

Aventura Holdings Inc.
Form 10-K
March 26, 2009

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

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended December 31,
2008

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

For the transition period from _____ to _____

Commission File Number 33-42498

AVENTURA HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Florida 65-0254624
(State or other jurisdiction of incorporation or (IRS Employer Identification No.)
organization)

5555 Anglers Avenue, Suite 9, Ft Lauderdale, Florida 33312
(Address of principal executive offices)

(305) 937-2000
(Registrant's telephone number, including area code)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Edgar Filing: Aventura Holdings Inc. - Form 10-K

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 126.2 of the Exchange Act). Yes No

The aggregate market value of common stock held by non-affiliates of the Registrant on March 25, 2009 based on the closing price on that date of \$0.0002 on the Over the Counter Bulletin Board was \$247,308. For the purposes of calculating this amount only, all directors, executive officers and shareholders owning in excess of ten percent (10%) of the Registrant's outstanding common stock have been treated as affiliates.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

| | | | | | | | |
|-------------------------|--------------------------|-------------------|--------------------------|-----------------------|--------------------------|---------------------------|---|
| Large accelerated filer | <input type="checkbox"/> | Accelerated filer | <input type="checkbox"/> | Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input checked="" type="checkbox"/> |
| | | | | | | | (Do not check if a smaller reporting company) |

The number of shares of common stock outstanding as of March 25, 2009 was 2,800,324,194.

i

Table of Contents

AVENTURA HOLDINGS, INC.

Table of Contents

| | Page |
|--|------|
| PART I | |
| Item 1 <u>Business</u> | 1 |
| Item 1A <u>Risk Factors</u> | 2 |
| Item 1B <u>Unresolved Staff Comments</u> | 4 |
| Item 2 <u>Properties</u> | 4 |
| Item 3 <u>Legal Proceedings</u> | 4 |
| Item 4 <u>Submission of Matters to a Vote of Security Holders</u> | 4 |
| PART II | |
| Item 5 <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u> | 5 |
| Item 6 <u>Selected Financial Data</u> | 5 |
| Item 7 <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 5 |
| Item 7A <u>Quantitative and Qualitative Disclosures about Market Risk</u> | 8 |
| Item 8 <u>Financial Statements and Supplementary Data</u> | 9 |
| Item 9 <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u> | 10 |
| Item 9A(T) <u>Controls and Procedures</u> | 10 |
| Item 9B <u>Other Information</u> | 10 |
| PART III | |
| Item 10 <u>Directors and Executive Officers and Corporate Governance</u> | 11 |
| Item 11 <u>Executive Compensation</u> | 12 |
| Item 12 <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u> | 12 |
| Item 13 <u>Certain Relationships and Related Transactions</u> | 12 |
| Item 14 <u>Principal Accountant Fees and Services</u> | 12 |
| PART IV | |
| Item 15 <u>Exhibits and Financial Statement Schedules</u> | 13 |
| <u>SIGNATURES</u> | 14 |
| Exhibit 31.1 <u>Certification</u> | |
| Exhibit 31.2 <u>Certification</u> | |
| Exhibit 32.1 <u>Certification</u> | |

Table of Contents

PART I

ITEM 1. BUSINESS

Aventura Holdings, Inc. (AVNT) was incorporated by the Florida Department of State on May 9, 1990 as Sun Express Group, Inc. for the purpose of obtaining air carrier certification. The Company's Board of Directors elected in July, 1993 to suspend certification efforts, dispose of or abandon existing assets and seek settlement of existing indebtedness. In July 1994, the Company completed a sale of its assets to Conquest Sun Airlines Corp. and Air Tran, Inc. (a spin-off subsidiary of Conquest Sun Airlines Corp.) The Company remained dormant until August, 2001 when the Company became involved in the motion picture industry and changed its name to Sun Network Group, Inc. In June, 2005 current management completed a reverse acquisition with the Company, changed our business focus to emerging technologies, replaced prior management and changed the Company's name to Aventura VoIP Networks, Inc. In October, 2005 the Company merged with Aventura Holdings, Inc. and adopted its name.

Principal Business

The Company currently operates through its two wholly owned subsidiaries Video Stream, Inc. and Amex Security, Inc. and is engaged in the information technology and surveillance sectors developing solutions to fulfill high-quality enterprise video surveillance needs. Specifically, the Company develops open standard and proprietary Internet Protocol (IP) video surveillance systems with the ability to scale to enterprise environments.

Competition

We operate in industries which are highly competitive and dependent upon our ability to purchase intellectual property and attract qualified personnel to develop cutting-edge technology and graphical user interfaces for our products. We believe that the principal competitive factors in the video surveillance and internet broadcast markets are being first to market with new products, video quality, bandwidth consumption, compression algorithms, ease of use, price, selection and service. Each of our markets include a large number of well-capitalized competitors that have extensive experience, established distribution channels and facilities. Additionally, some of our competitors have greater resources than us.

Seasonality

We do not expect our operations to be impacted significantly from quarter to quarter by actual or threatened severe weather events and other factors unrelated to weather conditions, such as changing economic conditions.

Recent Developments

On December 27, 2007 the Company acquired intellectual property from IPWebTV, Inc. (an unrelated Delaware company) in exchange for 500 shares of the Company's previously unissued preferred convertible stock. The conversion feature attached to the Company's preferred stock allows the holder to exchange one million shares of the Company's common stock for each share of the Company's preferred stock.

On September 30, 2008, the Company's subsidiary and IPWebTV agreed that the Company's direction was not consistent with the IPWebTV business model and released its rights to certain intellectual property in exchange for the return of the Company's 500 convertible preferred shares. The Company retired and cancelled all 500 convertible preferred shares and has no preferred shares or other convertible securities outstanding as of this date.

Employees

As of March 25, 2009, the Company has one full-time employee under a five year employment agreement dated May 16, 2006. The employment agreement calls for annual remuneration of \$60,000 certain fringe benefits and expense reimbursements. The employee is not represented by a union and the Company believes the relationship with the employee is good.

Controls and Procedures

As required by SEC rules, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures at the end of the period covered by this report. This evaluation was carried out under the supervision and with the participation of our management. Based on this evaluation, management has concluded that the design and operation of our disclosure controls and procedures are effective. There were no changes in our internal control over financial reporting or in other factors that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive officer as appropriate, to allow timely decisions regarding required disclosure.

Table of Contents

Name Changes

None.

Reports to Security Holders

The Company is subject to SEC proxy rules and regulations that require the Company to send proxy statements and annual reports to its security holders in connection with meetings of its shareholders. The Company currently anticipates that it will take shareholder action by majority shareholder consent resolution in lieu of a meeting. As a result, the Company will timely send a notice of action taken to its shareholders. Except for periodic filings with the SEC, such as those on Forms 8-K, 10-Q and 10-K, which will also be available on the Company's website, the Company does not intend to provide reports of any other nature to security holders in the foreseeable future.

ITEM 1A. RISK FACTORS

An investment in our common stock is highly speculative, involves a high degree of risk, and should be considered only by those persons who are able to bear the economic risk of their investment for an indefinite period. In addition to other information in this Annual Report on Form 10-K, you should carefully consider the risks described below before investing in our publicly-traded securities. The risks described below are not the only ones facing us. Our business is also subject to the risks that affect many other companies, such as competition, technological obsolescence, labor relations, general economic conditions and geopolitical changes. Additional risks not currently known to us or that we currently believe are immaterial also may impair our business operations and our liquidity.

This is a highly speculative investment.

Ownership of our common stock is extremely speculative and involves a high degree of economic risk, which may result in a complete loss of your investment. Only persons who have no need for liquidity and who are able to withstand a loss of all or substantially all of their investment should purchase our common stock.

For the year ended December 31, 2008 our net income was \$63,671. Although we believe that we are adequately capitalized to carry out our business plan (subject to the risks inherent in such plan), there can be no assurance that we have sufficient economic resources or that such resources will be available to us on terms and at times that are necessary or acceptable, if at all. There is no assurance that future revenues of the Company will ever be significant or that the Company's operations will ever be profitable.

You will be diluted if we issue additional common stock, options to purchase common stock and/or debt or equity securities convertible into common stock.

Future offerings of debt securities, which would be senior to our common stock upon liquidation, or equity securities, which could dilute our existing stockholders and be senior to our common stock for the purposes of distributions, may have an adverse effect on the value of our common stock.

In the future, we may attempt to increase our capital resources by making additional offerings of equity or debt securities, including medium-term notes, senior or subordinated notes and classes of preferred stock or common stock. Upon our liquidation, holders of our debt securities, if any, and shares of preferred stock, if any, and lenders with respect to other borrowings, if any, will receive a distribution of our available assets prior to the holders of our common stock. Additional equity offerings by us reduce the value of our common stock. Any preferred stock we may issue would have a preference on distributions that could limit our ability to make distributions to the holders of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and

other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk of our future offerings reducing the market price of our common stock and diluting their stock holdings in the Company.

We may be subject to various industry-specific risks associated with our anticipated business operations.

Management has discretionary use of Company assets.

We continue to look for and investigate business opportunities that are consistent with our business plan, including further acquisitions of interests in technology companies. Management has broad discretion with respect to the acquisition of interests in companies that are consistent with our anticipated operations. Although management intends to apply any proceeds it may receive through the future issuance of stock or debt to acquire or operate suitable businesses, it will have broad discretion in allocating these funds. There can be no assurance that the management's use or allocation of such proceeds will allow it to achieve its business objectives.

We operate in a competitive market for acquisition and investment opportunities.

