ONLINE VACATION CENTER HOLDINGS CORP
Form 10-Q
August 14, 2009

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2009

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES AND EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from ______________________ to ____________________

Commission file number: 0-32137

Online Vacation Center Holdings Corp.

(Exact name of registrant as specified in its charter)

Florida State or other jurisdiction of incorporation or organization	65-0701352 (I.R.S. Employer Identification No.)

1801 N.W. 66th Avenue, Suite 102, Plantation, Florida 33313

(Address of principal executive offices) (Zip Code)

(954) 377-6400

Registrant's telephone number including area code

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 and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such report(s), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

Indicate by check mark whether the registrant has electronically submitted and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes [ ]   No [ ]

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

Large accelerated filer [ ]   Accelerated filer [ ]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)   Smaller reporting company [X]

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

At August 14, 2009, the number of shares outstanding of the registrant's common stock, $0.0001 par value was 15,953,688.

Online Vacation Center Holding Corp.
Form 10-Q
Explanatory Note

In August 2009, our management and the Audit Committee of our Board of Directors decided to restate our audited financial statements for our fiscal year ended December 31, 2008 to change the accounting treatment for the disposition of Phoenix International Publishing, LLC, our formerly wholly-owned subsidiary ("Phoenix"). We revised the accounting treatment so that the methodology utilized in determining the fair value of the Company's common stock at disposition in March 2008 was consistent with the methodology utilized in determining the fair value of the Company's common stock at the time of Phoenix's acquisition by the Company in August 2006. In addition, we revised our presentation and accounting treatment of convertible notes issued in conjunction with previous acquisitions to eliminate the value ascribed to the conversion feature of the notes.

As a result of these adjustments, both our 2008 loss from discontinued operations and our net loss for the six months ended June 30, 2008, were understated by $681,250. In addition, our accumulated deficit as of December 31, 2008 was understated by $681,250, our additional paid in capital as of December 31, 2008 was understated by $624,826 and our goodwill as of December 31, 2008 was overstated by $56,424. Finally, our loss per share from discontinued operations; both basic and diluted were overstated by $0.03 and our net loss per share; both basic and diluted were overstated by $0.04 for the six months ended June 30, 2008. There was no impact on net cash used in operating activities, the net decrease in cash and equivalents for the six months ended June 30, 2008 or the balance of cash and equivalents as of June 30, 2008. Please see Note 2, Restatement and Revisions to our consolidated financial statements for the three months ended June 30, 2009 contained in Part I, Item 1 – Financial Statement for further information relating to the Restatement.

In addition to this Form 10-Q, we have filed an amendment to our Form 10-K for the fiscal year ended December 31, 2008, an amendment to our Form 10-Q for the quarter ended March 31, 2009 and will restate quarterly data on Form 10-Q for the third quarter of 2009.

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ONLINE VACATION CENTER HOLDINGS CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2009 Unaudited	December 31, 2008 Audited (Restated)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 2,553,110	$ 1,693,447
Accounts receivable, net	536,673	1,236,109
Deposits and prepaid items	443,889	733,000
Deferred tax asset, net	43,898	27,672
Total Current Assets	3,577,570	3,690,228
Restricted cash	63,000	63,000
Property and equipment, net	140,917	140,285
Intangible assets, net	1,184,061	1,116,613
Goodwill	1,697,855	1,697,855
Other assets	45,002	58,306
Total Assets	$ 6,708,405	$ 6,766,287
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 1,144,944	$ 1,041,608
Deferred revenue	1,579,290	1,989,929
Notes payable and capital lease obligations, current portion	115,988	120,287
Total Current Liabilities	2,840,222	3,151,824
Notes payable and capital lease obligations	27,099	131,609
Deferred tax liability	145,413	75,461
Total Liabilities	3,012,734	3,358,894
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred stock, 1,000,000 shares authorized at $.0001 par value; 0 shares issued and outstanding	-	-
Common stock, 80,000,000 shares authorized at $.0001 par value; 16,303,688 and 17,252,777 shares issued and outstanding	1,630	1,725
Additional paid-in capital	4,581,866	5,017,789
Accumulated deficit	(887,825)	(1,586,493)
Treasury stock at cost; 0 and 44,300 shares	-	(25,628)
Total Stockholders' Equity	3,695,671	3,407,393
Total Liabilities and Stockholders' Equity	$ 6,708,405	$ 6,766,287

