing Activities		
Cash payments for the purchase of property	--	(2
	-----	-----
Net cash flows From Investing Activities	--	(2
Net Decrease in Cash and Cash Equivalents	(8,014)	4,5
Cash and Cash Equivalents - Beginning of Period	46,012	38,5
	-----	-----
Cash and Cash Equivalents - Ending of Period	\$ 37,998	\$ 43,0
	=====	=====

See notes to financial statements.

5

Notes to Combined Financial Statements (Unaudited)

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Alec Bradley Cigar Corp. (the "Company"), a Florida corporation, was organized in July 1996. The Company imports and distributes cigars domestically, with offices located in Plantation, Florida.

Basis of Accounting - The financial statements are prepared using the accrual basis of accounting where revenues are recognized upon shipment of merchandise to the customer and expenses are recognized in the period in which they are incurred. This basis of accounting conforms to accounting principles generally accepted in the United States of America.

Earnings per Common Share - Basic earnings per common share are based on the weighted average number of shares outstanding of 4,899,777 and 4,484,777 for the three months ended March 31, 2003 and 2002. There are no common stock equivalents in the aforementioned periods.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Interim Financial Statements - The accompanying interim unaudited financial information has been prepared pursuant to the rules and regulations of the 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 of America have been condensed or omitted pursuant to such rules and regulations, although management believes that the disclosures are adequate to make the information presented not misleading. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position of the Company as of March 31, 2003, and the results of its operations and cash flows for the nine and three months ended March 31, 2003 and 2003, have been included. The results of operations of such interim period are not necessarily indicative of the results of the full year.

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

General

Alec Bradley Cigar Corp. (the "Company") was organized under the laws of the State of Florida on July 15, 1996. The Company is an importer and distributor of cigars. The Company primarily sells to two types of customers:

1. Distributors, including wine and liquor wholesalers; and
2. Retailers, that include tobacco shops, convenience stores, bars, restaurants and country clubs.

Management's discussion and analysis contains various forward-looking statements. These statements consist of any statement other than a recitation of historical fact and can be identified by the use of forward-looking terminology such as "may," "expect," "anticipate," "estimate" or "continue" or use of negative or other variations or comparable terminology.

The Company cautions that these statements are further qualified by important factors that could cause actual results to differ materially from those contained in the forward-looking statements, that these forward-looking statements are necessarily speculative, and there are certain risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward-looking statements.

The following discussion should be read in conjunction with the information contained in the financial information and the notes thereto appearing elsewhere in this report.

Results of Operations

Three Months ending March 31, 2003 Compared to Three Months ending March 31, 2002

Revenues

Revenues for the three months ended March 31, 2003 were \$467,106, an increase of \$230,830, or 97.7% from \$236,276 for the three months ended March 31, 2002. This was attributable to the continuing growth of the Company and success of cigar lines (Havana Sun Grown Cigars and Occidental Cigars) introduced by the Company over the past several years. The Company's gross profit increased for the three months ended March 31, 2003 as compared to the three months ended March 31, 2002 from \$93,549 to \$213,459, an increase of \$119,910, or 128.2%. Gross profit, as a percentage of sales were 45.7% and 39.6%, respectively, for the three-month periods ending March 31, 2003 and 2002.

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10QSB

The increase in gross profit dollars was directly attributable to the increase in sales. The increase in gross profit percentage was due to the specific mix of product being sold.

7

Selling Expenses

Selling expenses for the three months ended March 31, 2003 were \$58,311, an increase of \$45,382, or 325.8%, from \$13,929 for the three months ended March 31, 2002. Selling expenses include all compensation and related benefits for the sales personnel and advertising and promotional costs. Selling expenses represented 12.5% of revenues for the three months ended March 31, 2003, as compared to 5.9% for the three months ended March 31, 2002. The increase was primarily attributable to an increase in freight costs of \$4,600 and selling commission expense of \$39,500.

General and administrative expenses

General and administrative expenses for the three months ended March 31, 2003 were \$85,974, a increase of \$20,303, or 30.9%, from \$65,671 for the three months ended March 31, 2002. General and administrative expenses primarily include salaries, supplies, and general operating expenses. The increase in general and administrative expenses is primarily attributable to the increases in payroll and related expenses of approximately \$10,500, office expenses of approximately \$7,200 and interest expense and bank charges of approximately \$1,700. General and administrative expenses represented 18.4% of revenues for the three months ended March 31, 2003, compared to 27.8% for the three months ended March 31, 2002.

