

CMG HOLDINGS, INC.  
Form 10-Q  
November 18, 2008

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

FORM 10-Q

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

For the quarter year ended September 30, 2008

Commission file number 000-51770

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

Nevada  
(State or other jurisdiction of  
incorporation or organization)

87-0733770  
(I.R.S. Employer  
Identification No.)

5601 Biscayne Boulevard  
Miami, Florida, USA  
(Address of principal executive  
offices)

33137  
(Zip Code)

Registrant's telephone number including area code (305) 751-1667

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(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 x No

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

Large accelerated filer    Accelerated filer    Non-accelerated filer    Smaller reporting  
company    x

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

As of November 14, 2008, there were 42,400,000 common stock of the registrant issued and 28,314,241 outstanding.

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## CMG HOLDINGS, INC.

## FORM 10-Q

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PART I

ITEM 1 FINANCIAL STATEMENTS

CMG HOLDINGS, INC.

(FORMERLY PEBBLE BEACH ENTERPRISES, INC.)

UNAUDITED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED SEPTEMBER 30, 2008 AND 2007

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CMG HOLDINGS, INC  
(FORMERLY PEBBLE BEACH ENTERPRISES, INC)  
BALANCE SHEETS

(unaudited)

	September 30, 2008	December 31, 2007
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 103,766	\$ 1,213,035
Accounts receivable	304,167	--
Prepaid expense	--	17,454
Deposits related to acquisitions	300,000	--
Total Current Assets	708,933	1,230,489
Fixed assets	1,159	1,159
<b>TOTAL ASSETS</b>	<b>\$ 709,092</b>	<b>\$ 1,231,648</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>CURRENT LIABILITIES:</b>		
Client Payable	\$ 417,492	\$ 121,400
Line of credit	75,695	132,763
Accounts payable	--	139,226
Consulting Payable	243,750	--
Total current liabilities	736,937	393,389
<b>LONG-TERM LIABILITIES:</b>		
Convertible notes payable	--	1,178,000
<b>TOTAL LIABILITIES</b>	<b>736,937</b>	<b>1,571,389</b>
<b>STOCKHOLDERS EQUITY (DEFICIT)</b>		
Preferred stock:		
5,000,000 shares authorized par value		
\$0.001 per share; none issued and outstanding		
Common Stock:		
150,000,000 shares authorized par value \$0.001		
per share; 42,400,000 and 10,000,000 issued, and		
28,314,241 and 10,000,000 shares outstanding		
respectively	42,400	10,000
Additional paid-in-capital	3,262,503	680,686
Accumulated deficit	(3,332,748)	(1,030,427)
<b>TOTAL STOCKHOLDERS EQUITY (DEFICIT)</b>	<b>27,845</b>	<b>(339,741)</b>

TOTAL LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)	\$	709,092	\$	1,231,648
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See accompanying notes to consolidated financial statements.



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CMG HOLDINGS, INC  
(FORMERLY PEBBLE BEACH ENTERPRISES, INC)  
STATEMENTS OF OPERATIONS  
(unaudited)

	Three months ended September 30, 2008		September 30, 2007		Nine months ended September 30, 2008		September 30, 2007	
Net revenues	\$	303,547	\$	83,887	\$	702,714	\$	221,039
Operating expenses		405,867		211,331		2,937,282		355,582
Loss from operations		(102,320)		(127,444)		(2,519,418)		(134,543)
Other income (expense)								
Interest expense		(56)		(9,978)		(84,900)		(9,978)
Interest income		1,389		6,500		17,145		6,500
Net Loss	\$	(100,987 )	\$	(130,922)	\$	(2,302,323)	\$	(138,021)
Basic and diluted loss per common share	\$	(0.00)	\$	(0.01)	\$	(0.10)	\$	(0.01)
Basic and diluted weighted average common shares outstanding		28,115,690		10,000,000		22,430,854		10,000,000

See accompanying notes to consolidated financial statements.

