

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

Aventura Holdings Inc.
Form 10-K
March 30, 2006

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

FORM 10-K
(Mark One)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005.

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE EXCHANGE ACT

COMMISSION FILE NUMBER 814-00703

AVENTURA HOLDINGS, INC.

(Exact name of issuer as specified in its charter)

Florida
(State or other jurisdiction
of incorporation or organization)

65-0254624
(IRS Employer
Identification No.)

2650 Biscayne Boulevard, First Floor, Miami, Florida 33137
(Address of principal executive offices)

(305) 937-2000
(Issuer's telephone number)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT: NONE
SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

TITLE OF EACH CLASS
COMMON STOCK, PAR VALUE
\$0.001 PER SHARE

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 ☐

The number of shares of common stock outstanding as of March 28, 2006 was 2,319,657,813.

The aggregate market value of common stock held by non-affiliates of the Registrant on December 31, 2005 based on the closing price on that date of \$0.0005 on the Over the Counter Bulletin Board was \$469,829. For the purposes of calculating this amount only, all directors and executive officers of the Registrant have been treated as affiliates. There were 2,019,657,813 shares of the Registrant's common stock outstanding as of December 31, 2005.

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

INDEX		Page

PART I		
Item 1	Business	3
Item 2	Properties	10
Item 3	Legal Proceedings	10
Item 4	Submission of Matters to a Vote of Security Holders	10
PART II		
Item 5	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	11
Item 6	Selected Financial Data	14
Item 7	Management's Discussion and Analysis of Financial Condition and Results of Operations	15
Item 7A	Quantitative and Qualitative Disclosures about Market Risk	28
Item 8	Financial Statements and Supplementary Data	29
Item 9	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	62
Item 9A	Controls and Procedures	62
Item 9B	Other Information	62
PART III		
Item 10	Directors and Executive Officers of the Registrant	63
Item 11	Executive Compensation	64
Item 12	Security Ownership of Certain Beneficial Owners and Management	64
Item 13	Certain Relationships and Related Transactions	64
Item 14	Principal Accountant Fees and Services	65
PART IV		
Item 15	Exhibits and Financial Statement Schedules	66
SIGNATURES		67
EX-31.1	Certification	
EX-31.2	Certification	
EX-32.1	Certification	

PART I

ITEM 1. BUSINESS

On March 15, 2005, Aventura Holdings, Inc. (the "Company") filed form N-54A with the Securities and Exchange Commission (SEC) to become a Business Development Company ("BDC") pursuant to Section 54 of the Investment Company Act of 1940 (the "1940 Act"). As a result of its new status, the Company is operating as an investment holding company, has acquired and plans to announce a number of acquisitions and investments which will be designed to build an investment portfolio to enhance the Company's shareholder value. The Company provides equity, capital and advisory services for management buyouts, recapitalizations, and the growth and needs of emerging companies. (See the following section for a broader discussion of the operating environment of BDCs. See also "Risk Factors.") As a BDC, the Company is, in effect, a publicly traded private equity

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

fund, where stockholders provide capital in a regulated environment for private investment in a pool of short and long-term investments. Congressional intent behind the creation of BDCs was to encourage the flow of public capital to private and smaller public companies.

The Company has concentrated its investment strategies in the telephony sector based upon experience and exposure to opportunities but plans to expand acquisitions and investments to other lines of business and industry to enhance value to stockholders through capital appreciation and payments of dividends to the Company by its portfolio investments.

BDC regulation was created in 1980 by Congress to encourage the flow of public equity capital to small businesses in the United States. BDCs, like all mutual funds and closed-end funds, are regulated under the 1940 Act. BDCs report to stockholders like traditional operating companies and file regular quarterly and annual reports with the Securities and Exchange Commission. BDCs are required to make available significant managerial assistance to their portfolio companies.

Before the election of BDC status, the Company held a 50% investment in Radio X Network. The original cost basis was \$110,000. Radio X net assets are unknown to the current Board and are considered abandoned. The Board assigned a \$0 fair market value of the Radio X investment at December 31, 2005.

