

NEW CENTURY EQUITY HOLDINGS CORP  
Form 10-Q  
November 14, 2008

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2008

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-28536

NEW CENTURY EQUITY HOLDINGS CORP.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

74-2781950

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

200 Crescent Court, Suite 1400, Dallas, Texas  
(Address of principal executive offices)

75201

(Zip Code)

(214) 661-7488

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

Large accelerated filer ☐

Accelerated filer ☐

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Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 14, 2008, the registrant had 53,883,872 shares of Common Stock outstanding.

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NEW CENTURY EQUITY HOLDINGS CORP. AND SUBSIDIARIES

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## PART I FINANCIAL INFORMATION

## Item 1. Financial Statements

NEW CENTURY EQUITY HOLDINGS CORP. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (In thousands, except share data)

	September 30, 2008 (Unaudited)	December 31, 2007
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 12,088	\$ 12,679
Prepays and other assets	815	37
Total current assets	12,903	12,716
Revenue interest	803	803
Total assets	\$ 13,706	\$ 13,519
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 106	\$ -
Accrued liabilities	260	131
Current and total liabilities	366	131
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value, 10,000,000 shares authorized; none outstanding	-	-
Common stock, \$0.01 par value, 75,000,000 shares authorized; 53,883,872 shares issued and outstanding	539	539
Additional paid-in capital	75,357	75,357
Accumulated deficit	(62,556)	(62,508)
Total stockholders' equity	13,340	13,388
Total liabilities and stockholders' equity	\$ 13,706	\$ 13,519

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

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NEW CENTURY EQUITY HOLDINGS CORP. AND SUBSIDIARIES  
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (In thousands, except per share data)

	Three Months Ended June 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Operating revenues	\$ -	\$ -	\$ -	\$ -
Operating expenses:				
General and administrative expenses	81	121	271	448
Operating loss	(81)	(121)	(271)	(448)
Other income (expense):				
Interest income	60	155	223	466
Total other income	60	155	223	18
Net income (loss) applicable to common stockholders	\$ (21)	\$ 34	\$ (48)	\$ 18
Basic and diluted net income (loss) per common share:				
Net income (loss)	\$ (0.00)	\$ 0.00	\$ (0.00)	\$ 0.00
Weighted average common shares outstanding	53,884	53,884	53,884	53,884

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

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NEW CENTURY EQUITY HOLDINGS CORP. AND SUBSIDIARIES  
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (In thousands)

	Nine Months Ended September 30,	
	2008	2007
Cash flows from operating activities:		
Net (loss) income	\$ (48)	\$ 18
Adjustments to reconcile net loss to net cash provided by operating activities:		
Share based payment expense	-	17
Changes in operating assets and liabilities:		
(Increase) decrease in prepaid and other assets	(778)	122
Increase (decrease) in accounts payable	106	(13)
Increase (decrease) in accrued liabilities	129	(59)
Net cash (used in) provided by operating activities	(591)	85
Cash flows from investing activities:		
Purchase of property and equipment	-	(2)
Net cash used in investing activities	-	(2)
Cash flows from financing activities	-	-
Net (decrease) increase in cash and cash equivalents	(591)	83
Cash and cash equivalents, beginning of period	12,679	12,319
Cash and cash equivalents, end of period	\$ 12,088	\$ 12,402

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

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NEW CENTURY EQUITY HOLDINGS CORP. AND SUBSIDIARIES  
NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS  
(UNAUDITED)

Note 1. Basis of Presentation

The interim condensed consolidated financial statements included herein have been prepared by New Century Equity Holdings Corp. ("NCEH" or the "Company") and subsidiaries without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Although certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to those rules and regulations, all adjustments considered necessary in order to make the financial statements not misleading, have been included. In the opinion of the Company's management, the accompanying interim condensed consolidated financial statements reflect all adjustments, of a normal recurring nature, that are necessary for a fair presentation of the Company's financial position, results of operations and cash flows for such periods. It is recommended that these interim condensed consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007, as amended. Results of operations for the interim periods are not necessarily indicative of results that may be expected for any other interim periods or the full fiscal year.

Note 2. Recent Developments

Wilhelmina Acquisition Agreement

On August 25, 2008, NCEH and Wilhelmina Acquisition Corp., a New York corporation and wholly owned subsidiary of NCEH ("Wilhelmina Acquisition"), entered into an agreement (the "Acquisition Agreement") with Dieter Esch ("Esch"), Lorex Investments AG, a Swiss corporation ("Lorex"), Brad Krassner ("Krassner"), Krassner Family Investments, L.P. ("Krassner L.P." and together with Esch, Lorex and Krassner, the "Control Sellers"), Wilhelmina International, Ltd., a New York corporation ("Wilhelmina International"), Wilhelmina – Miami, Inc., a Florida corporation ("Wilhelmina Miami"), Wilhelmina Artist Management LLC, a New York limited liability company ("WAM"), Wilhelmina Licensing LLC, a Delaware limited liability company ("Wilhelmina Licensing"), and Wilhelmina Film & TV Productions LLC, a New York limited liability company ("Wilhelmina TV" and together with Wilhelmina International, Wilhelmina Miami, WAM and Wilhelmina Licensing, the "Wilhelmina Companies"), Sean Patterson, an executive with the Wilhelmina Companies ("Patterson"), and the shareholders of Wilhelmina Miami (the "Miami Holders" and together with the Control Sellers and Patterson, the "Sellers"). Pursuant to the Acquisition Agreement, NCEH will acquire the Wilhelmina Companies subject to the terms and conditions thereof (the "Acquisition"). The Acquisition Agreement provides for (i) the merger of Wilhelmina Acquisition with and into Wilhelmina International in a stock-for-stock transaction, as a result of which Wilhelmina International will become a wholly owned subsidiary of NCEH (the "Merger") and (ii) NCEH's purchase of the outstanding equity interests of the other Wilhelmina Companies for cash.