We compete for acquisitions with a large number of companies and investment funds. Many of our competitors may have greater resources than we do. Increased competition makes it more difficult for us to make acquisitions or investments at attractive prices. As a result of this competition, sometimes we may be precluded from making otherwise attractive acquisitions or investments. There can be no assurance that we will be able to identify, negotiate and consummate acquisitions of attractive companies in light of this competition.

Table of Contents

Results may fluctuate and may not be indicative of future performance.

Our operating results may fluctuate and, therefore, you should not rely on current or historical period results to be indicative of our performance in future reporting periods. Factors that could cause operating results to fluctuate include, but are not limited to, variations in the costs of identifying, negotiating and consummating acquisitions of businesses consistent with our business plan; variations in and the timing of the recognition of net realized gains or losses and changes in unrealized appreciation or depreciation; the degree to which we encounter competition in our markets; and other general economic and operational circumstances.

Our common stock price may be volatile.

The trading price of our common stock may fluctuate substantially. The price of the common stock may be higher or lower than the price you pay for your shares, depending on many factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include, but are not limited to, the following:

- price and volume fluctuations in the overall stock market from time to time;
- significant volatility in the market price and trading volume of securities of financial services companies;
- volatility resulting from trading in derivative securities related to our common stock including puts, calls, long-term equity anticipation securities ("LEAPs"), or short trading positions;
- actual or anticipated changes in our earnings or fluctuations in our operating results or changes in the expectations of securities analysts;
 - general economic conditions and trends;
 - loss of a major funding source; or
 - departures of key personnel.

OTC Bulletin Board.

Our common stock is quoted on the OTC Bulletin Board ("OTCBB"). The OTCBB is an inter-dealer, over-the-counter market that provides significantly less liquidity than the NASDAQ Stock Market or national or regional exchanges. Securities traded on the OTCBB are typically thinly traded, highly volatile, have fewer markets and are not followed by analysts. The SEC's order handling rules, which apply to NASDAQ-listed securities, do not apply to securities quoted on the OTCBB. Quotes for stocks included on the OTCBB are not listed in newspapers. Therefore, prices for securities traded solely on the OTCBB may be difficult to obtain and holders of our common stock may be unable to sell their shares at acceptable prices.

Penny Stock Rules.

Trading in our securities will be subject to the "penny stock" rules for the foreseeable future. The SEC has adopted regulations that generally define a penny stock to be any equity security that has a market price of less than \$5.00 per share, subject to certain exceptions. These rules require that any broker-dealer who recommends our securities to persons other than prior customers and accredited investors must, prior to the sale, make a special written suitability determination for the purchaser and receive the purchaser's written agreement to execute the transaction. Unless an exception is available, the regulations require the delivery, prior to any transaction involving a penny stock, of a

disclosure schedule explaining the penny stock market and the risks associated with trading in the penny stock market. In addition, broker-dealers must disclose commissions payable to both the broker-dealer and the registered representative and current quotations for the securities they offer. The additional burdens imposed upon broker-dealers by such requirements may discourage broker-dealers from recommending transactions in our securities, which could severely limit the liquidity of our common stock and consequently adversely affect the market price of our common stock.

Changes in the law or regulations that govern us could have a material impact on us or our operations.

Our business operations are subject to various laws and regulations concerning consumer financing. We are also regulated by the SEC and impacted by regulations of certain state regulatory agencies and self-regulatory organizations. Any change in the law or regulations that govern our business could have a material impact on us or our operations. Laws and regulations may be changed from time to time, and the interpretations of the relevant laws and regulations also are subject to change, which may have a material effect on our operations.

Table of Contents

No dividends.

Holders of our securities will only be entitled to dividends when, as and if declared by our Board of Directors. We do not expect to generate a sufficient cash surplus which would be available for dividends in the foreseeable future.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We do not own any real estate or other physical properties material to our operations.

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during our fourth fiscal quarter ended December 31, 2007.

Table of Contents

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Price Range of Common Stock

Our common stock is quoted by Over the Counter Bulletin Board under the symbol "AVNT". The following table sets forth the high and low bid prices for our common stock for the periods indicated, as reported by Over the Counter Bulletin Board. Such quotations reflect inter-dealer prices, without retail mark-up, mark-down, or commissions, and may not necessarily represent actual transactions.

| | Bid | |
|-------------------------------|-----------|-----------|
| | High | Low |
| Year Ended December 31, 2008: | | |
| First Quarter | \$ 0.0013 | \$ 0.0005 |
| Second Quarter | \$ 0.0007 | \$ 0.0003 |
| Third Quarter | \$ 0.0009 | \$ 0.0002 |
| Fourth Quarter | \$ 0.0006 | \$ 0.0002 |
| Year Ended December 31, 2007: | | |
| First Quarter | \$ 0.0580 | \$ 0.0003 |
| Second Quarter | \$ 0.0010 | \$ 0.0004 |
| Third Quarter | \$ 0.0040 | \$ 0.0003 |
| Fourth Quarter | \$ 0.0015 | \$ 0.0002 |
| Year Ended December 31, 2006: | | |
| First Quarter | \$ 0.0046 | \$ 0.0003 |
| Second Quarter | \$ 0.0033 | \$ 0.0011 |
| Third Quarter | \$ 0.0014 | \$ 0.0008 |
| Fourth Quarter | \$ 0.0010 | \$ 0.0005 |

While shares of our common stock currently trade in excess of our net asset book value, there can be no assurance, however, that our shares will continue to trade at such a premium. On March 25, 2008, the last sales price of our common stock was \$0.0002. As of March 25, 2008, there were approximately 1,600 holders of record of our common stock.

Dividends

We have not declared or paid any cash dividends on our common stock during our two most recent fiscal years. We do not anticipate paying cash dividends in the foreseeable future.

Recent Sale of Unregistered Securities

As discussed in Item 1 above, under the heading "Recent Developments," during 2007 the Company issued five hundred (500) shares of its convertible common stock in a privately negotiated transaction. The Company believes

this issuance was exempt from registration under Section 4(2) of the Securities Act of 1933 and/or Regulation D promulgated thereunder.

ITEM 6. SELECTED FINANCIAL DATA

The Statement of Operations, Per Share, and Balance Sheet data for the periods ended December 31, 2008 and 2007 is derived from our consolidated financial statements that have been audited by Jewett, Schwartz and Wolfe, PA, our independent registered public accounting firm. The information set forth below is not necessarily indicative of results of future operations, and should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and notes thereto included in Item 8, "Financial Statements and Supplementary Data" of this Form 10-K, which are incorporated herein by reference, in order to further understand the factors that may affect the comparability of the financial data presented below.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the risks set forth in Item 1A hereof and our financial statements and notes thereto appearing elsewhere in this report.

Table of Contents

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Form 10-K for the year ended December 31, 2008 contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements may be identified by the use of forward-looking terminology, such as "may", "shall", "could", "expect", "estimate", "anticipate", "predict", "probable", "possible", "should", "continue", or similar terms, variations of those terms or the negative of those terms. The forward-looking statements specified in the following information have been compiled by our management on the basis of assumptions made by management and are considered by management to be reasonable. Our future operating results, however, are impossible to predict and no representation, guaranty, or warranty is to be inferred from those forward-looking statements.

The assumptions used for purposes of the forward-looking statements specified in the following information represent estimates of future events and are subject to uncertainty as to possible changes in economic, legislative, industry, and other circumstances. As a result, the identification and interpretation of data and other information and their use in developing and selecting assumptions from and among reasonable alternatives require the exercise of judgment. To the extent that the assumed events do not occur, the outcome may vary substantially from anticipated or projected results, and, accordingly, no opinion is expressed on the achievability of those forward-looking statements. No assurance can be given that any of the assumptions relating to the forward-looking statements specified in the following information are accurate, and we assume no obligation to update any such forward-looking statements.

Overview

Aventura Holdings, Inc. ("Aventura", "we", "us", "our", or the "Company") is a publicly held Miami, Florida based Company that through incremental acquisitions and research and development in the video surveillance and internet broadcast markets is geared towards launching new hardware and software products.

Pursuant to the Company's election to withdraw its status as a BDC effective May 15, 2006 we are continuing as an operating reporting public company subject to the Securities Exchange Act of 1934. The BDC withdrawal resulted in a significant change in the Company's required method of accounting. BDC financial statement presentation and accounting utilizes the value method of accounting used by investment companies, which allows BDCs to recognize income and value their investments at market value as opposed to historical cost. In addition, majority-owned subsidiaries are not consolidated and instead, investments in those subsidiaries are reflected on the balance sheet as an investment in a portfolio company, at fair value. As an operating company, the required financial statement presentation and accounting for securities held by the Company utilize either fair value or historical cost methods of accounting, depending on the classification of the investment and the Company's intent with respect to the period of time it intends to hold the investment, and the Company and its subsidiaries are reflected for financial accounting purposes as a consolidated entity.

The change in accounting due to the conversion to an operating company from a BDC is considered a change in accounting principle that is being applied retroactively to prior years. As a result, in accordance with FAS 154, "Accounting for Changes and Error Corrections", which requires that a change in accounting principle be retrospectively applied to all prior periods presented, the accompanying consolidated financial statements are presented on an operating and consolidated basis for all current and prior periods presented on a retrospective basis without regard to a BDC method of accounting.