The Company also held a 100% investment in Radio TV Network, Inc. before electing BDC status. The net assets of Radio TV Network, Inc. are unknown to the current Board and are considered abandoned. The original cost basis was \$0 and the Board assigned a \$0 fair market value of the Radio TV Network, Inc. investment at December 31, 2005.

For the period between March 15, 2005 (commencement of our status as a BDC) and December 31, 2005, the Company explored several investment opportunities and made two investments.

On June 3, 2005 the Company purchased ten percent of VoIPBlue.com, Inc. (VoIPBlue) pursuant to a private offering memorandum of April 22, 2005. VoIPBlue.com, Inc. developed software and was structured as a telecommunications exchange serving Voice over Internet Protocol (VoIP) wholesale carriers. Research and development, software, operating and other costs dissipated investment capital and Company management was unable to further assist in day-to-day operations. Local operations ceased in December, 2005 and moved to Riga, Latvia in an effort to have the VoIPBlue shareholder / developer assume operational control. Latvian management was unsuccessful and a decision was made in 2006 to cease operations. VoIPBlue is attempting to sell its developed and purchased software, the success of which is difficult to determine as there is no liquid market. An independent accredited business valuation firm was hired by the Company to assign a fair market value to the \$100,000 investment in VoIPBlue at December 31, 2005. Advanced Business Valuations determination of value was \$0 at December 31, 2005.

3

On June 7, 2005 the Company issued 880,000,000 shares of its previously un-issued restricted common stock in an exempt issuance in exchange for 100% interest in Aventura Networks, LLC. The shares were valued at a discounted price of \$0.00091 per share and the purchase is reflected on the financial statements at \$800,724. During 2005, the Company provided \$299,925 in advances to Aventura Networks, LLC and Aventura Networks, LLC paid obligations of \$108,479 for the Company and made an investment on behalf of the Company in VoIPBlue.com, Inc. in the amount of \$100,000. Aventura Networks was originally a wholesale VoIP buyer and seller of routes predominantly in third-world countries where rates were high and margins were wide. Increased competition led to lower prices, reduced

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

margins and Aventura Networks exit from the VoIP wholesale carrier market. Aventura Networks changed direction and began to further develop and sell developed and third party VoIP switching and internet protocol private branch exchange software. An independent accredited business valuation firm was hired by the Company to assign a fair market value to the \$800,724 investment in Aventura Networks as well as the likelihood of satisfaction of amounts owed to the Company at December 31, 2005. Advanced Business Valuations determination of value was \$0 at December 31, 2005 and an indeterminable likelihood of repayment of the debt owed to the Company. Although the valuation firm was unable to determine a likelihood of debt repayment, Aventura Networks continues to pay Company expenses in 2006 through sales and conversion of its assets to cash. The Company expensed \$50,912 to bad debt expense representing part of the amount Aventura Networks owes the Company at December 31, 2005 and carries the net amount of the receivable at \$40,532 representing Company expenses paid and expectations of payments by Aventura Networks in 2006.

On October 17, 2005 the Company merged with Aventura Holdings, Inc. Aventura Holdings, Inc. was the former owner of Aventura Networks, LLC and its sole net assets were 880,000,000 shares of Company stock and anti-dilution rights acquired in the LLC purchase agreement with the Company. Immediately prior to the merger, Aventura Holdings, Inc. transferred its net assets to Melissa Apple, Trustee of the Maria Lopez Irrevocable Trust UTD March 29, 2004 (its sole shareholder). Subsequent to the merger the Company adopted the name Aventura Holdings, Inc and the former company was dissolved.

On February 23, 2006, the Company announced that it entered into a Memorandum of Understanding and Intent (MOU) with Horvath Holdings, LLC ("Horvath") to acquire 30% of Ohio Funding Group, Inc. in exchange for 200,000,000 shares of previously un-issued restricted common stock in an exempt issuance to Horvath Holdings. Integrated into the MOU is a one year option for Horvath to purchase a controlling interest in Aventura through the sale of other Horvath controlled entities to Aventura either in a single transaction or a series of transactions.