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CMG HOLDINGS, INC  
(FORMERLY PEBBLE BEACH ENTERPRISES, INC)  
STATEMENTS OF CASH FLOWS  
(unaudited)

	2008	Nine months ended September 30,	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Loss	\$ (2,302,323)		\$ (138,021)
Adjustments to reconcile net loss to net cash used in operating activities:			
Stock for services	1,491,778		--
Stock for interest expense	62,464		--
Changes in:			
Accounts receivable	(304,165)		--
Prepaid expense	17,454		--
Consulting payable	243,750		--
Client payable	266,772		36,204
Accounts payable	(109,906)		186,732
Net cash provided by (used in) operating activities	(634,176)		84,915
<b>CASH FROM INVESTING ACTIVITIES</b>			
Cash paid for acquisition of Pebble Beach Enterprises, Inc.	(600,000)		--
Deposit related to acquisition	(300,000)		--
Net cash used in operating activities:	(900,000)		--
<b>FINANCING ACTIVITIES</b>			
Distributions to members	--		(61,875)
Contributions to capital	30,000		--
Stock for cash	137,975		--
Net borrowings on line of credit	(57,069)		--
Borrowing on convertible notes	314,000		915,500
Net cash provided by (used in) financing activities	424,907		853,625
Net increase (decrease) in cash	(1,109,269)		938,540
Cash, beginning of period	1,213,035		9,630
CASH BALANCE AT END OF PERIOD	\$ 103,766		\$ 948,170
<b>Supplemental cash flow information:</b>			
Income tax paid	\$ --		\$ --
Interest paid	--		--

Non-Cash investing and financing:

Stock issued for notes payable	1,492,000	--
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See accompanying notes to consolidated financial statements.

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CMG HOLDINGS, INC.  
(FORMERLY PEBBLE BEACH ENTERPRISES, INC)  
NOTES TO FINANCIAL STATEMENTS  
(unaudited)

NOTE 1 - BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The accompanying unaudited interim financial statements of CMG Holdings, Inc, formerly Pebble Beach Enterprises, Inc., have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission, and should be read in conjunction with the audited financial statements and notes thereto contained in its 2007 annual report on Form 8-K. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements that would substantially duplicate the disclosure contained in the audited financial statements for fiscal year 2007, as reported in the Form 8-K, have been omitted.

On February 20, 2008, Creative Management Group, Inc. formed CMG Acquisitions, Inc., a Delaware company, for the purpose of acquiring companies and expansion strategies.

On February 20, 2008, Creative Management Group, Inc. acquired 92.6% of Pebble Beach Enterprises, Inc. (a publicly traded company). The purpose of the acquisition was to effect a reverse merger with Pebble Beach Enterprises, Inc. at a later date.

On May 27, 2008, Pebble Beach entered into an Agreement and Plan of Reorganization with its controlling shareholder, Creative Management Group, Inc., a privately held Delaware corporation. Upon the closing the eighty shareholders of Creative Management Group delivered all of their equity interests in Creative Management Group to Pebble Beach in exchange for shares of common stock in Pebble Beach owned by Creative Management Group, as a result of which Creative Management Group became a wholly-owned subsidiary of Pebble Beach.

The shareholders of Creative Management Group received one share of Pebble Beach's common stock previously owned by Creative Management Group for each issued and outstanding common share owned of Creative Management Group. As a result, the 22,135,148 shares of Pebble Beach that were issued and previously owned by Creative Management Group, are now owned directly by its shareholders. The 22,135,148 of Creative Management Group previously owned by its shareholders are now owned by Pebble Beach, thereby making Creative Management Group a wholly-owned subsidiary of Pebble Beach. Pebble Beach did not issue any new shares as part of the Reorganization.

Upon completion, Pebble Beach has 42,400,000 shares issued and outstanding of which 3,120,000 are held by the former shareholders of Pebble Beach, 22,135,148 shares, or approximately 52.21% are held by persons who were previously shareholders of Creative Management Group and 17,144,852 are held by CMG Acquisitions, Inc., the wholly owned subsidiary of Creative Management Group as treasury stock. This amount has been reduced to 14,674,648 shares as of June 30, 2008.

The transaction was accounted for as a reverse merger and recapitalization whereby Creative Management Group is the accounting acquirer. Pebble Beach was renamed CMG Holdings, Inc.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of CMG Holdings, Inc., Creative Management Group and CMG Acquisitions, Inc. after elimination of all significant inter-company accounts and transactions.

#### ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable are amounts due on sales, are unsecured and are carried at their estimated collectible amounts. Credit is generally extended on a short-term basis; thus accounts receivable do not bear interest although a finance charge may be applied to such receivables that are more than thirty days past due. Accounts receivable are periodically evaluated for collectability based on past credit history with clients. Provisions for losses on accounts receivable are determined on the basis of loss experience, known and inherent risk in the account balance and current economic conditions.

#### STOCK-BASED COMPENSATION

Financial Accounting Standard No. 123, "Accounting for Stock-Based Compensation" established financial accounting and reporting standards for stock-based employee compensation plans. It defines a fair value based method of accounting for an employee stock option or similar equity instrument. CMG Holdings, Inc. accounts for compensation cost for stock option plans in accordance with SFAS No. 123R.