Going Concern

Our ability to continue as a going concern is dependent on the ability to further implement our business plan, raise capital, and generate revenues. We presently do not have sufficient revenues to cover our incurred expenses. Our

management recognizes that we must generate additional resources to enable us to pay our obligations as they come due, and that we must ultimately successfully implement our business plan and achieve profitable operations. We cannot assure you that we will be successful in any of these activities. Should any of these events not occur, our financial condition will be materially adversely affected.

The time required for us to become profitable from operations is highly uncertain, and we cannot assure you that we will achieve or sustain operating profitability or generate sufficient cash flow to meet our planned capital expenditures, working capital and debt service requirements. If required, our ability to obtain additional financing from other sources also depends on many factors beyond our control, including the state of the capital markets and the prospects for our business. The necessary additional financing may not be available to us or may be available only on terms that would result in further dilution to the current owners of our common stock.

We cannot assure you that we will generate sufficient cash flow from operations or obtain additional financing to meet scheduled debt payments and financial covenants. If we fail to make any required payment under the agreements and related documents governing our indebtedness or fail to comply with the financial and operating covenants contained in them, we would be in default. The financial statements do not include any adjustments to reflect the possible effects on recoverability and classification of assets or the amounts and classification of liabilities, which may result from the inability of the Company to continue as a going concern.

Critical Accounting Estimates and Policies

General

The Consolidated Financial Statements of the Company are prepared in accordance with U.S. generally accepted accounting principles, which require management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, net revenue and expenses, and the disclosure of contingent assets and liabilities. Management bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Senior management has discussed the development, selection and disclosure of these estimates with the Audit Committee of Aventura's Board of Directors. Management believes that the accounting estimates employed and the resulting balances are reasonable; however, actual results may differ from these estimates under different assumptions or conditions.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, if different estimates reasonably could have been used, or if changes in the estimate that are reasonably likely to occur could materially impact the financial statements. Management believes the following critical accounting policies reflect the significant estimates and assumptions used in the preparation of the Consolidated Financial Statements.

A summary of significant accounting policies is included in Note 3 to the consolidated financial statements included elsewhere in this Report. We believe that the application of these policies on a consistent basis enables us to provide useful and reliable financial information about our operating results and financial condition.

Table of Contents

Results Of Operations

Due to the Company's June 7, 2005 acquisition of a 100% member interest in Aventura Networks, LLC in exchange for 880,000,000 shares of the Company's previously unissued common stock, a reverse acquisition occurred since the owners of Aventura Networks, LLC held a majority of the Company's common stock immediately following the transaction. Accordingly, for financial reporting purposes the Company recognized Aventura Networks, LLC as the Company's historical registrant and retrospectively consolidated with Aventura Networks, LLC as its wholly owned subsidiary. All operating activity (other than that of Aventura Networks, LLC) prior to June 7, 2005 was eliminated and equity was restated to reflect our new structure. However, since Aventura Networks, LLC was distributed out of the Company on June 29, 2006, Aventura Networks, LLC is portrayed throughout the financial statements as discontinued operations. The Company acquired a controlling interest in and consolidated Ohio Funding Group, Inc. into the Company's financial statements by virtue of our May 16, 2006 and October 1, 2006 30% and 30% respective investments in Ohio's outstanding common stock. On November 6, 2007 Ohio ceased operating as a subsidiary of the Company and Ohio's activity is portrayed in the financial statements as discontinued operations.

For a discussion of factors that could impact operating results, see the section entitled "Risk Factors" in Item 1A, which is incorporated herein by reference.

| | For the Year Ended December 31 2008 | For the Year Ended December 31 2007 | For the Year Ended December 31 2006 |
|--|--|--|--|
| REVENUES | | | |
| Sales | \$ 136,595 | \$ - | \$ - |
| Less: cost of sales | 116,730 | - | - |
| Gross Profit | 19,865 | - | - |
| Fee Income | 167,469 | - | - |
| Total Revenues | 187,334 | - | - |
| EXPENSES | | | |
| General and administrative expense | 126,166 | 178,271 | 102,273 |
| Net operating income (loss) from continuing operations | 61,168 | (178,271) | (102,273) |
| OTHER EXPENSE | | | |
| Finance Costs | - | - | (21,705) |
| Warrant expense | - | - | (250,000) |
| Total Other Expense | - | (178,271) | (271,705) |
| Loss from continuing operations before minority interest | 61,168 | (178,271) | (373,978) |
| Minority Interest - Ohio Funding | - | - | (13,305) |
| Income (loss) from continuing operations | 61,168 | (178,271) | (387,283) |
| Discontinued operations | - | (118,877) | (117,199) |
| Net gain on disposal of subsidiary | - | 118,877 | 8,116 |
| Income (loss) from discontinued operations | - | - | (109,083) |
| Net Income (Loss) | \$ 61,168 | \$ (178,271) | \$ (496,366) |
| LOSS PER SHARE: | | | |
| Net Loss Per Common Share -Basic and Diluted | \$ nil | \$ (nil) | \$ (nil) |
| Weighted Common Shares Outstanding - Basic and Diluted | 2,790,443,527 | 3,004,608,780 | 2,672,338,098 |

REVENUES

Revenues for the year ended December 31, 2008 were \$187,334 compared to revenues for the year ended December 31, 2007 of \$0.

OPERATING AND OTHER EXPENSES

Operating expenses for the year ended December 31, 2008 were \$126,166 compared to operating expenses for the year ended December 31, 2007 of \$178,271.

Financing expenses were \$0 for the year ended December 31, 2008 compared to \$0 for the year ended December 31, 2007.

As a result of these factors, we reported net income of \$61,168 or \$nil per share for the year ended December 31, 2008 as compared to a net loss of \$178,271 or (\$nil) per share for the year ended December 31, 2007.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2008, we had an accumulated deficit of \$1,101,022 and a working capital deficit of \$83,364.

We have no material commitments for capital expenditures.

Net cash provided by operations during the year ended December 31, 2008 was \$2,198 primarily relating to our \$61,168 net income and \$47,883 decrease in due to others. In the comparable period of 2007, we had net cash used in operations of \$22,197 primarily relating to the net loss of \$178,271, a \$67,518 minority interest and \$376,614 in assets and \$410,999 in liabilities from discontinued operations.

No cash was provided or used by investing activities for the years ended December 31, 2008 and 2007.

No cash was provided or used by financing activities for the years ended December 31, 2008 and 2007.

The Company is reliant upon outside entities to finance its operations and provide capital for lending activities. A tightening of capital markets can reduce or eliminate funding sources resulting in a decrease in our liquidity and an inability to generate revenues from new lending activities.

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 are material to investors.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company does not currently engage in transactions in derivative financial instruments or derivative commodity instruments. As of December 31, 2008, the Company's financial instruments were not exposed to significant market risk due to interest rate risk, foreign currency exchange risk, commodity price risk or other relevant market risks, such as equity price risk.

The Company operates through its two wholly owned subsidiaries Video Stream, Inc. and Amex Security, Inc. and is engaged in the information technology and surveillance sectors developing solutions to fulfill high-quality enterprise

video surveillance needs. Specifically, the Company develops open standard and proprietary Internet Protocol (IP) video surveillance systems with the ability to scale to enterprise environments. In view of our current operations and future business plans, we may also be subject to the following market risk:

Interest Rate Risk

Our anticipated operations are expected to be leveraged and sensitive to the difference between the interest rates we pay for borrowed funds and the interest rates we charge in our lending operations. Our potential exposure to interest rate risk arises primarily from changes in prime lending rates of commercial banks, which are in turn impacted by the policies and practices of the United States Federal Reserve Board, among other things.

Table of Contents

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

TABLE OF CONTENTS

| | Page |
|--|------|
| <u>Report of Independent Registered Public Accounting Firm</u> | F-1 |
| <u>Consolidated Balance Sheets at December 31, 2007 and 2006</u> | F-2 |
| <u>Consolidated Statements of Operations for the Years Ended December 31, 2007, 2006 and 2005</u> | F-3 |
| <u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2007 and 2006</u> | F-4 |
| <u>Consolidated Statements of Changes in Shareholders' Equity (Deficit) for the Years Ended December 31, 2007, 2006 and 2005</u> | F-5 |
| <u>Notes to Consolidated Financial Statements</u> | F-6 |

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Aventura Holdings, Inc.

We have audited the accompanying balance sheets of Aventura Holdings, Inc. as of December 31, 2008 and 2007 and the related statements of operations, changes in shareholders' deficit, and cash flows for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aventura Holdings, Inc. as of December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended December 31, 2008 and 2007 in conformity with accounting principles generally accepted in the United States of America.