At the closing of the Acquisition Agreement (the "Closing"), NCEH will pay an aggregate purchase price of \$30,000,000 in connection with the Acquisition, of which \$24,000,000 will be paid for the outstanding equity interests of the Wilhelmina Companies and \$6,000,000 in cash will repay the outstanding balance of a note held by a Control Seller. The purchase price includes \$15,000,000 of Common Stock of NCEH (the "Common Stock"), valued at book value as of July 31, 2008 (which the parties agreed is \$0.247 per share of Common Stock, subject to adjustment) to be issued in connection with the merger of Wilhelmina Acquisition with and into Wilhelmina International. The remaining \$9,000,000 of cash will be paid to acquire the equity interests of the remaining Wilhelmina Companies.





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The purchase price is subject to certain post-closing adjustments, which will be effected against a total of \$4,600,000 of Common Stock that will be held in escrow pursuant to the Acquisition Agreement. The \$30,000,000 to be paid at Closing, less \$4,500,000 of Common Stock to be held in escrow in respect of the “core business” purchase price adjustment, provides for a floor purchase price of \$25,500,000 (which amount may be further reduced in connection with certain indemnification matters). The shares of Common Stock held in escrow may be repurchased by NCEH for a nominal amount, subject to certain earnouts and offsets.

The shares of Common Stock held in escrow support earnout offsets and indemnification obligations of the Sellers. The Sellers will be required to leave in escrow, through 2011, any stock “earned” following resolution of “core” adjustment, up to a total value of \$1,000,000. Losses at WAM and Wilhelmina Miami, respectively, can be offset against any positive earnout with respect to the other Wilhelmina Company. Losses in excess of earnout amounts could also result in the repurchase of the remaining shares of Common Stock held in escrow for a nominal amount. Working capital deficiencies may also reduce positive earnout amounts. The earnouts are payable in 2011.

The Acquisition Agreement and the transactions contemplated thereunder is subject to shareholder approval. On October 14, 2008, the Company filed a preliminary proxy statement with the SEC in order to seek shareholder approval of, among other things, the Acquisition Agreement and the transactions contemplated thereunder. When completed, the definitive proxy statement will be mailed to the shareholders.

### Newcastle Financing Agreement

Concurrently with the execution of the Acquisition Agreement, the Company entered into a purchase agreement (the “Equity Financing Agreement”) with Newcastle Partners, L.P., a Texas limited partnership (“Newcastle”), which currently owns 19,380,768 shares or approximately 36% of the Company’s outstanding Common Stock, for the purpose of obtaining financing to complete the transactions contemplated by the Acquisition Agreement. Pursuant to the Equity Financing Agreement, subject to and conditioned upon the Closing of the Acquisition Agreement, the Company will sell to Newcastle \$3,000,000 of shares of Common Stock at \$.247 per share, or approximately (but slightly higher than) the per share price applicable to the Common Stock issuable under the Acquisition Agreement. In addition, under the Equity Financing Agreement, Newcastle committed to purchase, at the Company’s election at any time or times prior to six months following the Closing, up to an additional \$2,000,000 of Common Stock on the same terms. The Equity Financing Agreement is subject to certain other conditions, including the parties’ entry into a registration rights agreement upon the Closing, pursuant to which Newcastle will be granted certain demand and piggyback registration rights with respect to the Common Stock it holds, including the Common Stock issuable under the Equity Financing Agreement.

### Sean Patterson Employment Agreement

On November 10, 2008, the Company, Wilhelmina International and Sean Patterson entered into an Employment Agreement covering the terms of the employment of Mr. Patterson by Wilhelmina International subject to, and effective upon, the closing of the acquisition of the Wilhelmina Companies by the Company pursuant to the Acquisition Agreement. See “Wilhelmina Acquisition Agreement” above. Under the Employment Agreement, Mr. Patterson will continue to serve as President of Wilhelmina International. Mr. Patterson will receive a base salary of \$475,000 per year and an annual bonus based on the excess of the combined annual EBITDA of Wilhelmina International, WAM and Wilhelmina Models, Inc., a Wilhelmina International subsidiary, over \$4,000,000. The Employment Agreement has a three year term. Mr. Patterson is subject to certain non-competition, non-solicitation and related obligations during and following the term of the Employment Agreement.

### Note 3. Historical Overview

On October 5, 2005, the Company entered into an agreement (the “Ascendant Agreement”) with ACP Investments, L.P. (d/b/a Ascendant Capital Partners) (“Ascendant”) to acquire an interest in the revenues generated by Ascendant. Ascendant is a Berwyn, Pennsylvania based alternative asset management company whose funds have investments in long/short equity funds and which distributes its registered funds primarily through various financial intermediaries and related channels. The Company’s interest in Ascendant currently represents the Company’s sole operating business.

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The Company, which was formerly known as Billing Concepts Corp. (“BCC”), was incorporated in the state of Delaware in 1996. BCC was previously a wholly-owned subsidiary of U.S. Long Distance Corp. (“USLD”) and principally provided third-party billing clearinghouse and information management services to the telecommunications industry (the “Transaction Processing and Software Business”). Upon its spin-off from USLD, BCC became an independent, publicly-held company. In October 2000, the Company completed the sale of several wholly-owned subsidiaries that comprised the Transaction Processing and Software Business to Platinum Holdings (“Platinum”) for consideration of \$49,700,000 (the “Platinum Transaction”). The Company also received payments totaling \$7,500,000 for consulting services provided to Platinum over the twenty-four month period subsequent to the Platinum Transaction.

