

Aventura Holdings Inc.  
Form 10-Q  
November 16, 2007  
Table of Contents

---

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

\_\_\_\_\_  
**FORM 10-Q**  
\_\_\_\_\_

(Mark One)

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

For the quarterly period ended September 30, 2007

**TRANSITION REPORT UNDER 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**  
(State or other jurisdiction of

incorporation or 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)

**65-0254624**  
(IRS Employer

Identification No.)

## Edgar Filing: Aventura Holdings Inc. - Form 10-Q

---

Indicate by checkmark 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 checkmark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

The number of shares of common stock outstanding as of November 15, 2007 was 3,043,443,527.

---

**Table of Contents**

**AVENTURA HOLDINGS, INC.**

Index

	<b>Page Number</b>
<b><u>PART I. FINANCIAL INFORMATION</u></b>	
Item 1. <u>Financial Statements</u>	
<u>Consolidated Balance Sheets as of September 30, 2007 (unaudited) and December 31, 2006</u>	3
<u>Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2007 and 2006 (unaudited)</u>	4
<u>Consolidated Statements of Changes in Shareholder Equity (Deficit) for the Nine Months Ended September 30, 2007 (unaudited)</u>	5
<u>Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2007 and 2006 (unaudited)</u>	6
<u>Notes to Consolidated Financial Statements (unaudited)</u>	7
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operation</u>	9
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	12
Item 4. <u>Controls and Procedures</u>	12
<b><u>PART II. OTHER INFORMATION</u></b>	
Item 1. <u>Legal Proceedings</u>	13
Item 1A. <u>Risk Factors</u>	13
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	16
Item 3. <u>Defaults Upon Senior Securities</u>	17
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	17
Item 5. <u>Other Information</u>	17
Item 6. <u>Exhibits</u>	17
<b><u>SIGNATURES</u></b>	<b>17</b>
<b>CERTIFICATIONS</b>	

**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial statements**

**AVENTURA HOLDINGS, INC.**  
**CONSOLIDATED BALANCE SHEETS**

	September 30, 2007 (unaudited)	December 31, 2006
<b>ASSETS:</b>		
Cash	\$ 16,496	\$ 25,268
Contracts receivable, net	24,770	229,972
Dealer-partner receivables, net	32,082	126,679
Prepaid expense		11,004
Due from related party		19,963
<b>TOTAL ASSETS</b>	<b>\$ 73,348</b>	<b>\$ 412,886</b>
<b>LIABILITIES &amp; SHAREHOLDERS' DEFICIT:</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 59,671	\$ 80,304
Accrued compensation	20,000	5,000
Interest payable	32,247	18,504
Due to related party		174,287
Notes payable	328,498	154,555
Minority Interest - Ohio Funding	(28,877)	67,518
Total Liabilities	411,539	500,168
Shareholders' Deficit:		
Common Stock; \$0.001 par value; 5,000,000,000 shares authorized; 3,043,443,527 shares issued and outstanding as of September 30, 2007 and December 31, 2006	3,043,444	3,043,444
Additional paid in capital	(2,210,460)	(2,210,460)
Accumulated deficit	(1,171,175)	(920,266)
Total Shareholders' Deficit	(338,191)	(87,282)
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' DEFICIT</b>	<b>\$ 73,348</b>	<b>\$ 412,886</b>