These accompanying financial statements referred to above have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 2, the Company's need to seek new sources or methods of financing or revenue to pursue its business strategy, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans as to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ JEWETT, SCHWARTZ, WOLFE & ASSOCIATES
Hollywood, Florida
March 14, 2009

Table of Contents

Aventura Holdings, Inc.
Consolidated Balance Sheets
December 31,

| | 2008 | 2007 |
|---|------------------|-------------------|
| ASSETS: | | |
| Current Assets | | |
| Cash | \$ 3,351 | \$ 1,153 |
| Prepaid expense | - | 1,066 |
| Total Current Assets | 3,351 | 2,219 |
| Fixed Assets | | |
| Furniture and equipment | 32,500 | - |
| Less: accumulated depreciation | (1,160) | - |
| Total Fixed Assets | 31,340 | - |
| Other Assets | | |
| Due from related party | - | 100 |
| Intellectual property | - | 200,000 |
| Security deposit | 4,420 | 4,420 |
| Total Other Assets | 4,420 | 204,520 |
| TOTAL ASSETS | \$ 39,111 | \$ 206,739 |
| LIABILITIES & SHAREHOLDERS' DEFICIT: | | |
| Current Liabilities: | | |
| Accounts payable | \$ 27,383 | \$ 33,205 |
| Accrued compensation | 59,332 | 35,000 |
| Due to related party | - | 47,883 |
| Total Current Liabilities | 86,715 | 116,088 |
| Total Liabilities | 86,715 | 116,088 |
| Shareholders' Equity (Deficit): | | |
| Common Stock; \$0.001 par value; 5,000,000,000 shares authorized; 2,790,443,527 shares issued and outstanding December 31, 2008 and December 31, 2007 | 2,790,325 | 2,790,325 |
| Preferred Stock; \$0.001 par value; 10,000,000 shares authorized; 0 and 500 shares issued and outstanding December 31, 2008 and December 31, 2007 | - | 1 |
| Additional Paid in Capital | (1,936,907) | (1,736,903) |
| Treasury Stock | 200,000 | 200,000 |
| Accumulated Deficit | (1,101,022) | (1,162,772) |
| Total Shareholders' Equity (Deficit) | (47,604) | 90,651 |
| TOTAL LIABILITIES & SHAREHOLDERS' EQUITY (DEFICIT) | \$ 39,111 | \$ 206,739 |

The accompanying notes are an integral part of these Consolidated Financial Statements.

Table of Contents

Aventura Holdings, Inc.
Consolidated Statements of Operations

| | For the Year Ended December 31 2008 | For the Year Ended December 31 2007 | For the Year Ended December 31 2006 |
|--|--|--|--|
| REVENUES | | | |
| Sales | \$ 136,595 | \$ - | \$ - |
| Less: cost of sales | 116,730 | - | - |
| Gross Profit | 19,865 | - | - |
| Fee Income | 167,469 | - | - |
| Total Revenues | 187,334 | - | - |
| EXPENSES | | | |
| General and administrative expense | 126,166 | 178,271 | 102,273 |
| Net operating income (loss) from continuing operations | 61,168 | (178,271) | (102,273) |
| OTHER EXPENSE | | | |
| Finance Costs | - | - | (21,705) |
| Warrant expense | - | - | (250,000) |
| Total Other Expense | - | (178,271) | (271,705) |
| Loss from continuing operations before minority interest | 61,168 | (178,271) | (373,978) |
| Minority Interest - Ohio Funding | - | - | (13,305) |
| Income (loss) from continuing operations | 61,168 | (178,271) | (387,283) |
| Discontinued operations | - | (118,877) | (117,199) |
| Net gain on disposal of subsidiary | - | 118,877 | 8,116 |
| Income (loss) from discontinued operations | - | - | (109,083) |
| Net Income (Loss) | \$ 61,168 | \$ (178,271) | \$ (496,366) |
| LOSS PER SHARE: | | | |
| Net Loss Per Common Share -Basic and Diluted | \$ nil | \$ (nil) | \$ (nil) |
| Weighted Common Shares Outstanding - Basic and Diluted | 2,790,443,527 | 3,004,608,780 | 2,672,338,098 |

The accompanying notes are an integral part of these Consolidated Financial Statements.

Table of Contents

Aventura Holdings, Inc.
Consolidated Statements of Cash Flows

| | For the Twelve Months Ended December 31, | |
|--|---|-----------------|
| | 2008 | 2007 |
| Cash flows from operating activities: | | |
| Net income (loss) | \$ 61,168 | \$ (178,271) |
| Adjustments to reconcile net loss to net cash used | | |
| in operating activities: | | |
| Depreciation | 1,160 | - |
| Minority interest | - | (67,518) |
| Consulting fees paid with Company stock | - | 220,439 |
| (Increase) decrease in: | | |
| Prepaid expense | 1,066 | 9,938 |
| Security deposits | - | (4,520) |
| Assets from discontinued operations | - | 376,614 |
| Accounts payable | (5,833) | (45,763) |
| Accrued expenses | (7,480) | 30,000 |
| Liabilities from discontinued operations | - | (410,999) |
| Due to others | (47,883) | 47,883 |
| Net cash (used) in operating activities | 2,198 | (22,197) |
| Cash flows from investing activities | - | - |
| Cash flows from financing activities | - | - |
| Net increase (decrease) in cash | 2,198 | (22,197) |
| Cash at beginning of period | 1,153 | 23,350 |
| Cash at end of period | \$ 3,351 | \$ 1,153 |
| Supplemental Disclosure of Cash Flow Information: | | |
| Cash paid during the period for: | | |
| Interest | \$ - | \$ - |
| Income Taxes | \$ - | \$ - |
| Noncash investing and financing activities are as follows: | | |
| Common stock issued in exchange for principal and accrued interest on note | \$ - | \$ 220,439 |
| Preferred stock exchange for IPTV technology | \$ (199,999) | \$ 199,999 |

The accompanying notes are an integral part of these Consolidated Financial Statements.

Edgar Filing: Aventura Holdings Inc. - Form 10-K

Table of Contents

Aventura Holdings, Inc.
Consolidated Statements of Changes in Shareholders' Equity (Deficit)

| | Common Stock | | Common Stock Issuable | | Preferred Stock | | Additional Paid In Capital | Retained Earnings (Accumulated Deficit) | Treasury Stock | Total |
|--|---------------|--------------|-----------------------|------------|-----------------|--------|----------------------------------|--|-------------------|----------------|
| | Shares | Amount | Shares | Amount | Shares | Amount | | | | |
| Balance at December 31, 2015 | 2,019,657,813 | \$ 2,019,658 | 300,000,000 | \$ 300,000 | \$ - | \$ - | \$ (2,297,951) | \$ (356,382) | \$ - | \$ (3,351,682) |
| Common stock issued in exchange of portfolio company Aventura Networks acquisition | - | - | 325,000,000 | 325,000 | - | - | (325,000) | - | - | - |
| Common stock issued pursuant to purchase agreement | 300,000,000 | 300,000 | - | - | - | - | 61,272 | - | - | 361,272 |
| Redemption shares to the acquiror | 625,000,000 | 625,000 | (625,000,000) | (625,000) | - | - | - | - | - | - |
| Common stock issuances to the company's majority shareholder for prior period's tender issuances | (301,214,286) | (301,214) | - | - | - | - | 301,214 | - | - | - |
| Common stock issued to the company's majority shareholder in Ohio Funding Group, Inc. | 200,000,000 | 200,000 | - | - | - | - | (100,000) | - | - | 100,000 |
| Common stock issued to Horvath Holdings, LLC | - | - | - | - | - | - | 250,000 | - | - | 250,000 |
| Common stock issued pursuant to the company's investment in Ohio Funding Group, Inc. | 200,000,000 | 200,000 | - | - | - | - | (100,000) | - | - | 100,000 |
| Common stock issued pursuant to the company's investment in Ohio Funding Group, Inc. | - | - | - | - | - | - | - | (67,518) | - | (67,518) |
| Common stock issued pursuant to the company's investment in Ohio Funding Group, Inc. | - | - | - | - | - | - | - | (496,366) | - | (496,366) |
| Balance at December 31, 2016 | 3,043,443,527 | \$ 3,043,444 | - | \$ - | \$ - | \$ - | (2,210,465) | \$ (920,266) | \$ - | \$ (3,137,287) |
| Common stock issued pursuant to the exchange of principal and interest on the company's investment in Ohio Funding Group, Inc. | 146,880,667 | 146,881 | - | - | - | - | 73,558 | - | - | 220,439 |
| Common stock issued pursuant to the exchange of principal and interest on the company's investment in Ohio Funding Group, Inc. | (400,000,000) | (400,000) | - | - | - | - | 200,000 | (63,653) | 200,000 | (263,653) |
| Common stock issued pursuant to the exchange of principal and interest on the company's investment in Horvath Holdings, LLC | - | - | - | - | - | - | - | - | - | - |

| | | | | | | | | | | |
|---------------------|---------------|--------------|------|---|-------|-----|-------------|----------------|------------|--------|
| Shares Exchange | | | | | | | | | | |
| Red Stock | | | | | | | | | | |
| Change in Exchange | | | | | | | | | | |
| AV Technology | - | - | - | - | 500 | 1 | 199,999 | | | 19 |
| Shares | - | - | - | - | - | - | - | (178,271) | - | (17) |
| Balance at December | | | | | | | | | | |
| 2017 | 2,790,324,194 | 2,790,325 | - | - | 500 | 1 | (1,736,908) | (1,162,190) | 200,000 | 9 |
| Red Stock | | | | | | | | | | |
| Change for IPTV | | | | | | | | | | |
| Technology | - | - | - | - | (500) | (1) | (199,999) | | | (19) |
| Shares | - | - | - | - | - | - | - | 61,168 | - | 6 |
| Balance at December | | | | | | | | | | |
| 2018 | 2,790,324,194 | \$ 2,790,325 | - \$ | - | - \$ | - | (1,936,907) | \$ (1,101,022) | \$ 200,000 | \$ (4) |

The accompanying notes are an integral part of these Consolidated Financial Statements.