Liquidity and Capital Resources

As of March 31, 2003, the Company had an accumulated deficit of \$286,531. For the three months ended March 31, 2003, cash utilized by operations was \$8,014 and primarily resulted from the income from operations plus the effect of net of non-cash items (depreciation expense) offset by changes in current assets and liabilities. The Company's cash balance as of March 31, 2003 decreased by \$8,014 from \$46,012 as of December 31, 2002 to \$37,998.

As of March 31 2003, the Company's accounts receivable was \$138,901. As of March 31, 2003, the Company's working capital was \$186,705.

Management believes that the cash generated from the Company's operations, its line of credit and supplier credit terms will be adequate to support its short-term cash requirements for capital expenditures and maintenance of working capital. The Company has extended credit terms with several of its major suppliers. In addition, the Company has a \$50,000 line of credit to provide for additional cash flow needs, of which \$-0- was outstanding as of the date of this filing.

ITEM 3. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

Within the 90 days prior to the filing date of this report, the Company carried out an evaluation of the effectiveness of the design and operation of

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10QSB

its disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. This evaluation was done under the supervision and with the participation of the Company's Principal Executive Officer and Principal Financial Officer. Based upon that evaluation, they concluded that the Company's disclosure controls and procedures are effective in gathering, analyzing and disclosing information needed to satisfy the Company's disclosure obligations under the Exchange Act.

Changes in internal controls

There were no significant changes in the Company's internal controls or in other factors that could significantly affect those controls since the most recent evaluation of such controls.

8

Part II: Other Information

ITEM 1: Legal Proceedings

None

ITEM 2: Changes in Securities and Use of Proceeds

None

ITEM 3: Defaults upon Senior Securities

None

ITEM 4: Submission of Matters to a vote of Securities Holders

None

ITEM 5: Other Information

None

ITEM 6: Exhibits and Reports on Form 8-K

(a) Exhibits required by Item 601 of Regulation S-B

16.1 Letter from Former Independent Accountant (previously filed on Form 8-K dated March 27, 2003

99.1 Certification of Executive Officer

(b) Reports on Form 8-K

On March 27, 2003, the Company filed a current report on Form 8-K to disclose the following:

Effective March 17, 2003, the Company dismissed Jaffe, Kaufman & Sarbey, LLC ("JKS") to audit Company's financial statements. The reports of JKS on the financial statements of the Company for the past fiscal year contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principle. The decision to dismiss JKS was recommended by management and approved by the Company's Board of Directors (the Company currently has no formal audit committee).

In connection with its audit for the most recent fiscal year and including the interim period up to and including the date

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10QSB

of dismissal, there have been no disagreements with JKS on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements if not resolved to the satisfaction of JKS would have caused them to make reference thereto in their report on the financial statements for such years.

Effective March 17, 2003, the Company engaged the accounting firm of Jewett, Schwartz & Associates as the Company's new independent accountants to audit the Company's financial statements for the fiscal year ending December 31, 2002.

9

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned as a duly authorized officer as the chief financial officer of the Registrant.

ALEC BRADLEY CIGAR CORPORATION

By: /s/ Alan Rubin

Alan Rubin, Principal Executive
Officer and Principal Financial
Officer

DATED: May 22, 2003

10

Certifications

I, ALAN RUBIN, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of ALEC BRADLEY CIGAR CORPORATION.

2. Based on my knowledge, this quarterly 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 quarterly report.

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report.

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in exchange act rules 13a-14 and 15d-14) for the registrant and have:

- A) designed such disclosure controls and procedures 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 quarterly report is being prepared;
- B) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "evaluation date"); and
- C) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the evaluation date;

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

- A) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
- B) any fraud, whether or not material, that involves management or other employees who have a significant role in the

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10QSB

registrant's internal controls.

11

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: MAY 22, 2003

/s/ALAN RUBIN

ALAN RUBIN

Chief Executive Officer (or equivalent)

I, ALAN RUBIN, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of ALEC BRADLEY CIGAR CORPORATION.

2. Based on my knowledge, this quarterly 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 quarterly report.

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report.

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in exchange act rules 13a-14 and 15d-14) for the registrant and have:

- A) designed such disclosure controls and procedures 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 quarterly report is being prepared;
- B) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "evaluation date"); and
- C) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the evaluation date;

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

- A) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
- B) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

6. The registrant's other certifying officers and I have indicated in

Edgar Filing: ALEC BRADLEY CIGAR CORP/FL - Form 10QSB

this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: MAY 22, 2003

/s/ALAN RUBIN

ALAN RUBIN

Chief Financial Officer (or equivalent)