

Emerge Capital Corp.
Form 10QSB
August 02, 2006

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

FORM 10-QSB
(Mark One)

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

For the quarterly period ended June 30, 2006.
 TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE
EXCHANGE ACT

For the transition period from _____ to _____

Commission file number 0-28606

EMERGE CAPITAL CORP.
(Exact name of small business issuer as specified in its charter)

DELAWARE
(State or other jurisdiction of
Incorporation or organization)

22-3387630
(I.R.S. Employer
Identification No.)

109 North Post Oak Lane, Suite 422
Houston, TX 77024
(Address of principal executive offices, including area code)

713-621-2737
(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

The number of shares outstanding of our common stock at July 26, 2006 was 25,635,816.

Transitional Small Business Disclosure Format (check one):

Yes No

EMERGE CAPITAL CORP.

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PART I -FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

EMERGE CAPITAL CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET

June 30, 2006

(Unaudited)

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	217,100
Restricted cash		98,452
Notes and accounts receivable		430,275
Investment in marketable securities		1,158,298
Prepaid expense and deferred financing costs		279,500
Total current assets		2,183,625

Fixed assets, net		73,999
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TOTAL ASSETS	\$	2,257,624
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LIABILITIES AND SHAREHOLDERS' DEFICIT

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$	365,525
Convertible debentures--net of \$348,495 discount		1,092,243
Notes payable		148,495
Unearned income		185,500
Derivative liability		682,933
Total current liabilities		2,474,696

NONCURRENT LIABILITIES

Convertible debentures--net of \$110,247 discount		689,753
Note payable		180,208
Accrued interest payable		60,000

Total liabilities		3,404,657
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COMMITMENTS AND CONTINGENCIES

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SHAREHOLDERS' DEFICIT

Preferred Stock, par value \$.01, 2,000,000 shares
authorized:

Series A Convertible Preferred Stock, noncumulative, \$.01
par value;

400,000 shares authorized; none issued

—

Series B Convertible Preferred Stock, 100,000 shares
authorized;

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100,000 shares issued and outstanding; no liquidation or redemption value		1,000
Series C Preferred stock; liquidation preference of \$378,000 redeemable at \$1,500 per share at Company option, cumulative dividends of \$120 per share per year, non-voting, par value \$.01, 1,000 shares authorized,		
254 shares issued and outstanding		3
Common stock, \$.001 par value; 900,000,000 shares authorized;		
25,585,816 shares issued and outstanding		25,586
Additional paid-in capital		666,265
Retained deficit		(1,839,887)
Total shareholders' deficit		(1,147,033)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	\$	2,257,624

See accompanying Notes to Condensed Consolidated Financial Statements

EMERGE CAPITAL CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,	
	2006	2005
REVENUE		
Discount income	\$ 757	\$ 34,309
Consulting revenue	271,750	42,000
Marketable securities gain (loss)	(406,788)	67,085
Fee income	83,300	5,802
Total revenue (loss)	(50,981)	149,196
General and administrative expenses (net of allocation to an affiliated entity--\$69,811 for 2006 and \$0 for 2005)		
	600,194	322,775
OPERATING LOSS	(651,175)	(173,579)
Other income		
	186,394	237,691
OPERATING INCOME (LOSS)	(464,781)	64,112
INCOME TAX PROVISION		
Deferred income tax expense	—	3,702
Total income tax expense	—	3,702
INCOME (LOSS) FROM CONTINUING OPERATIONS	(464,781)	60,410
INCOME FROM DISCONTINUED OPERATIONS		
	—	4,371
NET INCOME (LOSS)	(464,781)	64,781
Preferred dividends paid	6,024	14,904
INCOME (LOSS) AVAILABLE TO COMMON SHARES	\$ (470,805)	\$ 49,877
Basic and diluted income (loss) per share:		
Income (loss) from continuing operations	\$ (0.02)	\$ —
Income (loss) from discontinued operations	—	—