Beginning in 1998, the Company made multiple investments in Princeton eCom Corporation (“Princeton”) totaling approximately \$77,300,000 before selling all of its interest for \$10,000,000 in June 2004. The Company’s strategy, beginning with its investment in Princeton, of making investments in high-growth companies was also facilitated through several other investments.

In early 2004, the Company announced that it would seek stockholder approval to liquidate the Company. In June of 2004, the board of directors of the Company determined that it would be in the best interest of the Company to accept an investment from Newcastle, an investment fund with a long track record of investing in public and private companies. On June 18, 2004, the Company sold 4,807,692 newly issued shares of its Series A 4% Convertible Preferred Stock (the “Series A Preferred Stock”) to Newcastle for \$5,000,000 (the “Newcastle Transaction”). The Series A Preferred Stock was convertible into approximately thirty-five percent of the Company’s Common Stock, at any time after the expiration of twelve months from the date of its issuance at a conversion price of \$0.26 per share of Common Stock, subject to adjustment for dilution. The holders of the Series A Preferred Stock were entitled to a four percent annual cash dividend (the “Preferred Dividends”). Following the investment by Newcastle, the management team resigned and new executives and board members were appointed. On July 3, 2006, Newcastle converted its Series A Preferred Stock into 19,230,768 shares of Common Stock.

During May 2005, the Company sold its equity interest in Sharps Compliance Corp. (“Sharps”) for approximately \$334,000. Following the sale of its interest in Sharps, the Company no longer holds any investments made by former management and which reflected former management’s strategy of investing in high-growth companies.

## Derivative Lawsuit

On August 11, 2004, Craig Davis, allegedly a stockholder of the Company, filed a lawsuit in the Chancery Court of New Castle County, Delaware (the “Lawsuit”). The Lawsuit asserted direct claims, and also derivative claims on the Company’s behalf, against five former and three current directors of the Company. On April 13, 2006, the Company announced that it reached an agreement with all of the parties to the Lawsuit to settle all claims relating thereto (the “Settlement”). On June 23, 2006, the Chancery Court approved the Settlement, and on July 25, 2006, the Settlement became final and non-appealable. As part of the Settlement, the Company set up a fund (the “Settlement Fund”), which was distributed to stockholders of record as of July 28, 2006, with a payment date of August 11, 2006. The portion of the Settlement Fund distributed to stockholders pursuant to the Settlement was \$2,270,017 or approximately \$.04 per common share on a fully diluted basis, provided that any Common Stock held by defendants in the Lawsuit who were formerly directors of the Company would not be entitled to any distribution from the Settlement Fund. The total Settlement proceeds of \$3,200,000 were funded by the Company’s insurance carrier and by Parris H. Holmes, Jr., the Company’s former Chief Executive Officer, who contributed \$150,000. Also included in the total Settlement proceeds was \$600,000 of reimbursement for legal and professional fees paid to the Company by its insurance carrier and subsequently contributed by the Company to the Settlement Fund. Therefore, the Company recognized a loss of \$600,000 related to the Lawsuit for the year ended December 31, 2006. As part of the Settlement, the Company and the other defendants in the Lawsuit agreed not to oppose the request for fees and expenses by counsel to the plaintiff

of \$929,813. Under the Settlement, the plaintiff, the Company and the other defendants (including Mr. Holmes) also agreed to certain mutual releases.

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The Settlement provided that, if the Company had not acquired a business that generated revenues by March 1, 2007, the plaintiff maintained the right to pursue a claim to liquidate the Company. This custodian claim was one of several claims asserted in the Lawsuit. Even if such a claim is elected to be pursued, there is no assurance that it will be successful. In addition, the Company believes that it has preserved its right to assert that the Ascendant investment meets the foregoing requirement to acquire a business.

During October 2007, in connection with the resolution of the Lawsuit, the Company and the insurance carrier agreed to settle all claims for reimbursement of legal and professional fees paid by the Company for \$240,000.

Note 4. Stock Based Compensation

During the quarter ended March 31, 2006, the Company adopted the provisions of Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment" ("SFAS 123R") using the modified prospective application transition method. Under this method, previously reported amounts should not be restated to reflect the provisions of SFAS 123R. SFAS 123R requires measurement of all employee stock-based compensation awards using a fair-value method and recording of such expense in the consolidated financial statements over the requisite service period. Previously, the Company had applied the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations and elected to utilize the disclosure option of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation". For the nine months ended September 30, 2008 and 2007, the Company recorded \$0 and \$17,000, respectively, of stock-based compensation expense under the fair-value provisions of SFAS 123R. The Company utilizes stock-based awards as a form of compensation for employees, officers and directors.

Note 5. Revenue Interest

Pursuant to the Ascendant Agreement, the Company is entitled to a 50% interest, subject to certain adjustments, in the revenues of Ascendant, which interest declines if the assets under management of Ascendant reach certain levels. Revenues generated by Ascendant include revenues from assets under management or any other sources or investments, net of any agreed commissions. The Company also agreed to provide various marketing services to Ascendant. On November 5, 2007, John Murray, Chief Financial Officer of the Company, was appointed to the Investment Advisory Committee of Ascendant to replace the Company's former CEO. The total potential purchase price under the terms of the Ascendant Agreement was \$1,550,000, payable in four equal installments of \$387,500. The first installment was paid at the closing and the second installment was paid on January 5, 2006. Subject to the provisions of the Ascendant Agreement, including Ascendant's compliance with the terms thereof, the third installment was payable on April 5, 2006 and the fourth installment was payable on July 5, 2006. On April 5, 2006, the Company elected not to make the April installment payment and subsequently determined not to make the installment payment due July 5, 2006. The Company believed that it was not required to make the payments because Ascendant did not satisfy all of the conditions in the Ascendant Agreement.