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

ONLINE VACATION CENTER HOLDINGS CORP.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2009	2008	2009	2008
				(Restated)
NET REVENUES	$ 2,348,810	$ 2,691,750	$ 5,173,553	$ 4,947,574
OPERATING EXPENSES:				
Selling and marketing	762,529	842,407	1,442,962	1,830,306
General and administrative	1,170,161	1,350,854	2,312,478	2,767,036
Depreciation and amortization	128,039	99,569	247,877	186,667
OPERATING INCOME	288,081	398,920	1,170,236	163,565
Interest income (expense), net	1,186	(3,812)	3,062	(22,506)
Income from continuing operations before				
provision for income taxes	289,267	395,108	1,173,298	141,059
Provision for income taxes	120,827	183,227	474,630	106,585
Income from continuing operations	168,440	211,881	698,668	34,474
DISCONTINUED OPERATIONS:				
Loss from discontinued operations of Phoenix				
International Publishing, LLC, net of tax	-	-	-	(800,524)
NET INCOME (LOSS)	$ 168,440	$ 211,881	$ 698,668	$ (766,050)
EARNINGS PER SHARE - Basic				
Income from continuing operations	$ 0.01	$ 0.01	$ 0.04	$ -
(Loss) from discontinued operations	$ -	$ -	$ -	$ (0.04)
Net Income (Loss)	$ 0.01	$ 0.01	$ 0.04	$ (0.04)
Weighted average shares outstanding - Basic	17,261,777	17,252,777	17,259,604	17,875,256
EARNINGS PER SHARE - Diluted				
Income from continuing operations	$ 0.01	$ 0.01	$ 0.04	$ -

(Loss) from discontinued operations	$	-	$	-	$	-	$	(0.04)
Net Income (Loss)	$	0.01	$	0.01	$	0.04	$	(0.04)
Weighted average shares outstanding - Diluted		17,261,777		17,252,777		17,259,604		17,875,256

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

ONLINE VACATION CENTER HOLDINGS CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Six Months Ended June 30, 2009	June 30, 2008 (Restated)
Cash flows from continuing operating activities:		
Net income/(loss)	$ 698,668	$ (766,050)
Loss from discontinued operations, net of tax	-	(800,524)
Income from continuing operations	698,668	34,474
Adjustments to reconcile to net cash inflow from operating activities:		
Depreciation and amortization	247,877	186,667
Stock based compensation expense	49,328	97,908
Imputed interest expense- net	2,945	3,786
Deferred income tax expense	53,726	51,046
Decrease in accounts receivable	699,436	424,213
Decrease in deposits and prepaid items	289,965	16,429
Increase in accounts payable and accrued liabilities	103,336	24,843
(Decrease) in deferred revenue	(410,639)	(108,836)
Net cash provided by operating activities	1,734,642	730,530
Cash flows from continuing investing activites:		
Capital expenditures	(62,345)	(37,713)
(Increase) in intangible assets	(253,611)	(237,620)
Decrease in restricted cash	-	280,108
(Increase)/Decrease in receivable upon disposition of discontinued operation	12,450	(100,000)
Cash paid upon disposition of discontinued operation	-	(4,932)
Cash used in investing activities	(303,506)	(100,157)
Cash flows from continuing financing activites:		
Purchase of treasury stock under approved purchase plan	(91,473)	-
Purchase of treasury stock	(368,245)	-
Payments under capital lease obligations	(11,755)	-
Repayment of notes payable	(100,000)	(100,000)
Cash used in financing activities	(571,473)	(100,000)
Discontinued Operations		
Cash provided by operating activities	-	47,912
Cash provided by discontinued operations	-	47,912
Increase in cash during the period	859,663	578,285
Cash at the beginning of the period	1,693,447	1,189,042
Cash at the end of the period	$ 2,553,110	$ 1,767,327
Supplemental information:		
Cash paid for interest	$ 1,230	$ 15,968
Cash paid for taxes	$ 266,700	$ 1,136
Common stock received in conjunction with disposition of discontinued operation	$ -	$ 725,000

Retirement of treasury stock	$	485,346	$	-

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

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ONLINE VACATION CENTER HOLDINGS CORP AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited interim condensed consolidated financial statements of Online Vacation Center Holdings Corp., (the "Company"), and the notes thereto have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. These condensed consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K, as amended for the year ended December 31, 2008, and filed with the Securities and Exchange Commission on March 27, March 31, and August 14, 2009 (the "2008 Annual Report"). The interim financial information contained herein is not certified or audited; it reflects all adjustments (consisting of only normal recurring accruals) which are, in the opinion of management, necessary for a fair statement of the operating results for the periods presented, stated on a basis consistent with that of the audited financial statements.