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

**Table of Contents****AVENTURA HOLDINGS, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS**

	For the Nine Months Ended September 30, 2007 (unaudited)	For the Nine Months Ended September 30, 2006 (unaudited)	For the Three Months Ended September 30, 2007 (unaudited)	For the Three Months Ended September 30, 2006 (unaudited)
<b>REVENUES:</b>	\$ 54,398	\$ 82,052	\$ 14,670	\$ 14,047
<b>EXPENSES:</b>				
General & Administrative	382,050	171,187	141,370	65,644
Net Operating Loss	(327,652)	(89,135)	(126,700)	(51,597)
<b>OTHER INCOME/EXPENSE</b>				
Finance Costs		(21,705)		
Warrant expense		(250,000)		
Total Other Income and (Expenses)		(271,705)		
Loss from continuing operations before minority interest	(327,652)	(360,840)	(126,700)	(51,597)
Minority Interest - Ohio Funding	76,743	(18,522)	29,424	(6,863)
Loss from continuing operations	(250,909)	(379,362)	(97,276)	(58,460)
Discontinued operations		6,187		
Net gain on disposal of subsidiary		8,116		
Income (loss) from discontinued operations		14,303		
<b>Net Income (Loss)</b>	<b>\$ (250,909)</b>	<b>\$ (365,059)</b>	<b>\$ (97,276)</b>	<b>\$ (58,460)</b>
<b>LOSS PER SHARE:</b>				
Net Loss Per Common Share - Basic and Diluted	\$ (nil)	\$ (nil)	\$ (nil)	\$ (nil)
Weighted Common Shares Outstanding - Basic and Diluted	3,043,443,527	2,584,395,642	3,043,443,527	2,584,395,642

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

**Table of Contents****AVENTURA HOLDINGS, INC.****CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS****EQUITY (DEFICIT)**

(UNAUDITED)

	Common Stock		Common Stock Issuable		Additional	Accumulated	Total
	Shares	Amount	Shares	Amount	Paid In Capital	Deficit	
<b>Balance at December 31, 2005</b>	<b>2,019,657,813</b>	<b>\$ 2,019,658</b>	<b>300,000,000</b>	<b>\$ 300,000</b>	<b>\$ (2,297,946)</b>	<b>\$ (356,383)</b>	<b>\$ (334,671)</b>
Common stock issuable in exchange for portfolio company (Aventura Networks LLC) acquisition			325,000,000	325,000	(325,000)		
Common stock issued pursuant to stock purchase agreement	300,000,000	300,000			61,272		361,272
Common stock issued in exchange for portfolio company (Aventura Networks LLC) acquisition	625,000,000	625,000	(625,000,000)	(625,000)			
Common stock reimbursements by Company's majority shareholder for prior management's improper issuances	(301,214,286)	(301,214)			301,214		
Common stock issued for Company's investment in Ohio Funding Group, Inc.	200,000,000	200,000			(100,000)		100,000
Warrant issued to Horvath Holdings, LLC					250,000		250,000
Common stock issued for Company's investment in Ohio Funding Group, Inc.	200,000,000	200,000			(100,000)		100,000
Minority interest - Ohio Funding						(67,517)	(67,517)
Net loss						(496,366)	(496,366)
<b>Balance at December 31, 2006</b>	<b>3,043,443,527</b>	<b>3,043,444</b>			<b>(2,210,460)</b>	<b>(920,266)</b>	<b>(87,282)</b>
Net loss						(250,909)	(250,909)
<b>Balance at September 30, 2007</b>	<b>3,043,443,527</b>	<b>\$ 3,043,444</b>		<b>\$</b>	<b>\$ (2,210,460)</b>	<b>\$ (1,171,175)</b>	<b>\$ (338,191)</b>

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

**Table of Contents****AVENTURA HOLDINGS, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>For the Nine Months Ended September 30,</b>	
	<b>2007</b>	<b>2006</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (250,909)	\$ (365,059)
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>		
Amortization of deferred finance costs		21,705
Depreciation		550
Warrant expense payable with company stock		250,000
Minority interest	(96,276)	(16,987)
Gain on the sale of sub		(8,116)
<b>(Increase) decrease in:</b>		
Accounts receivable	101,909	6,661
Contracts receivable	197,890	
Deposits-revolving trade		
Prepaid expenses	11,004	
Due from others	19,963	234
Assets from discontinued operations		39,521
<b>Increase (decrease) in:</b>		
Accounts payable	(20,633)	12,032
Accrued Expenses	15,000	7,500
Payroll taxes payable		
Interest payable	13,743	
Liabilities from discontinued operations		(13,113)
Net cash (used) in operating activities	(8,309)	(65,072)
<b>Cash flows from investing activities:</b>		
Investment		
Sale of fixed assets		1,622
Cash transferred in sale of subsidiary		(1,027)
Net cash provided (used) in investing activities		595
<b>Cash flows from financing activities:</b>		
Payment of stock purchase agreement		(978)
Proceeds from loan	173,943	75,000
Repayments of loan	(174,406)	
Net cash provided by financing activities	(463)	74,022
Net decrease in cash	(8,772)	9,545
Cash at beginning of period	25,268	2,580
<b>Cash at end of period</b>	<b>\$ 16,496</b>	<b>\$ 12,125</b>