Once we enter into a binding agreement with Horvath Holdings, LLC our future operating business and ownership will change. Therefore, management determined that continuing as a BDC is not practical and that it is in the Company's best interest to un-elect BDC status in the second fiscal quarter of 2006. Un-electing this status requires a shareholder vote but, inasmuch as one shareholder holds a majority of our stock, we determined that we can make this election upon submitting the matter to this one shareholder then filing an information statement (Form 14C). Therefore, in order to withdraw from its BDC status, the Company will first be required to file a Form 14C Preliminary Information Statement regarding the proposed shareholder vote to withdraw its BDC election, and any other matters to be voted on by shareholders. The company will not be seeking proxies as the Company believes that a majority of its outstanding stock is controlled by one shareholder who will vote in favor of the BDC withdrawal. Upon completion of the Preliminary Information Statement, the Company will then file a Form 14C Definitive Information Statement, setting the shareholder meeting to vote on the BDC withdrawal. The Company will then hold the shareholder meeting. Assuming majority shareholder approval to withdraw the BDC election, the Company will then file a Form N-54C notifying the Securities and Exchange Commission that, pursuant to the provisions of Section 54(c), it is withdrawing its election to be subject to Sections 55 through 65 of the Investment Company Act of 1940 ("Investment Company Act" or "1940 Act"). Upon completion of this process, the Company will no longer be subject to the Investment Company Act but will continue as an operating reporting public company, and will still be subject to the Securities Exchange Act of 1934.

Under the rules of the Securities and Exchange Commission, the election to terminate status as a BDC cannot become effective until at least 20 days after the accompanying Information Statement has been distributed to the stockholders of the Company. We expect the termination of such status, and the appropriate

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

filing to be made with the Securities and Exchange Commission, on or about April 25, 2006.

Management conducted its due diligence on Ohio Funding Group, Inc. and other Horvath Holdings, LLC investments. Horvath owns and operates successful automobile dealerships and finance companies concentrating in the sub-prime market. Horvath executives have decades of automobile industry experience including key public company positions. If Horvath exercises their option discussed in our MOU and takes control of Aventura, we expect to pursue a different business model consistent with their experience including possible further acquisitions within the automobile industry. We believe management's plan will allow the Company to continue as a going concern.

4

Operating and Regulatory Structure

Our investment activities are managed by our executive officers and supervised by our board of directors, a majority of whom are independent. As a BDC, we are required to comply with certain regulatory requirements. For example, we generally cannot co-invest in any portfolio company with any of our affiliates without an exemptive order from the Securities and Exchange Commission, or the "SEC." Also, while we are permitted to finance investments using debt, our ability to use debt is limited in certain significant respects. We are not currently in compliance with all of the rules and regulations related to operating as a BDC.

In March 2005, we filed an election to become subject to the 1940 Act, such that we could commence conducting our business activities as a BDC. In April 2005, we determined to commence an offering of shares of our common stock as a BDC in accordance with the exemption from the registration requirements of the Securities Act of 1933 as provided by Regulation E.

In connection with that prospective offering, we filed a Form 1-E with the SEC, which was reviewed in the ordinary course and a comment letters were issued. As a result, we currently understand that we may be out of compliance with certain of the rules and regulations governing the business and affairs, financial status, and financial reporting items required of BDCs. We are making every effort to comply as soon as is practicable with the relevant sections of the 1940 Act and are working with our counsel to accomplish that compliance. In May 2005 under the 1-E filing we entered into and in 2006 completed a Stock Purchase Agreement with Dutchess Private Equities Fund II LP involving the sale of Company stock in exchange for cash. In May 2005, we also issued shares identified in the 1-E filing to outgoing officers, directors and their affiliates. Current management on behalf of the Company filed a lawsuit in US District Court seeking the return of the shares issued to outgoing officers, directors and their affiliates as we believe these shares were issued for services in contradiction to rules governing BDCs.