Subject to the terms of the Ascendant Agreement, if the Company does not make an installment payment and Ascendant is not in breach of the Ascendant Agreement, Ascendant has the right to acquire the Company's revenue interest at a price which would yield a 10% annualized return to the Company. The Company has been notified by Ascendant that Ascendant is exercising this right as a result of the Company's election not to make its third and fourth installment payments. The Company believes that Ascendant has not satisfied the requisite conditions to repurchase the Company's revenue interest.

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Ascendant had assets under management of approximately \$40,800,000 and \$37,500,000 as of September 30, 2008 and December 31, 2007, respectively. Under the Ascendant Agreement, revenues earned by the Company from the Ascendant revenue interest (as determined in accordance with the terms of the Ascendant Agreement) are payable in cash within 30 days after the end of each quarter. Under the terms of the Ascendant Agreement, Ascendant has 45 days following notice by the Company to cure any material breach by Ascendant of the Ascendant Agreement, including with respect to payment obligations. Ascendant failed to make the required revenue sharing payments for the calendar quarters including June 30, 2006 through June 30, 2008, in a timely manner and did not cure such failures within the required 45 day period. In addition, Ascendant has not made the payment for the quarter ended September 30, 2008. Under the terms of the Ascendant Agreement, upon notice of an uncured material breach, Ascendant is required to fully refund all amounts paid by the Company, and the Company's revenue interest remains outstanding.

The Company has not recorded any revenue or received any revenue sharing payments for the period from July 1, 2006 through September 30, 2008. According to the Ascendant Agreement, if Ascendant acquires the revenue interest from the Company, Ascendant must pay the Company a return on the capital that it invested. Pursuant to the Ascendant Agreement, the required return on the Company's invested capital will not be impacted by any revenue sharing payments made or not made by Ascendant.

In connection with the Ascendant Agreement, the Company also entered into the Principals Agreement with Ascendant and certain limited partners and key employees of Ascendant (the "Principals Agreement") pursuant to which, among other things, the Company has the option to purchase limited partnership interests of Ascendant under certain circumstances. Effective March 14, 2006, in accordance with the terms of the Principals Agreement, the Company acquired a 7% limited partnership interest from a limited partner of Ascendant for nominal consideration. The Principals Agreement contains certain noncompete and nonsolicitation obligations of the partners of Ascendant that apply during their employment and the twelve month period following the termination thereof.

Since the Ascendant revenue interest meets the indefinite life criteria outlined in Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets", the Company does not amortize this intangible asset, but instead reviews this asset quarterly for impairment. Each reporting period, the Company assesses whether events or circumstances have occurred which indicate that the carrying amount of the intangible asset exceeds its fair value. If the carrying amount of the intangible asset exceeds its fair value, an impairment loss will be recognized in an amount equal to that excess. After an impairment loss is recognized, the adjusted carrying amount of the intangible asset shall be its new accounting basis. Subsequent reversal of a previously recognized impairment loss is prohibited.

The Company assesses whether the entity in which the acquired revenue interest exists meets the indefinite life criteria based on a number of factors including: the historical and potential future operating performance; the historical and potential future rates of attrition among existing clients; the stability and longevity of existing client relationships; the recent, as well as long-term, investment performance; the characteristics of the entities' products and investment styles; the stability and depth of the management team and the history and perceived franchise or brand value.

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Note 6. Commitments and Contingencies

In October 2000, the Company completed the Platinum Transaction. Under the terms of the Platinum Transaction, all leases and corresponding obligations associated with the Transaction Processing and Software Business were assumed by Platinum. Prior to the Platinum Transaction, the Company guaranteed two operating leases for office space of the divested companies. The first lease is related to office space located in San Antonio, Texas, and expired in 2006. The second lease is related to office space located in Austin, Texas, and expires in 2010. Under the original terms of the second lease, the remaining minimum undiscounted rent payments total approximately \$1,773,000 at September 30, 2008. In conjunction with the Platinum Transaction, Platinum agreed to indemnify the Company should the underlying operating companies not perform under the terms of the office leases. The Company can provide no assurance as to Platinum's ability, or willingness, to perform its obligations under the indemnification. The Company does not believe it is probable that it will be required to perform under the remaining lease guarantee and, therefore, no liability has been accrued in the Company's financial statements.

On December 12, 2005, the Company received a letter from the SEC, based on a review of the Company's Form 10-K filed for the year ended December 31, 2004, requesting that the Company provide a written explanation as to whether the Company is an "investment company" (as such term is defined in the Investment Company Act of 1940). The Company provided a written response to the SEC, dated January 12, 2006, stating the reasons why it believes it is not an "investment company". The Company has provided certain confirmatory information requested by the SEC. In the event the SEC or a court took the position that the Company is an investment company, the Company's failure to register as an investment company would not only raise the possibility of an enforcement or other legal action by the SEC and potential fines and penalties, but also could threaten the validity of corporate actions and contracts entered into by the Company during the period it was deemed to be an unregistered investment company, among other remedies.

In a letter to the Company dated October 16, 2007, a lawyer representing Steven J. Pully (the former CEO) alleged that the Company filed false and misleading disclosure with the Securities and Exchange Commission with respect to the elimination of Mr. Pully's compensation (see the Company's Forms 8-K filed on September 5, 2007 and October 17, 2007). No specifics were provided as to such allegations. The Company believes such allegations are unfounded and, if a claim is made, the Company intends to vigorously defend itself.