## Edgar Filing: Aventura Holdings Inc. - Form 10-Q

### 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 inconjunction with acquisitions	\$	\$
---	----	----

Issuance of common stock	\$	\$
--------------------------	----	----

The accompanying unaudited notes are an integral part of these consolidated financial statements

**Table of Contents**

**AVENTURA HOLDINGS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(UNAUDITED)

**NOTE 1 - NATURE OF ORGANIZATION**

The Company owned a majority interest in Ohio Funding Group, Inc. (Ohio) which was a lender in the sub-prime automobile market. On October 17, 2007 the Company formed a new subsidiary, AMEX Security, Inc. (AMEX) which will be geared to provide video surveillance products and systems to government, gaming and other international security markets .

**NOTE 2 - GOING CONCERN**

As reflected in the accompanying financial statements, the Company's recurring losses from operations, net loss of \$97,276 and \$250,909 for the three and nine months ended September 30, 2007 and \$58,460 and \$365,059 for the three and nine months ended September 30, 2006 and net cash used in operations of \$8,309 and \$65,072 for the nine months ended September 30, 2007 and 2006; a shareholder's deficit of \$338,191 and an accumulated deficit of \$1,171,175 at September 30, 2007, 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 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**

Current management has experience and has previously developed core technology in voice and video over IP networks. Management believes there are burgeoning markets, which may be exploited in IPTV as well as video surveillance. The Company also intends to develop products and solutions for the broadcast, telecommunications, educational and corporate markets. In order to expedite our marketing plan, Aventura shall seek out acquisition candidates whom either possess state-of-the-art technology that may give the Company a decisive edge in its sales initiative and/or have a mature sales infrastructure to the desired channels. The Company will seek such opportunities on a domestic and international basis. Further plans call for strategic teaming agreements with industry sector leaders in the intended market spaces for rapid deployment.

---

**Table of Contents**

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Interim reporting**

While the information presented in the accompanying interim nine months financial statements is unaudited, it includes all adjustments, which are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented in accordance with accounting principles generally accepted in the United States of America. These interim financial statements follow the same accounting policies and methods of their application as the December 31, 2006 annual financial statements of Aventura Holdings, Inc. All adjustments are of a normal recurring nature. It is suggested that these interim financial statements be read in conjunction with the Company's December 31, 2006's annual financial statements.

Operating results for the nine months ended September 30, 2007 are not necessarily indicative of the results that can be expected for the year ended December 31, 2007.

**Minority Interest**

The net income of the Company's consolidated subsidiary, Ohio Funding Group, Inc. is reflected in the consolidated statements of operations beginning May 16, 2006, therefore, Ohio's income and expenses for the quarterly period before Ohio's acquisition are not included for comparison purposes at September 30, 2006. From May 16, 2006 through September 30, 2006 the Company owned 30% of Ohio, from October 1, 2006 to September 23, 2007 the Company owned 60% of Ohio and from September 24, 2007 to September 30, 2007 the Company owned 99.2% of Ohio. After initially accounting for investment in Ohio 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.

**NOTE 4 - INVESTMENTS**

On May 16, 2006 the Company acquired thirty percent (30%) of Ohio Funding Group, Inc. (Ohio) in exchange for 200,000,000 shares of common stock of the Company. On October 1, 2006 the Company acquired an additional thirty percent (30%) of Ohio in exchange for 200,000,000 shares of common stock of the Company. On September 24, 2007 the Company acquired an additional 39.2% of Ohio in exchange for assumption of certain debt. The combined acquisitions of Ohio gave the Company a majority interest in Ohio. On June 20, 2007 the Company replaced prior management.

**NOTE 5 EMPLOYMENT AGREEMENTS**

As of November 15, 2007, the Company has one full-time employee under a five year employment agreement commencing 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 - 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.