F-5

Table of Contents

AVENTURA HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION

Aventura Holdings, Inc. (AVNT) was incorporated by the Florida Department of State on May 9, 1990 as Sun Express Group, Inc. for the purpose of obtaining air carrier certification. The Company's Board of Directors elected in July, 1993 to suspend certification efforts, dispose of or abandon existing assets and seek settlement of existing indebtedness. In July 1994, the Company completed a sale of its assets to Conquest Sun Airlines Corp. and Air Tran, Inc. (a spin-off subsidiary of Conquest Sun Airlines Corp.) The Company remained dormant until August, 2001 when the Company became involved in the motion picture industry and changed its name to Sun Network Group, Inc. In June, 2005 current management completed a reverse acquisition with the Company, changed our business focus to emerging technologies, replaced prior management and changed the Company's name to Aventura VoIP Networks, Inc. In October, 2005 the Company merged with Aventura Holdings, Inc. and adopted its name.

The Company currently operates through its two wholly owned subsidiaries Video Stream, Inc. and Amex Security, Inc. and is engaged in the information technology and surveillance sectors developing solutions to fulfill high-quality enterprise video surveillance needs. Specifically, the Company develops open standard and proprietary Internet Protocol (IP) video surveillance systems with the ability to scale to enterprise environments.

NOTE 2 - GOING CONCERN

As reflected in the accompanying financial statements, the Company's recurring losses from operations, net income of \$61,168 for the year ended December 31, 2008 and net cash provided by operations of \$2,198 for the year ended December 31, 2008; a working capital deficit of \$83,364, a stockholders' deficiency of \$47,604 and an accumulated deficit of \$1,101,022 at December 31, 2008, raise substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustments to reflect the possible effects on recoverability and classification of assets or the amounts and classification of liabilities that may result from our inability to continue as a going concern.

Our ability to continue as a going concern is dependent on the ability to further implement our business plan, raise capital, and generate revenues. We presently do not have sufficient revenues to cover our incurred expenses. Our management recognizes that we must generate additional resources to enable us to pay our obligations as they come due and that we must ultimately successfully implement our business plan and achieve profitable operations. We cannot assure you that we will be successful in any of these activities. Should any of these events not occur, our financial condition will be materially adversely affected.

The time required for us to become profitable from operations is highly uncertain, and we cannot assure you that we will achieve or sustain operating profitability or generate sufficient cash flow to meet our planned capital expenditures, working capital and debt service requirements. If required, our ability to obtain additional financing from other sources also depends on many factors beyond our control, including the state of the capital markets and the prospects for our business. The necessary additional financing may not be available to us or may be available only on terms that would result in further dilution to the current owners of our common stock.

We cannot assure you that we will generate sufficient cash flow from operations or obtain additional financing to meet our obligations.. The financial statements do not include any adjustments to reflect the possible effects on recoverability and classification of assets or the amounts and classification of liabilities, which may result from the inability of the Company to continue as a going concern.

Management's Plans

Through Aventura's research, development and incremental acquisitions of intellectual property and companies within our industry, the Company plans to expand operations.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principals of Consolidation

The consolidated financial statements include the accounts of Aventura Holdings, Inc. and its wholly owned subsidiaries Amex Security, Inc. and Video Stream, Inc. (collectively "Aventura").

F-6

Table of Contents

Basis of Presentation

On June 7, 2005 the Company acquired a 100% member interest in Aventura Networks, LLC in exchange for 880,000,000 shares of the Company's previously unissued common stock. Hence, a reverse acquisition occurred since the owners of Aventura Networks, LLC held a majority of the Company's common stock immediately following the transaction. For financial reporting purposes the Company recognized Aventura Networks, LLC as the Company's historical registrant and retrospectively consolidated with Aventura Networks, LLC as its wholly owned subsidiary. All operating activity (other than that of Aventura Networks, LLC) prior to June 7, 2005 was eliminated and equity was restated to reflect our new structure. However, since Aventura Networks, LLC was distributed out of the Company on June 29, 2006, Aventura Networks, LLC is portrayed throughout the financial statements as discontinued operations.

On May 16, 2006 and October 1, 2006 the Company acquired a controlling interest in and consolidated Ohio Funding Group, Inc. into the Company's financial statements by virtue of our May 16, 2006 and October 1, 2006 30% and 30% respective investments in Ohio's outstanding common stock. On November 6, 2007 Ohio ceased operating as a subsidiary of the Company and Ohio's activity is portrayed in the financial statements as discontinued operations.

Use of Estimates

In preparing financial statements, management is required 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 revenues and expenses during the reported period. Actual results may differ from these estimates.

Cash and Cash Equivalents

For the purpose of the consolidated cash flow statement, the Company considers all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents.

Notes and Other Receivables

The Company assesses the probability of collections on loans, notes and other receivables and records an allowance for loan loss accordingly.

The Company recognizes interest income on notes and loans receivable in default, and records an appropriate allowance for loan loss on the resulting interest receivable.

Finance Charges

The Company recognizes finance charges as income in a manner consistent with the provisions of the American Institute of Certified Public Accountant's Statement of Position ("SOP") 03-3 "Accounting for Certain Loans or Debt Securities Acquired in a Transfer." SOP 03-3 requires the Company to recognize finance charges under the interest method such that revenue is recognized on a level yield basis based upon forecasted cash flows. As the forecasted cash flows change, the Company would prospectively adjust the yield upwards for positive changes but would recognize impairment for negative changes in the current period.

The Company derived its revenues from finance charges and administration fees earned as a result of funding consumer loans.

Fair Value of Financial Instruments

We define the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. The carrying value of accounts payable and other debt approximates fair value because of the short maturity of those instruments. The estimated fair value of our other obligations is estimated based on the current rates offered to us for similar maturities. Based on prevailing interest rates and the short-term maturity of all of our indebtedness, management believes that the fair value of our obligations approximates book value at December 31, 2008 and 2007.

Long-Lived Assets

The Company accounts for the impairment of long-lived assets in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets". Impairment is the condition that exists when the carrying amount of a long-lived asset (asset group) exceeds its fair value. An impairment loss is recognized only if the carrying amount of a long-lived asset (asset group) is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset (asset group) is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset (asset group). That assessment is based on the carrying amount of the asset (asset group) at the date it is tested for recoverability, whether in use or under development. An impairment loss shall be measured as the amount by which the carrying amount of a long-lived asset (asset group) exceeds its fair value.

F-7

Table of Contents

Minority Interest

The net income of the Company's former consolidated subsidiary, Ohio Funding Group, Inc. is reflected in the consolidated statements of operations from May 16, 2006 to November 5, 2007. From May 16, 2006 through September 30, 2006 the Company owned 30% of Ohio Funding, from October 1, 2006 to September 23, 2007 the Company owned 60% of Ohio Funding and from September 24, 2007 through November 5, 2007 the Company owned 99.2% of Ohio Funding. On November 6, 2007 Ohio ceased operating as a subsidiary of the Company and Ohio's activity is portrayed in the financial statements as discontinued operations. After initially accounting for our investment in Ohio Funding utilizing the equity method of accounting, the Company retroactively restated its investment on a consolidated basis subtracting the minority interest in net assets and net income from the consolidated balance sheet and income statement.

Stock-Based Compensation

The Company accounts for stock options issued to employees in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. As such, compensation cost is measured on the date of grant as the excess of the current market price of the underlying stock over the exercise price. Such compensation amounts are amortized over the respective vesting periods of the option grant. The Company adopted the disclosure provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" and SFAS No. 148, "Accounting for Stock Based Compensation - Transition and Disclosure," which permits entities to provide pro forma net income (loss) and pro forma earnings (loss) per share disclosures for employee stock option grants as if the fair-valued based method defined in SFAS No. 123 had been applied.

The Company accounts for stock options issued to non-employees for goods or services in accordance with SFAS 123.

Investments

Investments in securities of unaffiliated issuers represent holdings of less than 5% of the issuer's voting common stock. Investments in and advances to affiliates are presented as (i) majority-owned, if holdings, directly or indirectly, represent over 50% of the issuer's voting common stock, (ii) minority-owned other controlled affiliates if the holdings, directly or indirectly, represent over 25% and up to 50% of the issuer's voting common stock and (iii) minority-owned other non-controlled affiliates if the holdings, directly or indirectly, represent 5% to 25% of the issuer's voting common stock. Investments - other than securities represent all investments other than in securities of the issuer.

Investments in securities or other than securities of privately held entities are initially recorded at their original cost as of the date the Company obtained an enforceable right to demand the securities or other investment purchased and incurred an enforceable obligation to pay the investment price.

For financial statement purposes, investments are recorded at their fair value. Currently, readily determinable fair values do not exist for our investments and the fair value of these investments is determined in good faith by the Company's Board of Directors who engaged independent valuation experts and ratified by the Company's Board of Directors pursuant to a valuation policy and consistent valuation process. Due to the inherent uncertainty of these valuations, the estimates may differ significantly from the values that would have been used had a ready market for the investments existed and the differences may be material.

Realized gains (losses) from the sale of investments and unrealized gains (losses) from the valuation of investments are reflected in operations during the period incurred.

Revenue Recognition

The Company recognizes revenues in accordance with the guidance in the Securities and Exchange Commission Staff Accounting Bulletin 104. Revenue is recognized when persuasive evidence of an arrangement exists, as services are provided and when collection of the fixed or determinable selling price is reasonable assured.

Income Taxes

Income taxes are accounted for under the asset and liability method of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes ("SFAS109")." Under SFAS 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under SFAS 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Net Loss Per Common Share

Basic net income (loss) per common share (Basic EPS) excludes dilution and is computed by dividing net income (loss) available to common stockholder by the weighted average number of common shares outstanding for the period. Diluted net income per share (Diluted EPS) reflects the potential dilution that could occur if stock options or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. For 2008, 2007 and 2006, diluted loss per share is the same as basic loss per share since the effect of all common stock equivalents was anti-dilutive due to the net loss. At December 31, 2007 there were no shares issued that were considered to be dilutive securities that will dilute future earnings per share.