Note 7. Related Party Transactions

In June 2004, in connection with the Newcastle Transaction, Mark Schwarz, Chief Executive Officer and Chairman of Newcastle Capital Management, L.P. ("NCM"), Steven J. Pully, former President of NCM, and John Murray, Chief Financial Officer of NCM, assumed positions as Chairman of the Board, Chief Executive Officer and Chief Financial Officer, respectively, of the Company. Mr. Pully received an annual salary of \$150,000 as Chief Executive Officer of the Company. Mr. Pully resigned as Chief Executive Officer of the Company effective October 15, 2007. Mr. Schwarz is performing the functions of Chief Executive Officer. NCM is the general partner of Newcastle, which owns 19,380,768 shares of Common Stock of the Company.

The Company's corporate headquarters are currently located at 200 Crescent Court, Suite 1400, Dallas, Texas 75201, which are also the offices of NCM. The Company occupies a portion of NCM space on a month-to-month basis at \$2,500 per month, pursuant to a services agreement entered into between the parties. The Company also receives accounting and administrative services from employees of NCM pursuant to such agreement. NCM is the general partner of Newcastle. The Company incurred expenses pursuant to the services agreement totaling \$115,500 and \$22,500 for the nine months ended September 30, 2008 and 2007, respectively. The Company owed NCM \$69,000 and \$0 as of September 30, 2008 and 2007, respectively.





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On August 25, 2008, concurrently with the execution of the Acquisition Agreement, the Company entered into the Equity Financing Agreement with Newcastle for the purpose of obtaining financing to complete the transactions contemplated by the Acquisition Agreement (See Note 2).

Note 8. Share Capital

On July 10, 2006, the Company entered into a stockholders rights plan (the "Rights Plan") that replaced the Company's stockholders rights plan dated July 10, 1996 (the "Old Rights Plan") that expired according to its terms on July 10, 2006. The Rights Plan provides for a dividend distribution of one preferred share purchase right (a "Right") for each outstanding share of Common Stock. The terms of the Rights and the Rights Plan are set forth in a Rights Agreement, dated as of July 10, 2006, by and between New Century Equity Holdings Corp. and The Bank of New York Trust Company, N.A., as Rights Agent.

The Company's Board of Directors adopted the Rights Plan to protect stockholder value by protecting the Company's ability to realize the benefits of its net operating loss carryforwards ("NOLs") and capital loss carryforwards. In general terms, the Rights Plan imposes a significant penalty upon any person or group that acquires 5% or more of the outstanding Common Stock without the prior approval of the Company's Board of Directors. Stockholders that own 5% or more of the outstanding Common Stock as of the close of business on the Record Date may acquire up to an additional 1% of the outstanding Common Stock without penalty so long as they maintain their ownership above the 5% level (such increase subject to downward adjustment by the Company's Board of Directors if it determines that such increase will endanger the availability of the Company's NOLs and/or its capital loss carryforwards). In addition, the Company's Board of Directors has exempted Newcastle, the Company's largest stockholder, and may exempt any person or group that owns 5% or more if the Board of Directors determines that the person's or group's ownership will not endanger the availability of the Company's NOLs and/or its capital loss carryforwards. A person or group that acquires a percentage of Common Stock in excess of the applicable threshold is called an "Acquiring Person". Any Rights held by an Acquiring Person are void and may not be exercised. The Company's Board of Directors authorized the issuance of one Right per each share of Common Stock outstanding on the Record Date. If the Rights become exercisable, each Right would allow its holder to purchase from the Company one one-hundredth of a share of the Company's Series A Junior Participating Preferred Stock, par value \$0.01 (the "Preferred Stock"), for a purchase price of \$10.00. Each fractional share of Preferred Stock would give the stockholder approximately the same dividend, voting and liquidation rights as does one share of Common Stock. Prior to exercise, however, a Right does not give its holder any dividend, voting or liquidation rights.

The Company has never declared or paid any cash dividends on its Common Stock, other than \$2,270,017 distributed to the stockholders pursuant to the Settlement in August 2006 (See Note 3). On June 30, 2006, Newcastle elected to receive Preferred Dividends in cash for the period from June 19, 2005 through June 30, 2006. On July 3, 2006, Newcastle elected to convert all of its Series A Preferred Stock into 19,230,768 shares of Common Stock.

Item 2.

This Quarterly Report on Form 10-Q contains certain "forward-looking" statements as such term is defined in the Private Securities Litigation Reform Act of 1995 and information relating to the Company and its subsidiaries that are based on the beliefs of the Company's management as well as assumptions made by and information currently available to the Company's management. When used in this report, the words "anticipate", "believe", "estimate", "expect" and "intend" and words or phrases of similar import, as they relate to the Company or its subsidiaries or Company management, are intended to identify forward-looking statements. Such statements reflect the current risks, uncertainties and assumptions related to certain factors including, without limitation, the timing and successful completion of the acquisition of Wilhelmina International, Ltd. and its affiliated companies (the "Wilhelmina Companies"), the Company's success in integrating the operations of the Wilhelmina Companies in a timely manner, or

at all, the Company's ability to realize the anticipated benefits of the transaction to the extent, or in the timeframe, anticipated, competitive factors, general economic conditions, the interest rate environment, governmental regulation and supervision, seasonality, changes in industry practices, onetime events and other factors described herein and in other filings made by the Company with the Securities and Exchange Commission. Based upon changing conditions, should any one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended. The Company does not intend to update these forward-looking statements.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS

General

The following is a discussion of the interim unaudited condensed consolidated financial condition and results of operations for New Century Equity Holdings Corp. (the "Company") and subsidiaries for the three months and nine months ended September 30, 2008. It should be read in conjunction with the Unaudited Interim Condensed Consolidated Financial Statements of the Company, the notes thereto and other financial information included elsewhere in this report, and the Company's Annual Report on Form 10-K for the year ended December 31, 2007, as amended.