The Board of Directors determined it was in the Company's best interest to divest non-core business segments. Accordingly, on June 29, 2006, the Company assigned its 100% member interest in Aventura Networks, LLC to Craig A. Waltzer (the Company's President and Chairman) in exchange for Mr. Waltzer's assumption of the Company's liabilities arising out of its ownership and/or the operation of Aventura Networks, LLC. On June 29, 2006 the Company ceased consolidating its financial statements with Aventura Networks, LLC. The Company recognized a gain on this disposal of \$8,116.

**NOTE 7 - 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

## Edgar Filing: Aventura Holdings Inc. - Form 10-Q

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.

## **Table of Contents**

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.

### **NOTE 8 - SUBSEQUENT EVENTS**

The Company formed a new subsidiary, AMEX Security, Inc.

The Company, Horvath Holdings, LLC, American Dealer Enterprise Group, LLC, Donald Foss and Allan Apple agreed to settle its lawsuit. As part of the settlement, Aventura agreed to transfer all owned shares of Ohio Funding Group, Inc. common stock to Horvath, Horvath agreed to satisfy certain debt, Horvath agreed to transfer all owned shares of Aventura common stock to Aventura and American Dealer Enterprise Group, LLC agreed to exercise its conversion rights by exchanging its promissory note (including accrued interest) for fully paid non-assessable Aventura common stock.

### **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation**

The following discussion should be read in conjunction with our financial statements and notes thereto appearing elsewhere in this report.

### **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION**

This Form 10-Q for the quarter ended September 30, 2007 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.

### **RECENT DEVELOPMENTS**

On March 6, 2006 the Company terminated its Stock Purchase Agreement with Dutchess Private Equities Fund II, L.P. (Dutchess) having delivered six hundred million (300,000,000) shares and a payment of \$978 to extinguish the debt.

**Table of Contents**

On April 24, 2006 the Company filed a preliminary information statement (Form 14C) with the Securities and Exchange Commission ("SEC") and our controlling shareholder voted to withdraw our Business Development Company ("BDC") election. The Company filed a definitive information statement (Form 14C) and notification of withdrawal of business development company election (Form N-54C) on May 15, 2006, notifying the SEC that, pursuant to the provisions of Section 54(c), the Company withdrew its election to be subject to Sections 55 through 65 of the 1940 Act. Accordingly, the Company is no longer subject to the 1940 Act but will continue as an operating reporting public company, and is subject to the Securities Exchange Act of 1934.

On May 16, 2006 the Company entered into several agreements with Horvath Holdings, LLC ("Horvath"), a Michigan limited liability Company, including a Class A Common Stock Purchase Warrant ("Warrant"). On October 1, 2006, pursuant to a partial exercise of the Warrant by Horvath, the Company acquired 30% of the equity of Ohio Funding Group, Inc. from Horvath in exchange for the issuance of 200,000,000 shares of the Company's common stock. Following this transaction, a Replacement Class A Common Stock Purchase Warrant No. 1 was issued to Horvath ("Replacement Warrant"). The replacement warrant expired unexercised.

On June 29, 2006 the Company assigned its 100% member interest in Aventura Networks, LLC to Craig A. Waltzer (the Company's president and chairman) in exchange for Mr. Waltzer's assumption of liabilities arising out of the Company's ownership or operation of Aventura Networks, LLC.

On July 10, 2006, the Company executed a Note in favor of ADEG, pursuant to which the Company obtained a loan from ADEG in the maximum aggregate principal amount of \$750,000. The Note had a maturity date of July 10, 2011. Borrowed funds under the Note accrued interest at a fixed rate of 10% per annum.

On July 27, 2006, October 30, 2006 and March 15, 2007 ADEG advanced \$75,000, \$75,000 and \$50,000 to the Company under the Note. \$200,000 represents the September 30, 2007 principal balance. As of September 30, 2007, \$19,174 in interest accrued on such principal balance, for an aggregate indebtedness under the Note of \$219,174. On June 5, 2007 ADEG delivered notice to the Company that it will not be advancing further funds under the note.