The results of operations for the three months ended June 30, 2009 are not necessarily indicative of annual results. The Company manages its business as one reportable segment.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. For the Company, key estimates include allowance for doubtful accounts, the fair value of goodwill and intangible assets, asset lives used in computing depreciation and amortization, including amortization of intangible assets, and accounting for income taxes, contingencies and litigation. While the Company believes that such estimates are fair when considered in conjunction with the condensed consolidated financial position and results of operations taken as a whole, actual results could differ from those estimates and such differences may be material to the financial statements.

2. RESTATEMENTS AND REVISIONS

In August 2009, management and the Audit Committee of its Board of Directors concluded that the Company's 2008 financial statements should be restated due to an error relating to the accounting for its disposition of Phoenix International Publishing LLC ("Phoenix") in March 2008, in connection with its response to a comment letter received from the U.S. Securities and Exchange Commission ("SEC") regarding the Company's Annual Report on Form 10-K for fiscal 2008. Management and the Audit Committee of its Board of Directors decided to change the accounting treatment for the disposition of Phoenix in our consolidated financial statements for fiscal 2008 so that the methodology utilized in determining the fair value of the Company's common stock at disposition was consistent with the methodology utilized in determining the fair value of the Company's common stock at the time of Phoenix's acquisition by the Company.

The Phoenix error was the result of a lack of consistency of methodology in determining the fair value of the shares of common stock of the Company received in consideration for the disposition of Phoenix with the methodology utilized in determining the fair value of the shares of common stock of the Company issued when Phoenix was acquired. The Company had

ONLINE VACATION CENTER HOLDINGS CORP AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

determined the fair value of the Phoenix net assets acquired in August 2006 based on the market (fair) value of a share of the Company's common stock, $1.125, for each of the 1,450,000 shares of common stock issued in connection with the acquisition. This was calculated by using the then trading price of the Company's common shares of $1.50, discounted by 25% due to restrictions on their transfer and limited marketability. Upon the disposition of Phoenix in March 2008, the Company computed its loss on disposition of $58,382 based on the difference of the value of the 1,250,000 shares of the Company's common stock received based on the value per share at time of acquisition, $1.125, and the fair value of the net assets of Phoenix at the time of disposition. As discussed in our original 10-K, at that time, the Company believed that it could not determine fair value of either the asset transferred (Phoenix) or the asset received (shares of the Company's common stock), and therefore recorded cost was used to record the sale. The Company's management and the Audit Committee of the Board of Directors with consideration to a comment letter received from the SEC has now determined that the use of the market value of the Company's shares of common stock at the time of acquisition to compute the loss upon disposition of Phoenix was inappropriate. The computation should have been based on the market (fair) value per share at the time of disposition in March 2008, $0.58, a Level 1 input within the fair value hierarchy in accordance with Statement of Financial Accounting Standards No. 157- Fair Value Measurements, of the 1,250,000 shares of the Company's common stock received resulting in a loss of $739,632. For tax purposes, the transaction was treated as split-off with no resulting tax consequences.

In addition, the Company is revising the accounting treatment for the conversion feature associated with the convertible debt issued in conjunction with the acquisitions of Thoroughbred Travel LLC and La Fern Inc. ("Notes") in 2006. As of December 31, 2008, value in the amount of $56,424 was assigned in error to the conversion feature of the Notes which resulted in an increase in goodwill and additional paid-in capital whereas no conversion feature value should have been assigned to the Notes.

As a result of these adjustments, both the Company's loss from discontinued operations and its net loss for the six months ended June 30, 2008 were understated by $681,250. In addition, the Company's accumulated deficit as of December 31, 2008 was understated by $681,250, additional paid in capital as of December 31, 2008 was understated by $624,826 and goodwill as of December 31, 2008 was overstated by $56,424. Finally, the Company's loss per share from discontinued operations; both basic and diluted were overstated by $0.04 and net income per share; both basic and diluted were overstated by $0.04 for the six months ended June 30, 2008. There was no impact on net cash used in operating activities, the net decrease in cash and equivalents for the six months ended June 30, 2008 or the balance of cash and equivalents as of June 30, 2008.