Table of Contents

Concentrations

The Company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. At December 31, 2008, the Company had \$3,351 in United States bank deposits. The Company has not experienced any losses in such accounts through December 31, 2008.

Recent Accounting Pronouncements

NOTE-SFAS 163 and FSP FAS 117-1 need only be included if applicable to particular client.

Employers' Disclosures about Postretirement Benefit Plan Assets

In December 2008, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position on Financial Accounting Standard ("FSP FAS") No. 132(R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets." This FSP amends FASB Statement No. 132(R) ("SFAS No. 132(R)", "Employers' Disclosures about Pensions and Other Postretirement Benefits," to provide guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. FSP FAS No. 132(R)-1 also includes a technical amendment to SFAS No. 132(R) that requires a nonpublic entity to disclose net periodic benefit cost for each annual period for which a statement of income is presented. The required disclosures about plan assets are effective for fiscal years ending after December 15, 2009. The technical amendment was effective upon issuance of FSP FAS No. 132(R)-1. The Company is currently assessing the impact of FSP FAS No. 132(R)-1 on its consolidated financial position and results of operations.

Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises

In December 2008, the FASB issued FSP FIN No. 48-3, "Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises." FSP FIN No. 48-3 defers the effective date of FIN No. 48, "Accounting for Uncertainty in Income Taxes," for certain nonpublic enterprises as defined in SFAS No. 109, "Accounting for Income Taxes." However, nonpublic consolidated entities of public enterprises that apply U.S. generally accepted accounting principles (GAAP) are not eligible for the deferral. FSP FIN No. 48-3 was effective upon issuance. The impact of adoption was not material to the Company's consolidated financial condition or results of operations.

Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities

In December 2008, the FASB issued FSP FAS No. 140-4 and FIN No. 46(R) -8, "Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities." This FSP amends SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," to require public entities to provide additional disclosures about transfers of financial assets. FSP FAS No. 140-4 also amends FIN No. 46(R)-8, "Consolidation of Variable Interest Entities," to require public enterprises, including sponsors that have a variable interest entity, to provide additional disclosures about their involvement with a variable interest entity. FSP FAS No. 140-4 also requires certain additional disclosures, in regards to variable interest entities, to provide greater transparency to financial statement users. FSP FAS No. 140-4 is effective for the first reporting period (interim or annual) ending after December 15, 2008, with early application encouraged. The Company is currently assessing the impact of FSP FAS No. 140-4 on its consolidated financial position and results of operations.

Accounting for an Instrument (or an Embedded Feature) with a Settlement Amount That is Based on the Stock of an Entity's Consolidated Subsidiary

In November 2008, the FASB issued FSP Emerging Issues Task Force (“EITF”) Issue No. 08-8, “Accounting for an Instrument (or an Embedded Feature) with a Settlement Amount That is Based on the Stock of an Entity’s Consolidated Subsidiary.” EITF No. 08-8 clarifies whether a financial instrument for which the payoff to the counterparty is based, in whole or in part, on the stock of an entity’s consolidated subsidiary is indexed to the reporting entity’s own stock. EITF No. 08-8 also clarifies whether or not stock should be precluded from qualifying for the scope exception of SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities,” or from being within the scope of EITF No. 00-19, “Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company’s Own Stock.” EITF No. 08-8 is effective for fiscal years beginning on or after December 15, 2008, and interim periods within those fiscal years. The Company is currently assessing the impact of EITF No. 08-8 on its consolidated financial position and results of operations.

Accounting for Defensive Intangible Assets

In November 2008, the FASB issued EITF Issue No. 08-7, “Accounting for Defensive Intangible Assets.” EITF No. 08-7 clarifies how to account for defensive intangible assets subsequent to initial measurement. EITF No. 08-7 applies to all defensive intangible assets except for intangible assets that are used in research and development activities. EITF No. 08-7 is effective for intangible assets acquired on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company is currently assessing the impact of EITF No. 08-7 on its consolidated financial position and results of operations.

Equity Method Investment Accounting Considerations

In November 2008, the FASB issued EITF Issue No. 08-6 (“EITF No. 08-6”), “Equity Method Investment Accounting Considerations.” EITF No. 08-6 clarifies accounting for certain transactions and impairment considerations involving the equity method. Transactions and impairment dealt with are initial measurement, decrease in investment value, and change in level of ownership or degree of influence. EITF No. 08-6 is effective on a prospective basis for fiscal years beginning on or after December 15, 2008. The Company is currently assessing the impact of EITF No. 08-6 on its consolidated financial position and results of operations.

Table of Contents

Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active

In October 2008, the FASB issued FSP FAS No. 157-3, “Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active.” This FSP clarifies the application of SFAS No. 157, “Fair Value Measurements,” in a market that is not active. The FSP also provides examples for determining the fair value of a financial asset when the market for that financial asset is not active. FSP FAS No. 157-3 was effective upon issuance, including prior periods for which financial statements have not been issued. The impact of adoption was not material to the Company’s consolidated financial condition or results of operations.

Issuer’s Accounting for Liabilities Measured at Fair Value with a Third-Party Credit Enhancement

In September 2008, the FASB issued EITF Issue No. 08-5 (“EITF No. 08-5”), “Issuer’s Accounting for Liabilities Measured at Fair Value with a Third-Party Credit Enhancement.” This FSP determines an issuer’s unit of accounting for a liability issued with an inseparable third-party credit enhancement when it is measured or disclosed at fair value on a recurring basis. FSP EITF No. 08-5 is effective on a prospective basis in the first reporting period beginning on or after December 15, 2008. The Company is currently assessing the impact of FSP EITF No. 08-5 on its consolidated financial position and results of operations.

Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161

In September 2008, the FASB issued FSP FAS No. 133-1, “Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161.” This FSP amends FASB Statement No. 133, “Accounting for Derivative Instruments and Hedging Activities,” to require disclosures by sellers of credit derivatives, including credit derivatives embedded in a hybrid instrument. The FSP also amends FASB Interpretation No. 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others,” to require and additional disclosure about the current status of the payment/performance risk of a guarantee. Finally, this FSP clarifies the Board’s intent about the effective date of FASB Statement No. 161, “Disclosures about Derivative Instruments and Hedging Activities.” FSP FAS No. 133-1 is effective for fiscal years ending after November 15, 2008. The Company is currently assessing the impact of FSP FAS No. 133-1 on its consolidated financial position and results of operations.

Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for all Endowment Funds

In August 2008, the FASB issued FSP FAS No. 117-1, “Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), and Enhanced Disclosures for all Endowment Funds.” The intent of this FSP is to provide guidance on the net asset classification of donor-restricted endowment funds. The FSP also improves disclosures about an organization’s endowment funds, both donor-restricted and board-designated, whether or not the organization is subject to the UPMIFA. FSP FAS No. 117-1 is effective for fiscal years ending after December 31, 2008. Earlier application is permitted provided that annual financial statements for that fiscal year have not been previously issued. The Company is currently assessing the impact for FSP FAS No. 117-1 on its consolidated financial position and results of operations.

Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities

In June 2008, the FASB issued EITF Issue No. 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities." EITF No. 03-6-1 addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share under the two-class method. The EITF 03-6-1 affects entities that accrue dividends on share-based payment awards during the awards' service period when the dividends do not need to be returned if the employees forfeit the award. EITF 03-6-1 is effective for fiscal years beginning after December 15, 2008. The Company is currently assessing the impact of EITF 03-6-1 on its consolidated financial position and results of operations.

Determining Whether an Instrument (or an Embedded Feature) Is Indexed to an entity's Own Stock

In June 2008, the FASB ratified EITF Issue No. 07-5, "Determining Whether an Instrument (or an Embedded Feature) Is Indexed to an Entity's Own Stock." EITF 07-5 provides that an entity should use a two step approach to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock, including evaluating the instrument's contingent exercise and settlement provisions. It also clarifies on the impact of foreign currency denominated strike prices and market-based employee stock option valuation instruments on the evaluation. EITF 07-5 is effective for fiscal years beginning after December 15, 2008. The Company is currently assessing the impact of EITF 07-5 on its consolidated financial position and results of operations.

Accounting for Financial Guarantee Insurance Contracts—an interpretation of FASB Statement No. 60

In May 2008, the FASB issued SFAS No. 163, "Accounting for Financial Guarantee Insurance Contracts – an interpretation of FASB Statement No. 60". This statement requires that an insurance enterprise recognize a claim liability prior to an event of default (insured event) when there is evidence that credit deterioration has occurred in an insured financial obligation. SFAS No. 163 also clarifies how SFAS No. 60 applies to financial guarantee insurance contracts, including the recognition and measurement to be used to account for premium revenue and claim liabilities to increase comparability in financial reporting of financial guarantee insurance contracts by insurance enterprises. SFAS No. 163 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and all interim periods within those fiscal years, except for some disclosures about the insurance enterprise's risk-management activities of the insurance enterprise be effective for the first period (including interim periods) beginning after issuance of SFAS No. 163. Except for those disclosures, earlier application is not permitted.

