

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

ALEC BRADLEY CIGAR CORP/FL  
Form 10QSB  
May 19, 2004

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, 2004.

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.)

3400 S.W. 26th Terrace, Suite A-1, Dania, 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 May 17, 2004, there were 4,499,777 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
	Condensed Balance Sheets	3
	Condensed Statements of Operations	4
	Condensed Statement of Changes in Shareholders' Equity	5
	Condensed Statements of Cash Flows	6
	Notes to the Condensed Financial Statements	7
	Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.	9
	Item 3. Controls and Procedures.	10
Part II.	Other Information.	11
	-----	
	Item 1: Legal Proceedings	11
	Item 2: Changes in Securities and Use of Proceeds	11
	Item 3: Defaults upon Senior Securities	11
	Item 4: Submission of Matters to a vote of Securities Holders	11
	Item 5: Other Information	11
	Item 6: Exhibits and Reports on Form 8-K	11

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

2

PART I: FINANCIAL INFORMATION

ITEM 1. Financial Statements (Unaudited)

ALEC BRADLEY CIGAR CORP.  
CONDENSED BALANCE SHEETS

	March 31, 2004 ----- (Unaudited)
ASSETS -----	
Current Assets:	
Cash and cash equivalents	\$ 70,509
Accounts receivable	103,824
Inventory	269,014
Prepaid expenses	--
	-----
Total Current Assets	443,347
Furniture and Equipment, net	--
Trademarks and Other Assets, net	2,202
	-----
Total Assets	\$ 445,549 =====
LIABILITIES AND SHAREHOLDERS' EQUITY -----	
Current Liabilities	
Accounts payable and accrued expenses	\$ 105,646
Accrued income taxes payable	100,000
	-----
Total Current Liabilities	205,646 -----
Shareholders' Equity	
Common stock, \$0.0001 par value, 30,000,000 shares authorized, 4,499,777 shares issued and outstanding	450
Additional paid-in capital	73,510
Retained Earnings	165,943
	-----
Total Shareholders' Equity	239,903 -----
Total Liabilities and Shareholders' Equity	\$ 445,549 =====

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

The accompanying notes are an integral part of these financial statements.

3

ALEC BRADLEY CIGAR CORP.  
 CONDENSED STATEMENTS OF OPERATIONS  
 For the Three Months Ended March 31, 2004 and 2003  
 (Unaudited)

	Three Months Ended M 2004
	-----
NET SALES	\$ 375,075
Cost of goods sold	209,918
	-----
GROSS PROFIT	165,157
	-----
Operating Expenses	
Selling expenses	53,936
General and administrative expenses	102,060
	-----
Total operating expenses	155,996
	-----
INCOME BEFORE PROVISION FOR INCOME TAXES	9,161
Provision for income taxes	--
	-----
Net Income	\$ 9,161
	=====
Earnings per share - basic and diluted	\$ 0.002
	=====
Weighted average number of common shares outstanding - basic and diluted	4,499,777
	=====

The accompanying notes are an integral part of these financial statements.

4

ALEC BRADLEY CIGAR CORP.  
CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit
	Number of shares	\$0.0001 Par Value		
Balance at December 31, 2001	4,844,777	\$ 448	\$ 459,597	\$ (381,516)
Issuance of stock in exchange for services	415,000	42	19,458	--
Net Income	--	--	--	38,112
Balance at December 31, 2002	4,899,777	\$ 490	\$ 479,055	\$ (343,404)
Redemption of stock	(400,000)	(40)	40	--
Adjustment for termination of Subchapter S election (Note 5)			(405,585)	405,585
Net Income	--	--	--	94,601
Balance at December 31, 2003	4,499,777	\$ 450	\$ 73,510	\$ 156,782
Net Income	--	--	--	9,161
Balance at March 31, 2004	4,499,777	450	73,510	165,943

The accompanying notes are an integral part of these financial statements.

5

ALEC BRADLEY CIGAR CORP.  
STATEMENTS OF CASH FLOWS  
For the Three Months Ended March 31, 2004 and 2003  
(Unaudited)

	Three Months Ended Mar 2004	2003
	-----	-----
Cash Flows From Operating Activities		
Net Income	\$ 9,161	\$
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,590	
Changes in current assets and liabilities:		
Accounts receivable	41,122	(
Inventory	59,054	1
Prepaid expenses	69,005	
Accounts payable	(289,525)	(2
Accrued income taxes payable	(28,259)	
Directors' loans and advances	--	
	-----	-----
Net Cash Used in Operating Activities	(137,852)	
	-----	-----
Cash flows From Investing Activities		
Net cash Used in Investing Activities	--	
	-----	-----
Cash flows From Financing Activities		
Proceeds from bank line of credit	100,000	
	-----	-----
Net cash provided by Financing Activities	100,000	
	-----	-----
Net Decrease in Cash and Cash Equivalents	(37,852)	
Cash and Cash Equivalents - Beginning of Period	\$ 108,361	\$

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

Cash and Cash Equivalents - Ending of Period	----- \$ 70,509 =====	----- \$ =====
--	-----------------------------	----------------------

The accompanying notes are an integral part of these financial statements.