ONLINE VACATION CENTER HOLDINGS CORP AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table reconciles the Company’s December 31, 2008 consolidated balance sheet as previously reported to the restated amounts.

CONSOLIDATED BALANCE SHEET

	December 31, 2008		
	As Originally Reported	Adjustments	As Restated
ASSETS			
Total Current Assets	$ 3,690,228	$ --	$ 3,690,228
Restricted cash	63,000	--	63,000
Property and equipment, net	140,285	--	140,285
Intangible assets, net	1,116,613	--	1,116,613
Goodwill	1,754,279	(56,424)	1,697,854
Other assets	58,306	--	58,306
Total Assets	$ 6,822,711	$ (56,424)	$ 6,766,287
LIABILITIES AND STOCKHOLDER’S EQUITY			
TOTAL LIABILITIES	3,358,894		3,358,894
STOCKHOLDERS' EQUITY			
Preferred stock	--	--	--
Common stock	1,725	--	1,725
Additional paid-in capital	4,392,963	624,826	5,017,789
Accumulated deficit	(905,243)	(681,250)	(1,586,493)
Treasury stock	25,628	--	25,628
TOTAL STOCKHOLDERS’ EQUITY	3,463,817	(56,424)	3,407,393
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 6,822,711	$ (56,424)	$ 6,766,287

The following table reconciles the Company’s consolidated statement of operations for the six months ended June 30, 2008 as previously reported to the restated amounts.

CONSOLIDATED STATEMENT OF OPERATIONS

	Six Months Ended June 30, 2008		
	As Originally Reported	Adjustment	As Restated
Income from continuing operations	$ 34,474	$ --	$ 34,474
Discontinued operations:			
Loss from discontinued operations of Phoenix International Publishing LLC, net of	(119,274)	(681,250)	(800,524)

tax			
Net (loss)	$ (84,800)	$ (681,250)	$ (766,050)
Earnings/(Loss) per share – basic and diluted			
Income from continuing operations	$ 0.01	$. --	$ (0.01)
Loss from discontinued operations	(0.01)	(0.03)	(0.04)
Net (loss)	$ 0.00	$ (0.03)	$ (0.04)

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ONLINE VACATION CENTER HOLDINGS CORP AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

In conjunction with the Acquisition Agreement, Phoenix is obligated to pay its pre-disposition intercompany debt balance to the Company of $100,000 in forty consecutive monthly payments of $2,500 commencing on October 1, 2008. The series of forty monthly payments of $2,500 has been discounted, using the Company's estimated incremental borrowing rate of 6.5% and the aggregate related unamortized imputed interest of $13,498 as of March 31, 2008 has been offset against the face value of the receivable and a corresponding interest expense recorded. The current portion of this receivable from Phoenix, $26,144, has been classified as deposits and prepaid items and the remaining balance of $45,002 as other assets as of June 30, 2009.

3. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Fair Value

In December 2008, the Financial Accounting Standards Board ("FASB") issued FASB Staff Positions ("FSP") Statement of Financial Accounting Standards No. ("SFAS No.") 132(R)-1, Employers' Disclosures about Postretirement Benefit Plan Assets ("FSP SFAS 132(R)-1"), which requires additional disclosures for employers' pension and other postretirement benefit plan assets. As pension and other postretirement benefit plan assets were not included within the scope of SFAS No. 157, FSP SFAS 132(R)-1 requires employers to disclose information about fair value measurements of plan assets similar to the disclosures required under SFAS No. 157, the investment policies and strategies for the major categories of plan assets, and significant concentrations of risk within plan assets. FSP SFAS 132(R)-1 will be effective for fiscal years ending after December 15, 2009. As FSP SFAS 132(R)-1 provides only disclosure requirements, the adoption of this standard will not have a material impact on the consolidated financial statements of the Company.

In April 2009, the FASB issued FSP SFAS 157-4, "Determining Fair Value When the Volume or Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly" ("FSP SFAS 157-4"). FSP SFAS 157-4 provides additional guidance for estimating fair value in accordance with SFAS No.157 when the volume and level of activity for the asset or liability have significantly decreased and requires that companies provide interim and annual disclosures of the inputs and valuation technique(s) used to measure fair value. FSP SFAS 157-4 is effective for interim and annual reporting periods ending after June15, 2009 and is to be applied prospectively. The Company does not expect the adoption of FSP SFAS 157-4 to have a significant impact on its financial statements.