American Dealer Enterprise Group, LLC agreed to exercise its conversion right by exchanging its promissory note and accrued interest for shares of fully paid non-assessable Aventura common stock.

**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 majority interest in and consolidated Ohio Funding Group, Inc. into the Company's financial statements by virtue of our May 16, 2006, October 1, 2006 and September 24, 2007 30%, 30% and 39.2% respective investments in Ohio's outstanding common stock.

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.

**AVENTURA HOLDINGS, INC.**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

	For the Nine Months Ended September 30, 2007 (unaudited)	For the Nine Months Ended September 30, 2006 (unaudited)	For the Three Months Ended September 30, 2007 (unaudited)	For the Three Months Ended September 30, 2006 (unaudited)
<b>REVENUES:</b>	\$ 54,398	\$ 82,052	\$ 14,670	\$ 14,047

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

**EXPENSES:**

General & Administrative	382,050	171,187	141,370	65,644
Net Operating Loss	(327,652)	(89,135)	(126,700)	(51,597)

**OTHER INCOME/EXPENSE**

Finance Costs		(21,705)		
Warrant expense		(250,000)		
Total Other Income and (Expenses)		(271,705)		
Loss from continuing operations before minority interest	(327,652)	(360,840)	(126,700)	(51,597)
Minority Interest - Ohio Funding	76,743	(18,522)	29,424	(6,863)
Loss from continuing operations	(250,909)	(379,362)	(97,276)	(58,460)
Discontinued operations		6,187		
Net gain on disposal of subsidiary		8,116		
Income (loss) from discontinued operations		14,303		
<b>Net Income (Loss)</b>	<b>\$ (250,909)</b>	<b>\$ (365,059)</b>	<b>\$ (97,276)</b>	<b>\$ (58,460)</b>

LOSS PER SHARE:

Net Loss Per Common Share - Basic and Diluted	\$ (nil)	\$ (nil)	\$ (nil)	\$ (nil)
Weighted Common Shares Outstanding - Basic and Diluted	3,043,443,527	2,584,395,642	3,043,443,527	2,584,395,642

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

## **Table of Contents**

### **REVENUES**

Revenues for the three and nine months ended September 30, 2007 were \$14,670 and \$54,398 compared to revenues for the three and nine months ended September 30, 2006 of \$14,047 and \$82,052.

### **OPERATING AND OTHER EXPENSES**

Operating expenses for the three and nine months ended September 30, 2007 were \$141,370 and \$382,050 compared to operating expenses for the three and nine months ended September 30, 2006 of \$65,644 and \$171,187.

Financing expenses were \$0 and \$0 for the three and nine months ended September 30, 2007 compared to \$0 and \$21,705 for the three and nine months ended September 30, 2006.

As a result of these factors, we reported a net loss of \$250,909 or \$(nil) per share for the nine months ended September 30, 2007 as compared to a net loss of \$365,059 or \$(nil) per share for the nine months ended September 30, 2006.

### **LIQUIDITY AND CAPITAL RESOURCES**

At September 30, 2007, we had an accumulated deficit of \$1,171,175 and liabilities exceeding assets by \$338,191.

We have no material commitments for capital expenditures.

Net cash used in operations during the nine months ended September 30, 2007 was \$8,309 primarily relating to our \$250,909 net loss, \$101,909 decrease in accounts receivable and \$197,890 decrease in contracts receivable. In the comparable period of September 30, 2006, we had net cash used in operations of \$65,072, primarily relating to the net loss of \$365,059 and \$250,000 of warrant expense paid with Company stock.

No cash was provided or used by investing activities for the nine months ended September 30, 2007 and \$595 was provided for the nine months ended September 30, 2006.

Net cash used by financing activities for the nine months ended September 30, 2007 was \$463 as compared to net cash provided by financing activities of \$74,022 for the nine months ended September 30, 2006. During the nine months ended September 30, 2007 the Company received \$50,000 for a note payable to ADEG. In the comparable period of 2006, we paid \$978 in cash to extinguish our debt to Dutchess Private Equities Fund II, LP and received \$75,000 for a note payable to ADEG.

The Company relies 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.