CMG Holdings, Inc. accounts for share based payments to non-employees in accordance with EITF 96-18 "Accounting for Equity Instruments Issued to Non-Employees for Acquiring, or in Conjunction with Selling, Goods or Services".

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CMG HOLDINGS, INC.  
(FORMERLY PEBBLE BEACH ENTERPRISES, INC)  
NOTES TO FINANCIAL STATEMENTS  
(unaudited)

NOTE 2 – NOTES PAYABLE

During the period between January 1, 2008 and May 23, 2008, Creative Management Group, Inc. issued 12 convertible notes with an aggregate amount of \$314,000. Interest on these convertible notes is due and payable at 6% per annum. The maturity date for these convertible notes is March 30, 2010. \$41,500 of these notes were issued to related parties.

These notes were converted in May 2008 to common shares. See note 3 for details.

NOTE 3 – EQUITY

On February 20, 2008, Creative Management Group, Inc. acquired 92.6% of Pebble Beach Enterprises, Inc. (a publicly traded company) for \$600,000 cash. Because the purpose of the acquisition was to recapitalize Creative Management Group, Inc. through an eventual reverse merger with Pebble Beach Enterprises, Inc., the \$600,000 has been accounted for as a recapitalization cost and a reduction to paid in capital.

In the quarter ending March 31, 2008, shareholders contributed \$30,000 of cash to Creative Management Group, Inc.

In the six months ended June 30, 2008, Creative Management Group, Inc. issued shares as follows:

- 7,000,000 shares of common stock to three officers of Creative Management Goup, Inc. valued at \$1,050,000 for salary expense.
- 1,868,352 shares of common stock to various service providers of Creative Management Group, Inc. valued at \$441,778 for consulting expense.
- 5,737,000 shares of common stock for the conversion of \$1,492,000 and \$62,464 of principal and interest, respectively, related to convertible notes payable.
- 588,889 shares of common stock for cash of \$137,975.

NOTE 4 – DEPOSIT RELATED TO ACQUISITION

In May 2008, Creative Management Group, Inc. entered into a letter of intent with Maya Marketing, Inc., a Connecticut Corporation, to acquire Maya and it's subsidiaries. As part of this letter of intent, Creative Management Group paid \$300,000 to secure a contract between Maya and another company. This has been accounted for as a deposit related to the potential acquisition of Maya.

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

This section provides our Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A").

The following discussion should be read in conjunction with the financial statements and supplementary data appearing in Part 1, Item 1.

SAFE HARBOR FOR FORWARD LOOKING STATEMENTS

The following discussion and analysis contains certain statements that may be deemed "forward-looking statements". All statements, other than statements of historical fact, that address events or developments that we expect to occur, are forward-looking statements. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential" and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur.

Although we believe the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in the forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include: failure to successfully negotiate or subsequently close such transactions, inability to obtain required shareholder or regulatory approvals, and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Forward-looking statements are based on the beliefs, estimates and opinions of management on the date the statements are made. We undertake no obligation to update these forward-looking statements in the event that management's beliefs, estimates or opinions, or other factors, should change.

Liquidity and capital resources. As of June 30, 2008 our cash on hand was \$276,162.

Results of operations. During the third quarter of 2008 we saw our net loss increase from \$2,201,336 for quarter ended June 30, 2008 to \$2,302,323 for the nine months ended September 30, 2008, an increase in the net loss of \$100,987 for the quarter ended September 30, 2008.

Description of Property. Our principal office is located at 5601 Biscayne Boulevard, Florida.

Number of Employees. Our current number of employees is five. We expect a significant change in the number of employees in the next 12 months.

Security Ownership of Certain Beneficial Owners and Management.

We have two classes of securities, a Common Stock and Preferred Stock. Only the Common Stock is outstanding.

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Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information regarding the number of shares of common stock beneficially owned on August 7, 2008, following consummation of the Reorganization by:

Each person who is known by us to beneficially own 5% or more of the Registrant's common stock;

Each of the Registrant's directors and named executive officers; and

All of the Registrant's directors and executive officers as a group.