6

Alec Bradley Cigar Corporation  
Notes to Financial Statements (Unaudited)

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Alec Bradley Cigar Corporation (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 and diluted earnings per common share are based on the weighted average number of shares outstanding of 4,499,777 and 4,484,777 for the three months ended March 31, 2004 and 2003, respectively. There are no common stock equivalents or other dilutive items in the aforementioned periods presented.

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

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

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, 2004, and the results of its operations and cash flows for the nine and three months ended March 31, 2004 and 2003, have been included. The results of operations of such interim period are not necessarily indicative of the results of the full year.

### NOTE 2 - COMMITMENTS AND CONTINGENCIES

Credit Facility - In March 2004, the Company established a revolving credit facility with a financial institution in the amount of \$100,000. The credit facility bears interest on funds outstanding at a daily rate of 2.0% above Prime, as defined, not to exceed 7.5%. The credit facility matures and is due and payable in full in March 2005.

7

### Alec Bradley Cigar Corporation Notes to Financial Statements (Unaudited)

Lease - In March 2004, the Company agreed to occupy new office and warehouse facilities under the terms of a three year non-cancelable operating lease agreement. Future minimum payments under this non-cancelable lease are as follows as of December 31, 2003:

Year	Amount
-----	-----
2004	\$ 27,000
2005	\$ 36,000
2006	\$ 36,000
2007	\$ 9,000
	-----
Total minimum lease payments	\$ 108,000
	=====



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

General

Alec Bradley Cigar Corporation (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 but not limited to wine and liquor wholesalers; and
2. Retailers, including but not limited to 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.

Fiscal Three Months ending March 31, 2004 Compared to Fiscal Three Months ending March 31, 2003

Revenues

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

Revenues for three months of 2004 were \$375,075, a decrease of approximately \$92,000, or 19.7% from \$467,106 for 2003. Management believes that the decrease was attributable to poor winter conditions across the country during the first quarter of 2004 as compared to 2003. As many states prohibit smoking indoors, such winter conditions deterred consumers from smoking cigars and therefore decreased sales. The Company's gross profit decreased for 2004 as compared to 2003 to \$165,157, a decrease of approximately \$48,300, or 22.6%, from \$213,459. Gross profit, as a percentage of sales were 44.0% and 45.7% respectively for the three month periods ending March 31, 2004 and 2003. The decrease in gross profit dollars was directly attributable to the decrease in sales (units and dollars).

### Selling Expenses

Selling expenses for 2004 were \$53,936, a decrease of approximately \$4,400, or 7.5%, from \$58,311 in 2003. Selling expenses include all compensation and related benefits for the sales personnel and advertising and promotional costs. Selling expenses represented 14.4% of revenues in 2004, compared to 12.5% in 2003. The decrease was primarily attributable to decreases in commission expense of approximately \$6,400 and advertising of approximately \$3,500 and offset by increase in freight of approximately \$4,000 and trade show expenses of \$1,500.

9

### General and administrative expenses

General and administrative expenses for 2004 were \$102,060, an increase of approximately \$16,100, or 18.7%, from \$85,974 in 2003. 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 rent of \$5,000, payroll and related costs of \$3,500, office expenses of \$5,000 and insurance of 1,300. General and administrative expenses represented 27.2% of revenues in 2004, compared to 18.4% in 2003.

### Liquidity and Capital Resources

During 2004, cash utilized by operations was \$137,852 and primarily resulted from decreases in accounts payable of \$289,525, taxes payable of \$28,259. This was partially funded by decreases in accounts receivable of \$41,122, inventory of \$59,054 and prepaid expenses of \$69,005, income from operations plus the effect of non-cash items (depreciation expense). The Company's cash balance as of March 31, 2004 decreased by approximately \$37,900 from December 31, 2003 to \$70,509.

The Company's working capital was approximately \$237,700 at March 31, 2004, compared to approximately \$227,000 at December 31, 2003. The increase in working capital was primarily attributable to the Company profits for the three month period ended March 31, 2004 of \$9,161 plus the effect of net of non-cash items (depreciation expense) of \$1,590.

The Company has negotiated a new line of credit with its bank. Management believes that the cash generated from the Company's operations and the existing credit terms will be adequate to support its short-term cash requirements for capital expenditures and maintenance of working capital.

### ITEM 3. CONTROLS AND PROCEDURES

#### EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

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

As of the end of the period covered by this report, the Company carried out an evaluation of the effectiveness of the design and operation of 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, the Principal Executive Officer and Principal Financial Officer 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.

10

### 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)
- 31.1 302 Certification (CEO)
- 31.2 302 Certification (Principal Financial Officer)
- 32.1 906 Certification (CEO)
- 32.2 906 Certification (Principal Financial Officer)

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

(b) Reports on Form 8-K

None.

11

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.

ALEC BRADLEY CIGAR CORPORATION

By: /s/ Alan Rubin

-----  
Alan Rubin, Principal Executive Officer  
and Principal Financial Officer

DATED: May 17, 2004