While we are seeking to comply with the 1940 Act, we cannot provide any specific time frame for full compliance. We cannot predict with certainty what, if any, regulatory or financial consequences may result from the foregoing.

Investment Objectives and Policies

Our investment objective as a BDC is to achieve capital gains and, to a lesser extent, current income. In order to achieve this objective, we currently intend to invest in public and private companies in various industries. We may also invest to a limited extent in selected transactions world-wide, to the extent that such investments are consistent with the limitations on such investing by BDCs under the 1940 Act. Furthermore, we plan to target emerging growth

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

companies that have an executable business plan for growth and a well-managed infrastructure.

Investment Strategy

The Company intends to seek to invest in companies that it believes present opportunities for superior performance through liquidity events, internal growth, product, or geographic expansion, the completion of complementary add-on acquisitions, or industry consolidations. The Company currently expects to invest, providing both subordinated debt and equity, to certain portfolio companies and only subordinated debt or equity to others.

The Company would be comfortable as either a majority or minority investor, without a fixed time horizon for the investments. This should allow for long-term commitments. The Company can continue to provide capital for add-on acquisitions that help build value after the initial closing. The Company's investment objectives and policies are subject to change by a majority affirmative vote of the Company's Board of Directors.

Managerial Assistance

As a BDC, we are generally required to make managerial assistance available to our portfolio companies. When requested, the Company will provide guidance and counseling concerning their management, operations, business objectives, and policies. Additionally, it is our current intention to provide advisory services for management buyouts, recapitalizations, and the growth and capital needs of emerging growth companies.

5

The Company's management has little in-depth experience in the US public capital markets and can provide little assistance to portfolio companies with the process of going public or seeking liquidity events, or developing strategies for creating stockholder value once those companies are public or liquidity events are achieved. The Company has no relationships with potential service providers in this process.

Investment Process

Management has little experience in mergers and acquisitions and plans to work with outside consultants in both buy and sell-side portfolio companies to accomplish their individual goals by implementing the following steps:

- (A) Develop detailed understanding of management's expected outcomes;
- (B) Develop a timetable for transaction;
- (C) Validate proposed transaction terms with select buyers or sellers and select institutional investors or lenders;
- (D) Finalize financing strategy and market positioning;
- (E) Perform due diligence;
- (F) Prepare executive summary and presentation materials - including financial model;
- (G) Pre-screen and contact potential buyers or sellers;
- (H) Coordinate principal meetings;

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

- (I) Coach management on how to communicate and negotiate with buyers and sellers and generally facilitate the interactions between management and buyers or sellers;
- (J) Assist with the preparation of responses to due diligence requests;
- (K) Assist with the negotiation of term sheets with interested parties; and
- (L) Work with management and the investor or lender to complete due diligence process and negotiate final closing documents.

Due Diligence

We conduct diligence on prospective portfolio companies consistent with what our management believes to be the best practices approach adopted by others in the industries in which such opportunities exist. We believe that our management has the ability and knowledge to conduct appropriate and extensive due diligence investigations prior to our investing in a prospective portfolio company. In conducting our due diligence, we use publicly available information, as well as information derived from former and current management, consultants, competitors, and investment bankers and the direct experience of our management and consultants.

Our due diligence may typically include:

- * review of historical and prospective financial information;
- * on-site visits;
- * interviews with management, employees, customers and vendors of the potential portfolio company;
- * review of senior loan documents;
- * background checks on management; and
- * research relating to the company's management, industry, markets, products and services, and competitors.

6

Upon the completion of due diligence and a decision to proceed with an investment in a company, our management presents the opportunity to our board of directors, which determines whether to pursue the potential investment. Additional due diligence with respect to any investment may be conducted on our behalf by attorneys and independent accountants prior to the closing of the investment, as well as other outside advisers, as appropriate.