Table of Contents

Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)

In May 2008, the FASB issued FSP Accounting Principles Board (“APB”) Opinion No. 14-1, “Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement).” The FSP clarifies the accounting for convertible debt instruments that may be settled in cash (including partial cash settlement) upon conversion. The FSP requires issuers to account separately for the liability and equity components of certain convertible debt instruments in a manner that reflects the issuer's nonconvertible debt (unsecured debt) borrowing rate when interest cost is recognized. The FSP requires bifurcation of a component of the debt, classification of that component in equity and the accretion of the resulting discount on the debt to be recognized as part of interest expense in our consolidated statement of operations. The FSP requires retrospective application to the terms of instruments as they existed for all periods presented. The FSP is effective for fiscal years beginning after December 15, 2008 and early adoption is not permitted. The Company is currently evaluating the potential impact of FSP APB 14-1 upon its consolidated financial statements.

The Hierarchy of Generally Accepted Accounting Principles

In May 2008, the FASB issued SFAS No. 162, “The Hierarchy of Generally Accepted Accounting Principles.” SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements. SFAS No. 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, “The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles”. The implementation of this standard will not have a material impact on the Company's consolidated financial position and results of operations.

Determination of the Useful Life of Intangible Assets

In April 2008, the FASB issued FSP FAS No. 142-3, “Determination of the Useful Life of Intangible Assets”, which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of intangible assets under SFAS No. 142 “Goodwill and Other Intangible Assets”. The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of the expected cash flows used to measure the fair value of the asset under SFAS No. 141 (revised 2007) “Business Combinations” and other U.S. generally accepted accounting principles. The Company is currently evaluating the potential impact of FSP FAS No. 142-3 on its consolidated financial statements.

Disclosure about Derivative Instruments and Hedging Activities

In March 2008, the FASB issued SFAS No. 161, “Disclosure about Derivative Instruments and Hedging Activities, an amendment of SFAS No. 133.” This statement requires that objectives for using derivative instruments be disclosed in terms of underlying risk and accounting designation. The Company is required to adopt SFAS No. 161 on January 1, 2009. The Company is currently evaluating the potential impact of SFAS No. 161 on the Company’s consolidated financial statements.

Delay in Effective Date

In February 2008, the FASB issued FSP FAS No. 157-2, “Effective Date of FASB Statement No. 157”. This FSP delays the effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value on a recurring basis (at least annually) to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. The impact of adoption was not material to the Company’s consolidated financial condition or results of operations.

Business Combinations

In December 2007, the FASB issued SFAS No. 141(R) "Business Combinations." This Statement replaces the original SFAS No. 141. This Statement retains the fundamental requirements in SFAS No. 141 that the acquisition method of accounting (which SFAS No. 141 called the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. The objective of SFAS No. 141(R) is to improve the relevance, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. To accomplish that, SFAS No. 141(R) establishes principles and requirements for how the acquirer:

- a. Recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree.
- b. Recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase.
- c. Determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination.

This Statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008 and may not be applied before that date. The Company is unable at this time to determine the effect that its adoption of SFAS No. 141(R) will have on its consolidated results of operations and financial condition.

Table of Contents

Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51

In December 2007, the FASB issued SFAS No. 160 “Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51.” This Statement amends the original Accounting Review Board (ARB) No. 51 “Consolidated Financial Statements” to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. This Statement is effective for fiscal years and interim periods within those fiscal years, beginning on or after December 15, 2008 and may not be applied before that date. The Company is unable at this time to determine the effect that its adoption of SFAS No. 160 will have on its consolidated results of operations and financial condition.

Fair Value Option for Financial Assets and Financial Liabilities

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of SFAS No. 115,” which becomes effective for the Company on February 1, 2008, permits companies to choose to measure many financial instruments and certain other items at fair value and report unrealized gains and losses in earnings. Such accounting is optional and is generally to be applied instrument by instrument. The election of this fair-value option did not have a material effect on its consolidated financial condition, results of operations, cash flows or disclosures.

Fair Value Measurements

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements.” SFAS No. 157 provides guidance for using fair value to measure assets and liabilities. SFAS No. 157 addresses the requests from investors for expanded disclosure about the extent to which companies’ measure assets and liabilities at fair value, the information used to measure fair value and the effect of fair value measurements on earnings. SFAS No. 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value, and does not expand the use of fair value in any new circumstances. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and was adopted by the Company in the first quarter of fiscal year 2008. There was no material impact on the Company’s consolidated results of operations and financial condition due to the adoption of SFAS No. 157.

Accounting Changes and Error Corrections

In May 2005, the FASB issued SFAS No. 154, “Accounting Changes and Error Corrections,” which replaces APB Opinion No. 20, “Accounting Changes,” and SFAS No. 3, “Reporting Accounting Changes in Interim Financial Statements - An Amendment of APB Opinion No. 28”. SFAS No. 154 provides guidance on the accounting for and reporting of accounting changes and error corrections, and it establishes retrospective application, or the latest practicable date, as the required method for reporting a change in accounting principle and the reporting of a correction of an error. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company adopted SFAS No. 154 in the first quarter of fiscal year 2007 and did not have a material impact on its consolidated results of operations and financial condition.

NOTE 4 - INVESTMENTS

On December 27, 2007, the Company acquired certain intellectual property from IPWebTV, Inc. (an unrelated Delaware corporation) to be integrated into products being developed for the Company’s subsidiary IPWebTV, Inc. (a Florida corporation). The purchase price was 500 shares of the Company’s previously unissued nonassessable convertible preferred stock. Each share of the convertible preferred stock can be exchanged for one million shares of

the Company's common stock.

On September 30, 2008, the Company's subsidiary and IPWebTV agreed that the Company's direction was not consistent with the IPWebTV business model and released its rights to certain intellectual property in exchange for the return of the Company's 500 convertible preferred shares. The Company retired and cancelled all 500 convertible preferred shares and has no preferred shares or other convertible securities outstanding as of this date.

NOTE 5 EMPLOYMENT AGREEMENT

As of March 25, 2009, the Company has one full-time employee under a five year employment agreement dated May 16, 2006. The employment agreement calls for annual remuneration of \$60,000, certain fringe benefits and expense reimbursement. The employee is not represented by a union and the Company believes the relationship with the employee is good.

NOTE 6 COMMITMENTS AND CONTINGENCIES

Legal Matters:

From time to time, the Company may become subject to proceedings, lawsuits and other claims in the ordinary course of business including proceedings related to environmental and other matters. Such matters are subject to many uncertainties, and outcomes, which are not readily predictable with assurance.

NOTE 7 – STOCKHOLDERS EQUITY AND LIABILITY PAYABLE WITH COMMON STOCK

Preferred Stock Transactions

On June 5, 2003, the Company's Board of Directors authorized 10,000,000 shares of preferred stock, par value \$0.001. Such preferred stock, or any series thereof, shall have such designations, preferences, participating, optional or other annual rights and qualifications, limitations or restrictions adopted by the Company's Board of Directors. On December 27, 2007 the Company acquired intellectual property from IPWebTV, Inc. (an unrelated Delaware company) in exchange for 500 shares of the Company's previously unissued preferred convertible stock. The conversion feature attached to the Company's preferred stock allows the holder to exchange one million shares of the Company's common stock for each share of the Company's preferred stock.

F-12

Table of Contents

On September 30, 2008, the Company's subsidiary and IPWebTV agreed that the Company's direction was not consistent with the IPWebTV business model and released its rights to certain intellectual property in exchange for the return of the Company's 500 convertible preferred shares. The Company retired and cancelled all 500 convertible preferred shares and has no preferred shares or other convertible securities outstanding as of this date.

Common Stock Transactions

None.

NOTE 8 - INCOME TAXES

There was no income tax expense or benefit for federal and state income taxes in the consolidated statement of operations for years 2008, 2007 and 2006 due to the Company's net loss and valuation allowance on the resulting deferred tax asset.

The actual tax expense differs from the "expected" tax expense for the years ended December 31, 2008 and 2007 (computed by applying the U.S. Federal Corporate tax rate of 34% to income before taxes) as follows:

| | 2008 | 2007 | 2006 |
|--|--------------|--------------|--------------|
| Computed "expected" tax benefit | \$ 21,648 | \$ (44,568) | \$ (132,536) |
| State income taxes | 3,184 | (8,914) | (19,491) |
| Change in deferred tax asset valuation | (24,832) | 53,482 | 152,027 |
| | \$ - | \$ - | \$ - |
| Deferred tax assets: | | | |
| Net operating loss carryforward | \$ 2,767,541 | \$ 2,828,709 | |
| Loan loss allowance | 75,146 | 75,146 | |
| Total deferred tax assets | 2,842,687 | 2,903,855 | |
| Less: valuation allowance | (2,842,687) | (2,903,855) | |
| Net deferred tax asset | \$ - | \$ - | |

At December 31, 2008, the Company had useable net operating loss carry forwards of approximately \$2,842,687 for income tax purposes, available to offset future taxable income expiring in 2022.

The valuation allowance at December 31, 2008 was \$2,842,687. The net change in the valuation allowance during the year ended December 31, 2008 was a decrease of \$61,168.

NOTE 9 RELATED PARTY AND AFFILIATE TRANSACTIONS

The following disclosures comply with generally accepted accounting principles and the disclosure requirements under the Regulation S-X, Article 6, with regard to affiliate investments and transactions.

None.

NOTE 10 - INTERNAL CONTROL

Controls and Procedures

As required by SEC rules, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures at the end of the period covered by this report. This evaluation was carried out under the supervision and with the participation of our management. Based on this evaluation, management has concluded that the design and operation of our disclosure controls and procedures are effective. There were no changes in our internal control over financial reporting or in other factors that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive officer as appropriate, to allow timely decisions regarding required disclosure.

F-13

Table of Contents

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A(T). CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

The Company's management, with the participation of the Company's principal executive officer and principal financial officer, respectively, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Company's principal executive officer and principal financial officer, respectively, have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective.