On August 25, 2008, the Company executed a definitive agreement to acquire Wilhelmina International, Ltd. and its affiliated companies. At the closing of the transaction, the Company is expected to change its name to "Wilhelmina International, Inc." Wilhelmina International, Ltd. will become the Company's operating business. The transaction is subject to the approval of the Company's shareholders, together with other customary conditions. In connection with the execution of the agreement, Newcastle Partners, L.P., an affiliate of the Company's Chairman and acting Chief Executive Officer, Mark E. Schwarz, has agreed to provide to the Company up to \$5 million in additional equity financing on terms commensurate with the valuation of shares to be issued in connection with the transaction. These funds will be used by the Company to complete the transaction. The financing arrangements have been approved separately by an independent committee of the Company's Board of Directors. The discussion of the business, financial conditions and results of operations of the Company in this report does not include the anticipated effects of this acquisition. See the sections entitled "Wilhelmina Acquisition Agreement" and "Newcastle Financing" below.

Results of Operations

Operating Revenues

Pursuant to the Ascendant Agreement, the Company is entitled to a 50% interest, subject to certain adjustments, in the revenues of Ascendant, which interest declines if the assets under management of Ascendant reach certain levels. Revenues generated by Ascendant include revenues from assets under management or any other sources or investments, net of any agreed commissions. The Company also agreed to provide various marketing services to Ascendant. On November 5, 2007, John Murray, Chief Financial Officer of the Company, was appointed to the Investment Advisory Committee of Ascendant to replace the Company's former CEO. The total potential purchase price under the terms of the Ascendant Agreement was \$1,550,000, payable in four equal installments of \$387,500. The first installment was paid at the closing and the second installment was paid on January 5, 2006. Subject to the provisions of the Ascendant Agreement, including Ascendant's compliance with the terms thereof, the third installment was payable on April 5, 2006 and the fourth installment was payable on July 5, 2006. On April 5, 2006, the Company elected not to make the April installment payment and subsequently determined not to make the installment payment due July 5, 2006. The Company believed that it was not required to make the payments because Ascendant did not satisfy all of the conditions in the Ascendant Agreement.

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Subject to the terms of the Ascendant Agreement, if the Company does not make an installment payment and Ascendant is not in breach of the Ascendant Agreement, Ascendant has the right to acquire the Company's revenue interest at a price which would yield a 10% annualized return to the Company. The Company has been notified by Ascendant that Ascendant is exercising this right as a result of the Company's election not to make its third and fourth installment payments. The Company believes that Ascendant has not satisfied the requisite conditions to repurchase the Company's revenue interest.

Ascendant had assets under management of approximately \$40,800,000 and \$37,500,000 as of September 30, 2008 and December 31, 2007, respectively. Under the Ascendant Agreement, revenues earned by the Company from the Ascendant revenue interest (as determined in accordance with the terms of the Ascendant Agreement) are payable in cash within 30 days after the end of each quarter. Under the terms of the Ascendant Agreement, Ascendant has 45 days following notice by the Company to cure any material breach by Ascendant of the Ascendant Agreement, including with respect to payment obligations. Ascendant failed to make the required revenue sharing payments for all calendar quarters including June 30, 2006 through June 30, 2008, in a timely manner and did not cure such failures within the required 45 day period. In addition, Ascendant has not made the payment for the quarter ended September 30, 2008. Under the terms of the Ascendant Agreement, upon notice of an uncured material breach, Ascendant is required to fully refund all amounts paid by the Company, and the Company's revenue interest remains outstanding.

The Company has not recorded any revenue or received any revenue sharing payments for the period from July 1, 2006 through September 30, 2008. According to the Ascendant Agreement, if Ascendant acquires the revenue interest from the Company, Ascendant must pay the Company a return on the capital that it invested. Pursuant to the Ascendant Agreement, the required return on the Company's invested capital will not be impacted by any revenue sharing payments made or not made by Ascendant.

## General and Administrative Expenses

General and administrative ("G&A") expenses are comprised of all costs incurred in direct support of the business operations of the Company. G&A expenses decreased by \$40,000, or 33%, and \$177,000 or 40%, to \$81,000 and \$271,000, respectively, during the three and nine months ended September 30, 2008, respectively, as compared to the corresponding periods of the prior fiscal year. This decrease is primarily attributable to the absence of legal and professional fees associated with the Lawsuit, officers' compensation and stock based compensation during the three and nine months ended September 30, 2008.

## Interest Income

Interest income decreased by \$95,000, or 61%, and \$243,000, or 52%, to \$60,000 and \$223,000, respectively, during the three and nine months ended September 30, 2008, respectively, as compared to the corresponding periods of the prior fiscal year. This decrease is attributable to a decrease in yields on cash balances available for short term investment.

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Liquidity and Capital Resources

The Company's cash balance decreased to \$12,088,000 at September 30, 2008, from \$12,679,000 at December 31, 2007. The decrease resulted from cash funding of general and administrative expenses and expenses associated with the proposed acquisition of Wilhelmina International, Ltd. and its affiliated companies offset by interest income of approximately \$223,000 during the nine months ended September 30, 2008.