Valuation Policies

Valuation of Portfolio Investments

As a business development company, the Company's business plan calls for it to invest primarily in illiquid securities issued by private companies ("Private Investments"). These Private Investments are generally subject to restrictions on resale and generally have no established trading market. The Company values its Private Investments at fair value as determined in good faith by the Company's board of directors in accordance with the Company's valuation policy during interim reporting periods and annually by an independent valuation firm with Board ratification. The Company determines fair value to be the amount for which an investment could be sold in an orderly disposition over a reasonable

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

period of time between willing parties other than in a forced or liquidation sale. The Company's valuation policy is intended to provide a consistent basis for establishing the fair value of the portfolio. The Company intends to record unrealized depreciation on investments when it believes that an asset has been impaired and full collection for the loan or realization of an equity security is doubtful. Conversely, the Company intends to record unrealized appreciation if it has a clear indication that the underlying portfolio company has appreciated in value and, therefore, the Company's security has also appreciated in value. Under this valuation policy, the Company does not consider temporary changes in the capital markets, such as interest rate movements or changes in the public equity markets, in order to determine whether an investment in a private company has been impaired or whether a private investment has increased in value. The value of investments in public securities is determined using quoted market prices discounted for restrictions on resale.

Realized gains (losses) from the sale of investments and unrealized gains (losses) from the valuation of investments are reflected in operations during the period incurred.

Determining the enterprise value of a portfolio company, as if that portfolio company were to be sold in a "current sale," is a very complex process where we must analyze the historical and projected financial results of the portfolio company and analyze the public trading market and private M&A market to determine appropriate purchase price multiples. In addition, a reasonable discount to the value of our securities must also be reflected when we may have restrictions such as vesting periods for warrants or other factors.

There is no one methodology to determine enterprise value. Typically in the private equity business, companies are bought and sold based upon multiples of EBITDA, cash flow, revenues and in limited instances book value. In determining a multiple to use for valuation purposes, we look to private M&A statistics, discounted public trading multiples or industry practices. In determining the right multiple, one needs to consider not only the fact that our portfolio company may be private relative to a peer group, but one must consider the size and scope of our portfolio company and its specific strengths and weaknesses. In some cases, when a portfolio company is at EBITDA breakeven or slightly below but has excellent future prospects, the best valuation methodology may be a discounted cash flow analysis based upon future projections. If a company is distressed, a liquidation analysis may provide the best indication of enterprise value.

Our methodology includes the examination of, among other things, the underlying investment performance, financial condition, and market-changing events that impact valuation. Because of the type of investments that we make and the nature of our business, this valuation process requires an analysis of various factors. In our valuation process, we use the AICPA's definition of "current sale," which means an "orderly disposition over a reasonable period of time between willing parties other than in a forced or liquidation sale."

7

Specific Considerations

The valuation of illiquid private securities is inherently subjective, and as a result we must exercise good judgment in our valuation process. The ultimate goal is a reasonable estimate of fair value determined in good faith and applied consistently.

When we are the controlling shareholder, the discount imposed should generally be less than in the case of a minority position. We may still contemplate the need to discount for the current state of the M&A market or restrictions we may

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

have imposed on us due to our relationship with management or other capital providers.

Ultimately, we refer the valuation process to certified experts at annual reporting periods. The Board of Directors reviews the experts report and ratifies their reasonable conclusions.

Equity Securities

Equity interests in portfolio companies for which there is no liquid public market are valued based on the enterprise value of the portfolio company, which is determined using various factors, including cash flow from operations of the portfolio company and other pertinent factors such as recent offers to purchase a portfolio company's securities or other liquidation events. The determined fair values are generally discounted to account for restrictions on resale and minority control positions.

The value of the Company's equity interests in public companies for which market quotations are readily available is based upon the closing public market price for the last day up to and including the balance sheet date. Securities that carry certain restrictions on sale are typically valued at a discount from the public market value of the security.

Loans and Debt Securities

For loans and debt securities, to the extent that we invest in them, fair value generally approximates cost unless the borrower's condition or external factors lead to a determination of fair value at a lower amount. When the Company receives nominal cost warrants or free equity securities ("nominal cost equity"), the Company allocates its cost basis in its investment between its debt securities and its nominal cost equity at the time of origination. At that time, the original issue discount basis of the nominal cost equity is recorded by increasing the cost basis in the equity and decreasing the cost basis in the related debt securities.