### **Contractual Obligations**

On July 10, 2006, the Company executed a Note in favor of ADEG, pursuant to which the Company obtained a loan from ADEG in the maximum aggregate principal amount of \$750,000. The Note has a maturity date of July 10, 2011. Borrowed funds under the Note accrue interest at a fixed rate of 10% per annum.

On July 27, 2006, October 30, 2006 and March 15, 2007 ADEG advanced \$75,000, \$75,000 and \$50,000 to the Company under the Note. \$200,000 represents the September 30, 2007 principal balance. As of September 30, 2007, \$19,174 in interest accrued on such principal balance, for an aggregate indebtedness under the Note of \$219,174. On June 5, 2007 ADEG delivered notice to the Company that it will not be advancing further funds under the note.

American Dealer Enterprise Group, LLC agreed to exercise its conversion right by exchanging its promissory note and accrued interest for shares of fully paid non-assessable Aventura common stock.

## **Table of Contents**

For the fiscal year ended December 31, 2006, our independent registered public accounting firm issued a going concern opinion in connection with their audit of our financial statements. These conditions raise substantial doubt about our ability to continue as a going concern if sufficient additional funding is not acquired or alternative sources of capital developed to meet our working capital needs.

Although ADEG terminated future financing to Aventura, we believe alternative financing and business opportunities will allow the Company to continue as a going concern.

## **CRITICAL ACCOUNTING POLICIES**

A summary of significant accounting policies is included in Note 3 to the unaudited 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.

## **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 3. 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 September 30, 2007, 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.

### ***Interest Rate Risk***

To the extent we may borrow funds to finance our operations at variable rates, or our financing operations are modified to include variable rate instruments, we may become subject to risks arising from interest rate fluctuations. 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.

## **Item 4. 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**

**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings**

On May 16, 2006 Aventura and Horvath Holdings, LLC entered into a series of transactions that were intended to be a vehicle through which Horvath could possibly acquire a controlling interest in Aventura in the event Horvath properly exercised a one year Warrant and complied with all other conditions set forth in transaction documents.

On June 11, 2007 Horvath and ADEG (a Donald Foss company) filed a lawsuit in United States District Court Southern District of Florida (Case Number 07-60816-CIV-Altonaga / Turnoff) seeking specific performance of the expired warrant and subsequently amended their complaint twice. The Company counter-sued and included Donald Foss and his accountant Allan Apple as counter defendants.

The Company, Horvath Holdings, LLC, American Dealer Enterprise Group, LLC, Donald Foss and Allan Apple agreed to settle its lawsuit. As part of the settlement, Aventura agreed to transfer all owned shares of Ohio Funding Group, Inc. common stock to Horvath, Horvath agreed to satisfy certain debt, Horvath agreed to transfer all owned shares of Aventura common stock to Aventura and American Dealer Enterprise Group, LLC agreed to exercise its conversion rights by exchanging its promissory note (including accrued interest) for fully paid non-assessable Aventura common stock.

**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 Quarterly Report on Form 10-Q, 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.

***We suffered a significant operating loss in 2006.***

For the year ended December 31, 2006, our net loss was \$496,366. Although we believe that we are now 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.***

The Company executed a settlement agreement wherein ADEG converted ible into common stock of the Company as described in Part I, Item 2 above. From time to time, the Company may issue additional shares of its common stock, options for additional shares of its common stock and/or equity or debt securities convertible into common stock. Any issuances of additional shares of common stock pursuant to the foregoing will result in dilution to our existing shareholders.

***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



**Table of Contents**

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.

***Long-term debt repayment obligation.***

On July 27, 2006, October 30, 2006 and March 15, 2007 ADEG advanced \$75,000, \$75,000 and \$50,000 to the Company under a Note. \$200,000 represents the September 30, 2007 principal balance. As of September 30, 2007, \$19,174 in interest accrued on such principal balance, for an aggregate indebtedness under the Note of \$219,174. On June 5, 2007 ADEG delivered notice to the Company that it will not be advancing further funds under the note.

American Dealer Enterprise Group, LLC agreed to exercise its conversion right by exchanging its promissory note and accrued interest for shares of fully paid non-assessable Aventura common stock.