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act as a process designed by, or under the supervision of, the Company's principal executive officer and principal financial officer, respectively, and effected by the Company's management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets;

provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of the Company's management; and

provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2008. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework.

Based on their assessment, the Company's management concluded that, as of December 31, 2008, the Company's internal control over financial reporting is effective.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to the attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

(b) Changes in Internal Control Over Financial Reporting.

There has been no change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fourth quarter of 2008 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

10

Table of Contents

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The officers and directors of the Company are as follows:

| Name | Age | Position | Period Held |
|------------------|-----|----------------|----------------|
| Craig A. Waltzer | 46 | Chairman / CEO | 2005 - Current |
| Gerald Sliz | 53 | Director / CTO | 2008 - Current |
| Jere J. Lane | 53 | Director | 2005 - Current |
| Alan R. Siskind | 66 | Director | 2008 - Current |

Each director of the Company holds such position until the next annual meeting of the Company's stockholders and until his successor is duly elected and qualified. The officers hold office until the first meeting of the board of directors following the annual meeting of stockholders and until their successors are chosen and qualified, subject to early removal by the board of directors.

The Audit Committee

The Audit Committee operates pursuant to a charter approved by the Board of Directors. The charter sets forth the responsibilities of the Audit Committee. The primary function of the Audit Committee is to serve as an independent and objective party to assist the Board of Directors in fulfilling its responsibilities for overseeing and monitoring the quality and integrity of the Company's financial statements, the adequacy of the Company's system of internal controls, the review of the independence, qualifications and performance of the Company's independent registered public accounting firm, and the performance of the Company's internal audit function. The Audit Committee is presently composed of two persons - Messrs. Josiah and Lane (Chair), each of whom is considered independent by the Board of Directors. The Company's Board of Directors has determined that Jere J. Lane is the "audit committee financial expert" as defined under Item 407 of Regulation S-K of the 1934 Act. Messrs. Josiah and Lane each meet the current independence and experience requirements of Rule 10a-3 of the 1934 Act.

Craig A. Waltzer; age 47; Chief Executive Officer Director and Chairman

Mr. Waltzer was elected Chief Executive Officer and Chairman of the Board of Directors in 2005. Prior to joining the Company, Mr. Waltzer held various executive positions in telecommunications companies and headed his own certified public accounting firm. Mr. Waltzer graduated from the University of South Florida in 1982 with a Bachelors of Arts in Business Administration with a concentration in Finance and Accounting and was admitted by the state of Florida Board of Accountancy in 1985.

Jere J. Lane; age 54; Director and Chairman of the Audit Committee

Mr. Lane was elected Director and Chairman of the audit committee in 2005. Mr. Lane practiced as a partner, sole practitioner and tax manager of certified public accounting firms. Mr. Lane graduated from Florida International University with a Bachelors of Arts in Business Administration in 1980 and was admitted by the state of Florida Board of Accountancy in 1983.

Gerald Sliz; age 53; Director and Chief Technical Officer

On August 19, 2008, the Board of Directors appointed 53 year old Gerald Sliz as its Chief Operating Officer. Mr. Sliz was previously elected as a Director of the Registrant and is President and Chief Technology Officer of the

Registrant's subsidiary Video Stream, Inc. (formerly known as IPWebTV, Inc.)

Mr. Sliz' most recent experience has been as Chief Technical Officer engaged in the design and implementation of video surveillance hardware and software for Aventura Technologies, Inc. (an unrelated company). Mr. Sliz was also Director of Information Technology at Social Service Coordinators where he was responsible for the design and implementation of their core processing systems and diverse software development. Mr. Sliz has held positions as President, Chief Technical Officer and Director of Information Technology and has performed system implementation and design consulting for numerous Fortune 500 companies.

Alan Siskind; age 66; Director

Mr. Siskind is an advertising executive with over forty years experience. Mr. Siskind is a graduate from the University of Kentucky and a former partner in one of Miami's largest advertising agencies. Mr. Siskind specialized in the representation of major cruise lines, hotels, airlines, automobile dealerships and auctions. Mr. Siskind has a reputation and a proven track record of using his marketing expertise to build companies. Mr. Siskind is an independent director.

Section 16(a) Beneficial Ownership Reporting Compliance

Pursuant to Section 16(a) of the 1934 Act, the Company's directors and executive officers, and any persons holding more than 10% of its common stock, are required to report their beneficial ownership and any changes therein to the SEC and the Company. Specific due dates for those reports have been established, and the Company is required to report herein any failure to file such reports by those due dates. Based on the Company's review of Forms 3, 4 and 5 filed by such persons, the Company believes that during the fiscal year ended December 31, 2006, all Section 16(a) filing requirements applicable to such persons were met in a timely manner.

Table of Contents

Code of Ethics

The Board has adopted a Code of Ethics applicable to the Company's principal executive officer, principal financial officer and principal accounting officer that is available on the Company's website at www.aventura-holdings.com. Future amendments to the Code of Ethics and any waivers thereto will be posted on the Company's website pursuant to the option set forth in Item 5.05(c) of Form 8-K.

ITEM 11. EXECUTIVE COMPENSATION

COMPENSATION OF DIRECTORS AND OFFICERS

The following table sets forth the remuneration of each of the Company's executive officers during each of its three most recent fiscal years:

| Name | Fiscal Year | Salary | All other Compensation |
|------------------|-------------|-----------|------------------------|
| Craig A. Waltzer | 2008 | \$ 60,000 | \$ - |
| | 2007 | 60,000 | - |
| | 2006 | 32,500 | - |
| Gerald Sliz | 2008 | - | - |
| | 2007 | - | - |
| | 2006 | - | - |
| Jere J. Lane | 2008 | - | - |
| | 2007 | - | - |
| | 2006 | - | - |
| Alan R. Siskind | 2008 | - | - |
| | 2007 | - | - |
| | 2006 | - | - |

The Company has no stock option, retirement, pension, or profit-sharing programs for the benefit of directors, officers, or other employees.

Compensation Committee Report

The entire Board performs the functions of a compensation committee given the Company's small size. Compensation matters involving the Company's chief executive officer, Craig A. Waltzer, have been made by the Board after Mr. Waltzer's recusal from discussions and votes on such matter. The Board has recommended that the compensation discussion and analysis be included in this Annual Report on Form 10-K. The members of the Board participating in this analysis are as follows: Alan R. Siskind and Jere Lane.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of March 25, 2009, each stockholder who owns more than 5% of our outstanding shares of common stock, each director, the chief executive officer, our executive officers and our directors and executive officers as a group. As of such date, Melissa Apple, Trustee of the Maria Lopez Irrevocable Trust UTD March 29, 2004 owns the largest block of our outstanding securities. The Trustee is a former spouse of Craig A. Waltzer, our Chief Executive Officer, and for that reason, while the Trustee must act in the manner she alone deems appropriate in her sole and exclusive discretion, this prior affiliation is disclosed.

Edgar Filing: Aventura Holdings Inc. - Form 10-K

| Title of Class | Name and Address of Beneficial Owner | Amount and Nature of Beneficial Ownership | Percent of Class |
|----------------|---|---|------------------|
| Common Stock | Melissa Apple, Trustee of the Maria Lopez Irrevocable Trust UTD March 29, 2004 962 Blue Ridge Avenue Atlanta, Georgia 30306 | 1,488,785,714 Shares Direct Ownership | 53.36% |
| Common Stock | American Dealer Enterprise Group, LLC 25505 West 12 Mile Road, Suite 3000 Southfield, Michigan 48034-8316 | 146,880,667 Shares Direct Ownership | 5.26% |

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Related Party Transactions

None.

Director Independence.

Although it is not strictly bound to do so, the Company currently utilizes the NASDAQ independence tests to determine whether its directors and audit committee members are independent. Jere Lane and Sean Josiah, both members of the Company's audit committee, are considered independent applying these tests.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

AUDIT FEES

The aggregate fees billed by the Company's auditors for professional services rendered in connection with the audit of the Company's annual consolidated financial statements for fiscal 2008 and 2007 and reviews of the consolidated financial statements included in the Company's Forms 10-K for fiscal 2008 and 2007 were approximately \$10,000 and \$10,000 respectively.

12

Table of Contents

AUDIT-RELATED FEES

For fiscal 2008 and 2007 the auditors billed \$0 and \$0 respectively relating to assistance with SEC comment responses. The Company's auditors did not bill any additional fees for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under "Audit Fees" above.

TAX FEES

The aggregate fees billed by the Company's auditors for professional services for tax compliance, tax advice, and tax planning were \$0, \$0 and \$0 for fiscal 2008, 2007 and 2006, respectively.

ALL OTHER FEES

The aggregate fees billed by the Company's auditors for all other non-audit services rendered to the Company, such as attending meetings and other miscellaneous financial consulting, in fiscal 2008 and 2007 were \$0 and \$0, respectively.

PART IV

Item 15. Exhibits

Item 601 of Regulation

| S-K Exhibit No.: | Exhibit |
|------------------|--|
| 31.1 | <u>Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of the Company</u> |
| 31.2 | <u>Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of the Company</u> |
| 32.1 | <u>Section 1350 Certification by Chief Executive Officer and Chief Financial Officer</u> |

Table of Contents

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AVENTURA HOLDINGS, INC.

Date: March 25, 2009

By: /s/ Craig A. Waltzer
Craig A. Waltzer
Chief Executive Officer, President, and Director

Table of Contents