During the next 12 months, the Company's operating cash requirements are expected to consist principally of funding corporate expenses, the costs associated with maintaining a public company and expenses incurred in pursuing the Company's business plan. The Company expects to incur operating losses through fiscal 2008 which will continue to have a negative impact on liquidity and capital resources.

Assuming the acquisition of Wilhelmina International, Ltd. and its affiliated companies is approved by the stockholders of the Company, the Company will be obligated to fund \$15,000,000 at closing of the acquisition, subject to the conditions set forth in the Acquisition Agreement (as defined herein). The Company expects to fund the cash closing obligations with cash on hand and funds from the Equity Financing Agreement (as defined herein). See the sections entitled "Wilhelmina Acquisition Agreement" and "Newcastle Financing Agreement" below.

Lease Guarantees

In October 2000, the Company completed the Platinum Transaction. Under the terms of the Platinum Transaction, all leases and corresponding obligations associated with the Transaction Processing and Software Business were assumed by Platinum. Prior to the Platinum Transaction, the Company guaranteed two operating leases for office space of the divested companies. The first lease is related to office space located in San Antonio, Texas, and expired in 2006. The second lease is related to office space located in Austin, Texas, and expires in 2010. Under the original terms of the second lease, the remaining minimum undiscounted rent payments total approximately \$1,773,000 at September 30, 2008. In conjunction with the Platinum Transaction, Platinum agreed to indemnify the Company should the underlying operating companies not perform under the terms of the office leases. The Company can provide no assurance as to Platinum's ability, or willingness, to perform its obligations under the indemnification. The Company does not believe it is probable that it will be required to perform under the remaining lease guarantee and, therefore, no liability has been accrued in the Company's financial statements.

Off-Balance Sheet Arrangements

The Company guaranteed two operating leases for office space for certain of its wholly-owned subsidiaries prior to the Platinum Transaction. One such lease expired in 2006. See the section entitled "Lease Guarantees" above.

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Wilhelmina Acquisition Agreement

On August 25, 2008, the Company and Wilhelmina Acquisition Corp., a New York corporation and wholly owned subsidiary of the Company (“Wilhelmina Acquisition”), entered into an agreement (the “Acquisition Agreement”) with Dieter Esch (“Esch”), Lorex Investments AG, a Swiss corporation (“Lorex”), Brad Krassner (“Krassner”), Krassner Family Investments, L.P. (“Krassner L.P.” and together with Esch, Lorex and Krassner, the “Control Sellers”), Wilhelmina International, Ltd., a New York corporation (“Wilhelmina International”), Wilhelmina – Miami, Inc., a Florida corporation (“Wilhelmina Miami”), Wilhelmina Artist Management LLC, a New York limited liability company (“WAM”), Wilhelmina Licensing LLC, a Delaware limited liability company (“Wilhelmina Licensing”), and Wilhelmina Film & TV Productions LLC, a New York limited liability company (“Wilhelmina TV” and together with Wilhelmina International, Wilhelmina Miami, WAM and Wilhelmina Licensing, the “Wilhelmina Companies”), Sean Patterson, an executive with the Wilhelmina Companies (“Patterson”), and the shareholders of Wilhelmina Miami (the “Miami Holders” and together with the Control Sellers and Patterson, the “Sellers”). Pursuant to the Acquisition Agreement, the Company will acquire the Wilhelmina Companies subject to the terms and conditions thereof (the “Acquisition”). The Acquisition Agreement provides for (i) the merger of Wilhelmina Acquisition with and into Wilhelmina International in a stock-for-stock transaction, as a result of which Wilhelmina International will become a wholly owned subsidiary of the Company (the “Merger”) and (ii) the Company’s purchase of the outstanding equity interests of the other Wilhelmina Companies for cash.

At the closing of the Acquisition Agreement (the “Closing”), the Company will pay an aggregate purchase price of \$30,000,000 in connection with the Acquisition, of which \$24,000,000 will be paid for the outstanding equity interests of the Wilhelmina Companies and \$6,000,000 in cash will repay the outstanding balance of a note held by a Control Seller. The purchase price includes \$15,000,000 of Common Stock of the Company (the “Common Stock”), valued at book value as of July 31, 2008 (which the parties agreed is \$0.247 per share of Common Stock, subject to adjustment) to be issued in connection with the merger of Wilhelmina Acquisition with and into Wilhelmina International. The remaining \$9,000,000 of cash will be paid to acquire the equity interests of the remaining Wilhelmina Companies.

The purchase price is subject to certain post-closing adjustments, which will be effected against a total of \$4,600,000 of Common Stock that will be held in escrow pursuant to the Acquisition Agreement (the “Seller Restricted Shares”). The \$30,000,000 to be paid at Closing, less \$4,500,000 of Common Stock to be held in escrow in respect of the “core business” purchase price adjustment, provides for a floor purchase price of \$25,500,000 (which amount may be further reduced in connection with certain indemnification matters). The shares of Common Stock held in escrow may be repurchased by the Company for a nominal amount, subject to certain earnouts and offsets.

The shares of Common Stock held in escrow support earnout offsets and indemnification obligations of the Sellers. The Sellers will be required to leave in escrow, through 2011, any stock “earned” following resolution of “core” adjustment, up to a total value of \$1,000,000. Losses at WAM and Wilhelmina Miami, respectively, can be offset against any positive earnout with respect to the other Wilhelmina Company. Losses in excess of earnout amounts could also result in the repurchase of the remaining shares of Common Stock held in escrow for a nominal amount. Working capital deficiencies may also reduce positive earnout amounts. The earnouts are payable in 2011.