Competition

Virtually all of our existing and potential competitors are substantially larger and have considerably greater financial, technical, and marketing resources than we do and, due to our current limited capital, it may be difficult for us to compete successfully with these other companies. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC.

Certain Government Regulations

We operate in a highly regulated environment. The following discussion generally summarizes certain government regulations applicable to business development companies.

Business Development Company.

A BDC is defined and regulated by the 1940 Act. A BDC must be organized in the United States for the purpose of investing in or lending to primarily private

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

companies and making managerial assistance available to them. BDCs generally are designed to provide stockholders with the ability to retain the liquidity of a publicly traded stock, while sharing in the possible benefits, if any, of investing in primarily privately owned companies. As a BDC, we may not acquire any asset other than "qualifying assets" unless, at the time we make the acquisition, the value of our qualifying assets represent at least 70% of the value of our total assets. The principal categories of qualifying assets relevant to our business are:

- * Securities purchased in transactions not involving any public offering, the issuer of which is an eligible portfolio company;
- * Securities received in exchange for or distributed with respect to securities described in the bullet above or pursuant to the exercise of options, warrants or rights relating to such securities; and
- * Cash, cash items, government securities or high quality debt securities (within the meaning of the 1940 Act), maturing in one year or less from the time of investment.

An eligible portfolio company" means any issuer that:

- (A) Is organized under the laws of, and has its principle business in, any state or states:
- (B) Is neither an investment company as defined in section 3 of the 1940 Act (other than a Small business investment company which is licensed by the Small Business Administration to operate under the Small Business Investment Act of 1958 and which is a wholly owned subsidiary of the business development company) nor a company which would be an investment company except for the exclusion from the definition of investment company in section 3(c) of the 1940 Act, and
- (C) Satisfies one the following:
 - (i) It does not have any class of securities with respect to which a member of a national securities exchange, broker, or dealer may extend or maintain credit to or for a customer pursuant to rules or regulations adopted by the Board of Governors of the Federal Reserve System under section 7 of the Securities Exchange Act of 1934;
 - (ii) It is controlled by a business development company, either alone or as part of a group acting together, and such business development company in fact exercises a controlling influence over the management or policies of such Eligible Portfolio Company and, as a result of such control, has an affiliated person who is a director of such Eligible Portfolio Company;
 - (iii) It has total assets of not more than \$4,000,000, and capital and surplus (shareholders' equity less retained earnings) of not less than \$2,000,000, except that the SEC may adjust such amounts by rule, regulation, or order to reflect changes in one or more generally accepted indices or other indicators for small businesses; or
 - (iv) It meets such other criteria as the SEC may, by rule, establish.

As a business development company, we are entitled to issue senior securities in the form of stock or senior securities representing indebtedness, including debt securities and preferred stock, as long as each class of senior security has

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

asset coverage of at least 200% immediately after each such issuance. In addition, while any senior securities remain outstanding, we must make provisions to prohibit any distribution to our stockholders unless we meet the applicable asset coverage ratio at the time of the distribution. See "Risk Factors."

We may also be prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of our Board of Directors who are not interested persons and, in some cases, prior approval by the SEC.

As with other companies regulated by the 1940 Act, a business development company must adhere to certain substantive regulatory requirements. A majority of our directors must be persons who are not interested persons, as that term is defined in the 1940 Act. Additionally, as a business development company, we are prohibited from protecting any director or officer against any liability to us or our stockholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office.

9

We maintain a code of ethics that establishes procedures for personal investment and restricts certain transactions by our personnel. Our code of ethics generally does not permit investment by our employees in securities that may be purchased or held by us.

We may not change the nature of our business so as to cease to be, or withdraw our election as, a business development company unless authorized by vote of a "majority of the outstanding voting securities," as defined in the 1940 Act. A majority of the outstanding voting securities of a company is defined under the 1940 Act as the lesser of: (i) 67% or more of such company's shares present at a meeting if more than 50% of the outstanding shares of such company are present and represented by proxy or (ii) more than 50% of the outstanding shares of such company.