***Loss of certain protections because of non-BDC status.***

When the Company ceased to be a BDC regulated under the Investment Company Act of 1940 ("1940 Act") in May 2006, the shareholders lost certain protections, including, but not limited to, the following:

The Company is no longer be subject to the requirement that it maintain a ratio of assets to senior securities of at least 200%;

The Company is no longer prohibited from protecting any director or officer against any liability to the Company or the Company's shareholders arising from willful malfeasance, bad faith, gross negligence, or reckless disregard of the duties involved in the conduct of that person's office;

The Company is no longer required to ensure that a majority of the directors are persons who are not "interested persons," as that term is defined in section 56 of the 1940 Act, and certain persons that would be prevented from serving on the Company's board if it were a BDC (such as investment bankers) will be able to serve on the Company's board;

The Company is no longer subject to provisions of the 1940 Act regulating transactions between BDCs and certain affiliates and restricting the Company's ability to issue warrants and options;

The Company is no longer obligated to subject a material change in its fundamental investment policies to the approval of its shareholders;

The Company is no longer subject to provisions of the 1940 Act prohibiting the issuance of securities at below net asset value; OR

The withdrawal of the Company's election to be regulated as a BDC results in a change in its method of accounting. BDC financial statement presentation and accounting uses 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. Operating companies use either the fair-value or historical-cost methods of accounting for financial statement presentation and accounting for securities held, depending on how the investment is classified and how long the company intends to hold the investment. Changing the Company's method of

## Edgar Filing: Aventura Holdings Inc. - Form 10-Q

accounting could reduce the market value of its investments in privately held companies by eliminating the Company's ability to report an increase in value of its holdings as they occur. The Company believes that, in light of its limited assets, the effect of the change in method of accounting should not be

---

**Table of Contents**

material. The Company does not believe that withdrawing its election to be regulated as a BDC will have any impact on its federal income tax status, because the Company never elected to be treated as a regulated investment company under Subchapter M of the Internal Revenue Code. Instead, the Company has always been subject to corporate level federal income tax on its income (without regard to any distributions it makes to its shareholders) as a "regular" corporation under Subchapter C of the Internal Revenue Code. Notwithstanding the above, the Board will still be subject to customary principles of fiduciary duty with respect to the Company and its shareholders and investors will benefit from a number of protections and corporate governance requirements under the Sarbanes-Oxley Act of 2002. In addition, withdrawal of the Company's election to be treated as a BDC did not affect the Company's registration under Section 12(g) of the Securities Exchange Act of 1934 (the "Exchange Act"). Under the Exchange Act, the Company is required to file periodic reports on Form 10-K, Form 10-Q, Form 8-K, proxy statements and other reports required under the Exchange Act.

***Management has discretionary use of Company assets.***

We continue to look for and investigate business opportunities that are consistent with our business plan. Management has broad discretion with respect to the acquisition of interests in companies that are consistent with our operations. Management may 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.

***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;

**Table of Contents**

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 any price.

***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.***

We are 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.

***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 have a cash surplus available for dividends in the foreseeable future.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

- A. On May 16, 2006 the Company issued 200,000,000 shares of its previously un-issued common stock in exchange for a 30% equity interest in Ohio Funding Group, Inc. and a Warrant convertible to a majority interest in the Company. This issuance of equity securities was reported in our Form 8-K filing on May 22, 2006. This transaction involved non-publicly offered securities in a privately negotiated transaction with a sophisticated purchaser. As such, the Company is claiming an exemption from registration pursuant to Section 4(2) of the Securities Act of 1933.

B.

## Edgar Filing: Aventura Holdings Inc. - Form 10-Q

On October 1, 2006 the Warrant was partially exercised and the Company acquired an additional 30% of Ohio in exchange for the issuance of 200,000,000 shares of the Company's common stock. The Company issued a Replacement Warrant and the Replacement Warrant expired unexercised.

**Table of Contents**

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Submission of Matters to a Vote of Security Holders**

None.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

**Item 601 of  
Regulation S-K**

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

**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.

November 15, 2007

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