In April 2009, the FASB issued FSP SFAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments." FSP SFAS 115-2 and SFAS 124-2 amends the other-than-temporary impairment guidance to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. FSP SFAS 115-2 and SFAS 124-2 are effective for interim and annual reporting periods ending after June 15, 2009. The Company does not expect the adoption of FSP SFAS 115-2 and SFAS 124-2 to have a significant impact on its financial statements.

In April 2009, the FASB issued FSP SFAS 107-1 and Accounting Principles Board Opinion No. ("APB") APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments." FSP SFAS 107-1 and APB 28-1 requires disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. FSP SFAS 107-1 and APB 28-1 is effective for interim and annual reporting periods ending after June15, 2009. The Company does not expect the adoption of FSP SFAS107-1 and APB 28-1 to have a significant impact on its financial statements.

ONLINE VACATION CENTER HOLDINGS CORP AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Subsequent Events

In May 2009, the FASB issued Statement of Financial Accounting Standards No. 165, Subsequent Events (“SFAS 165”) [ASC 855-10-05], which provides guidance to establish general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS 165 also requires entities to disclose the date through which subsequent events were evaluated as well as the rationale for why that date was selected. SFAS 165 is effective for interim and annual periods ending after June 15, 2009, and accordingly, the Company adopted this Standard during the second quarter of 2009. SFAS 165 requires that public entities evaluate subsequent events through the date that the financial statements are issued. The Company has evaluated subsequent events through the time of filing these financial statements with the SEC on August 14, 2009.

Transfers of Financial Assets

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 166, Accounting for Transfers of Financial Assets — an amendment of FASB Statement No. 140 (“SFAS 166”) [ASC 860], which requires entities to provide more information regarding sales of securitized financial assets and similar transactions, particularly if the entity has continuing exposure to the risks related to transferred financial assets. SFAS 166 eliminates the concept of a “qualifying special-purpose entity,” changes the requirements for derecognizing financial assets and requires additional disclosures. SFAS 166 is effective for fiscal years beginning after November 15, 2009. The Company does not expect the adoption of SFAS 166 to have a significant impact on its financial statements.

Variable Interest Entities

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 167, Amendments to FASB Interpretation No. 46(R) (“SFAS 167”) [ASC 810-10], which modifies how a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. SFAS 167 clarifies that the determination of whether a company is required to consolidate an entity is based on, among other things, an entity’s purpose and design and a company’s ability to direct the activities of the entity that most significantly impact the entity’s economic performance. SFAS 167 requires an ongoing reassessment of whether a company is the primary beneficiary of a variable interest entity. SFAS 167 also requires additional disclosures about a company’s involvement in variable interest entities and any significant changes in risk exposure due to that involvement. SFAS 167 is effective for fiscal years beginning after November 15, 2009. The Company does not expect the adoption of SFAS 167 to have a significant impact on its financial statements.

Accounting Standards Codification

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 168, The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles a Replacement of FASB Statement No. 162 (“SFAS 168”). This Standard establishes the FASB Accounting Standards Codification™ (the “Codification”) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. GAAP. The Codification does not change current U.S. GAAP, but is intended to simplify user access to all authoritative U.S. GAAP by providing all the authoritative literature related to a particular topic in one place. The Codification is effective for interim and annual periods ending after September 15, 2009, and as of the effective date, all existing accounting standard documents will be superseded. The Codification is effective for the Company in the third quarter of 2009, and accordingly, the Company’s Quarterly Report on Form 10-Q for the quarter ending September 30, 2009 and all subsequent public filings will reference the Codification as the sole source of authoritative literature.

ONLINE VACATION CENTER HOLDINGS CORP AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

A variety of proposed or otherwise potential accounting standards are currently under study by standard-setting organizations and various regulatory agencies. Because of the tentative and preliminary nature of these proposed standards, management has not determined whether implementation of such proposed standards would be material to the Company’s consolidated financial statements.

4. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution that could occur if stock options and other commitments to issue common stock were exercised or equity awards vest resulting in the issuance of common stock or conversion of notes into shares of the Company’s common stock that could increase the number of shares outstanding and lower the earnings per share of the Company’s common stock. This calculation is not done for periods in a loss position as this would be antidilutive. As of June 30, 2009, there were no stock options or stock awards that would have been included in the computation of diluted earnings per share that could potentially dilute basic earnings per share in the future. The information related to basic and diluted earnings per share is as follows:

Quarter Ended June 30,