We expect that we will be periodically examined by the SEC for compliance with the 1940 Act.

Employees

As of March 24, 2006, we had one full-time employee, not represented by a union. We believe that our relationship with our employee is good.

Controls and Procedures

As required by SEC rules, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures at the end of the period covered by this report. This evaluation was carried out under the supervision and with the participation of our management. Based on this evaluation, management has concluded that the design and operation of our disclosure controls and procedures are effective. There were no changes in our internal control over financial reporting or in other factors that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to

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

ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Name Changes

The Company filed for a change in name with the State of Florida on June 3, 2005 from Sun Network Group, Inc. to Aventura VoIP Networks, Inc. and on October 19, 2005 from Aventura VoIP Networks, Inc. to Aventura Holdings, Inc. The Company financial statements are presented as Aventura Holdings, Inc. The NASD accepted the Aventura Holdings, Inc. name change, assigned 053563 10 2 as our new CUSIP and AVNT as our new trading symbol.

ITEM 2. PROPERTIES

We do not own any real estate or other physical properties materially important to our operation. Our administrative and principal executive offices are located at 2650 Biscayne Boulevard, 1st Floor, Miami, Florida 33137. We believe that our office facilities are suitable and adequate for our business as it is contemplated to be conducted.

ITEM 3. LEGAL PROCEEDINGS

On December 30, 2005, the Company filed a complaint in US District Court for the Southern District of Florida against its former management and directors alleging inappropriate issuance of Company shares to themselves and their affiliates. On March 22, 2006 the Company settled the lawsuit in exchange for former management's agreement to relinquish all rights to approve, authorize or consent to current managements decisions as contained in the LLC Purchase Agreement between the Company and the owners of Aventura Networks LLC. The Company believes the complaint had merit but did not wish to harm innocent third parties in the event these shares were further distributed. Furthermore, previous management refused to relinquish their aforementioned rights and indicated their intention to block our acquisition of Ohio Funding Group, Inc. as announced in our February 21, 2006 Memorandum of Understanding and Intent with Horvath Holdings, LLC unless we settled by dismissing the lawsuit.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during our fourth fiscal quarter ended December 31, 2005.

10

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Price Range of Common Stock

Our common stock is quoted by Over the Counter Bulletin Board under the symbol "AVNT". The following table sets forth the high and low bid prices for our common stock for the periods indicated, as reported by Over the Counter Bulletin Board. Such quotations reflect inter-dealer prices, without retail mark-up, mark-down, or commissions, and may not necessarily represent actual transactions.

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

	BID ---	
	HIGH -----	LOW -----
Year Ended December 31, 2005:		
First Quarter	\$0.0090	\$0.0030
Second Quarter	\$0.0070	\$0.0020
Third Quarter	\$0.0034	\$0.0008
Fourth Quarter	\$0.0012	\$0.0003

Year Ended December 31, 2004:		
First Quarter	\$0.0500	\$0.0240
Second Quarter	\$0.0450	\$0.0200
Third Quarter	\$0.0350	\$0.0180
Fourth Quarter	\$0.0150	\$0.0030

Year Ended December 31, 2003:		
First Quarter	\$0.0600	\$0.0200
Second Quarter	\$0.0450	\$0.0150
Third Quarter	\$0.0300	\$0.0150
Fourth Quarter	\$0.0900	\$0.0350

	CLOSING BID PRICE			
	NAV 2 -----	High -----	Low -----	Premium of High Sales Price to NAV 3 -----
Year Ended December 31, 2005:				
2nd Quarter (commencing March 15, 2005) 1	\$ 0.0033	\$0.0450	\$0.0200	1377%
3rd Quarter	\$ 0.0004	\$0.0350	\$0.0180	7871%
4th Quarter	\$ (0.0001)	\$0.0150	\$0.0030	-10861%