Security Ownership of CMG Holdings, Inc. as of August 7, 2008:

Title of Class	Name	Shares	Percent (1)
Common Stock	CMG Acquisitions, Inc.	14,085,789	33.22%
	Alan Morell	10,107,000	23.84%
	James J. Ennis	2,500,000	5.89%

Security Ownership of CMG Holdings Inc. directors and executive officers as of May 27, 2008:

Title of Class	Name	Shares	Percent (1)
Common Stock	Alan Morell	10,107,000(2)	23.84%
	James J. Ennis	2,500,000(3)	5.89%
	Michael Vandetty	1,000,000	2.35%
	All Directors and Executive Officers as a Group	13,607,000	32.09%

(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and includes voting and investment power with respect to shares. Unless otherwise indicated, the persons named in the table have sole voting and sole investment control with respect to all shares beneficially owned, subject to community property laws where applicable. The number and percentage of shares beneficially owned are based on 42,400,000 shares of common stock outstanding as of May 27, 2008, the closing date of the Reorganization. The address for those individuals for which an address is not otherwise indicated is: c/o CMG Holdings, Inc., 5601



Biscayne Boulevard, Miami, Florida 33137, USA.

- (2) Mr. Morell owns 3,500,000 shares of Creative Management Group, Inc. directly, and is the beneficial owner of an additional 6,607,000 shares owned by Commercial Rights Intl Corp. for a total of 10,107,000 shares.
  
- (3) Mr. Ennis owns 500,000 shares of Creative Management Group, Inc. directly, and is the beneficial owner of an additional 2,000,000 shares owned by Hastings Creek Group, Inc. for a total of 2,500,000 shares.

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ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

None.

ITEM 4 CONTROLS AND PROCEDURES

Disclosure Controls and Procedures - As of September 30, 2008, we, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of September 30, 2008.

Management's Report on Internal Control Over Financial Reporting - Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Our internal control system is designed to provide reasonable assurance regarding the preparation and fair presentation of published financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that compliance with the policies or procedures may deteriorate or be circumvented.

Management assessed the effectiveness of our internal control over financial reporting as of September 30, 2008. In making this assessment, management used the criteria established in Internal Controls-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO. Based on management's assessment and the criteria established by COSO, management believes that we maintained effective internal control over financial reporting as of September 30, 2008.

Changes in Internal Control Over Financial Reporting- There has been no change in our internal control over financial reporting during the quarter ended September 30, 2008, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 4T CONTROLS AND PROCEDURES

This quarterly report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the SEC that permit us to provide only management's report in this quarterly report.

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PART II

ITEM 1. LEGAL PROCEEDINGS

There is no past, pending or, to the Company's knowledge, threatened litigation or administrative action which has or is expected by the Company's management to have a material effect upon our Company's business, financial condition or operations, including any litigation or action involving our Company's officers, directors, or other key personnel.

ITEM 1A RISK FACTORS

Registrant is a smaller reporting company and is therefore not required to provide this information.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following is information for all securities that the Company sold during the quarter ended June 30, 2008. Information with respect to previously reported sales prior to January 1, 2008 may be found in the Company's prior filings.

The Registrant sold a total of 588,889 shares of common stock for cash of \$137,975 to two individuals.

ITEM 3 DEFAULT UPON SENIOR SECURITIES

None

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

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ITEM 5 OTHER INFORMATION

None

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ITEM 6 EXHIBITS

Exhibit No.	Document Description
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3.1	Certificate of Incorporation of Pebble Beach Enterprises, Inc. as filed with the Nevada Secretary of State on October 30, 1980, incorporated by reference to the Company's Registration Statement on Form 10SB12G filed with the Securities and Exchange Commission on February 1, 2006.
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3.2	Amended Certificate of Incorporation of Pebble Beach Enterprises, Inc. to change name to CMG Holdings, Inc., increased its capitalization to 150,000,000 common shares and 5,000,000 preferred shares as filed with the Nevada Secretary of State on February 19, 2008, incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 20, 2008.
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3.3	By-Laws of CMG Holdings, Inc. incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 20, 2008.
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31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.
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31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.
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32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 as adopted Pursuant to Section 906 of the Sarbanes Oxley Act of 2002.
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32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as adopted Pursuant to Section 906 of the Sarbanes Oxley Act of 2002.
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Reports on Form 8-K:

None.

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SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, there unto duly authorized.

CMG  
HOLDINGS,  
INC.

(Registrant)

Date: November  
14, 2008

By: /s/ ALAN  
MORELL  
Alan  
Morell  
Chief  
Executive  
Officer and  
Chairman of  
the Board

Date: November  
14, 2008

By: /s/ JAMES  
J. ENNIS  
James J.  
Ennis  
Chief  
Financial Officer  
and  
Director

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	NAME	TITLE	DATE
/s/Alan Morell	Alan Morell	CEO & Chairman of the Board	November 14, 2008
/s/James I. Ennis	James I. Ennis	CFO & Director	November 14, 2008