The Acquisition Agreement and the transactions contemplated thereunder is subject to shareholder approval. On October 14, 2008, the Company filed a preliminary proxy statement with the SEC in order to seek shareholder approval of, among other things, the Acquisition Agreement and the transactions contemplated thereunder. When completed, the definitive proxy statement will be mailed to the shareholders.

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### Newcastle Financing Agreement

Concurrently with the execution of the Acquisition Agreement, the Company entered into a purchase agreement (the "Equity Financing Agreement") with Newcastle, which currently owns 19,380,768 shares or approximately 36% of the Company's outstanding Common Stock, for the purpose of obtaining financing to complete the transactions contemplated by the Acquisition Agreement. Pursuant to the Equity Financing Agreement, subject to and conditioned upon the Closing of the Acquisition Agreement, the Company will sell to Newcastle \$3,000,000 of shares of Common Stock at \$.247 per share, or approximately (but slightly higher than) the per share price applicable to the Common Stock issuable under the Acquisition Agreement. In addition, under the Equity Financing Agreement, Newcastle committed to purchase, at the Company's election at any time or times prior to six months following the Closing, up to an additional \$2,000,000 of Common Stock on the same terms. The Equity Financing Agreement is subject to certain other conditions, including the parties' entry into a registration rights agreement upon the Closing, pursuant to which Newcastle will be granted certain demand and piggyback registration rights with respect to the Common Stock it holds, including the Common Stock issuable under the Equity Financing Agreement.

### Item 4. Controls and Procedures

Disclosure controls are procedures that are designed with the objective of ensuring that information required to be disclosed in the Company's reports under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), such as this Form 10-Q, is reported in accordance with the rules of the SEC. Disclosure controls are also designed with the objective of ensuring that such information is accumulated appropriately and communicated to management, including the principal executive officer and principal financial officer as appropriate to allow timely decisions regarding required disclosures. John Murray, the Company's CFO, is the Company's principal financial officer. Up until his resignation as CEO in October 2007, Steven J. Pully was the Company's principal executive officer. Since Mr. Pully's resignation, Mark E. Schwarz, the Chairman of the Board of the Company, has served the function of the CEO and is currently the principal executive officer of the Company.

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's principal executive officer and principal financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rules 13a-15(e) and 15d-15(e). Based upon that evaluation, the principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic SEC filings. No change in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) occurred during the period covered by this report that materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

## PART II OTHER INFORMATION

### Item 1. Legal Proceedings

On December 12, 2005, the Company received a letter from the SEC, based on a review of the Company's Form 10-K filed for the year ended December 31, 2004, requesting that the Company provide a written explanation as to whether

the Company is an “investment company” (as such term is defined in the Investment Company Act of 1940). The Company provided a written response to the SEC, dated January 12, 2006, stating the reasons why it believes it is not an “investment company”. The Company has provided certain confirmatory information requested by the SEC. In the event the SEC or a court took the position that the Company is an investment company, the Company’s failure to register as an investment company would not only raise the possibility of an enforcement or other legal action by the SEC and potential fines and penalties, but also could threaten the validity of corporate actions and contracts entered into by the Company during the period it was deemed to be an unregistered investment company, among other remedies.



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In a letter to the Company dated October 16, 2007, a lawyer representing Steven J. Pully (the former CEO) alleged that the Company filed false and misleading disclosure with the Securities and Exchange Commission with respect to the elimination of Mr. Pully's compensation (see the Company's Forms 8-K filed on September 5, 2007 and October 17, 2007). No specifics were provided as to such allegations. The Company believes such allegations are unfounded and, if a claim is made, the Company intends to vigorously defend itself.

Item 5. Other Information

On November 10, 2008, the Company, Wilhelmina International and Sean Patterson entered into an Employment Agreement covering the terms of the employment of Mr. Patterson by Wilhelmina International subject to, and effective upon, the closing of the acquisition of the Wilhelmina Companies by the Company pursuant to the Acquisition Agreement. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Wilhelmina Acquisition Agreement" above. Under the Employment Agreement, Mr. Patterson will continue to serve as President of Wilhelmina International. Mr. Patterson will receive a base salary of \$475,000 per year and an annual bonus based on the excess of the combined annual EBITDA of Wilhelmina International, WAM and Wilhelmina Models, Inc., a Wilhelmina International subsidiary, over \$4,000,000. The Employment Agreement has a three year term. Mr. Patterson is subject to certain non-competition, non-solicitation and related obligations during and following the term of the Employment Agreement.

The foregoing description of the Employment Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Employment Agreement, which is attached as Exhibit 10.1 hereto.

Item 6. Exhibits

Exhibits:

- |      |   |
|------|---|
| 10.1 | Employment Agreement By and Among New Century Equity Holdings Corp., Wilhelmina International, Ltd. and Sean Patterson, dated November 10, 2008 (filed herewith). |
| 31.1 | Certification of Principal Executive Officer in Accordance with Section 302 of the Sarbanes-Oxley Act (filed herewith).   |
| 31.2 | Certification of Principal Financial Officer in Accordance with Section 302 of the Sarbanes-Oxley Act (filed herewith).   |
| 32.1 | Certification of Principal Executive Officer in Accordance with Section 906 of the Sarbanes-Oxley Act (filed herewith).   |
| 32.2 | Certification of Principal Financial Officer in Accordance with Section 906 of the Sarbanes-Oxley Act (filed herewith).   |

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NEW CENTURY EQUITY HOLDINGS CORP.  
(Registrant)

Date: November 14, 2008

By: /s/ John P. Murray  
John P. Murray  
Chief Financial Officer  
(Duly authorized and principal  
financial officer)