MPLX LP
Form 10-Q
December 06, 2012

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 September 30, 2012

OR

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

For the transition period from __________ to __________

Commission file number 001-35714

MPLX LP

(Exact name of registrant as specified in its charter)

Delaware	**45-5010536**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
200 E. Hardin Street, Findlay, Ohio	**45840**
(Address of principal executive offices)	**(Zip code)**

(419) 672-6500

(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 Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ¨ No x *

* The registrant became subject to such requirements on October 24, 2012.

Indicate by check mark whether the registrant has submitted electronically 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 x No ¨

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

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	x (Do not check if a smaller reporting company)	Smaller reporting company	¨

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

MPLX LP had 36,951,515 common units and 36,951,515 subordinated units outstanding as of November 30, 2012.

MPLX LP

Form 10-Q

Quarter Ended September 30, 2012

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The information in this report relates to periods that ended prior to the completion of MPLX LP s initial public offering, and prior to the effective dates of the agreements discussed herein. Consequently, the unaudited combined statements and related discussion of financial condition and results of operations contained in this report pertain to MPLX LP Predecessor, our predecessor for accounting purposes.

Unless the context otherwise requires, references in this report to the Predecessor, we, our, us, or like terms, when used in a historical context (periods prior to October 31, 2012), refer to MPLX LP Predecessor. References in this report to MPLX LP, the Partnership, we, our, us, or li terms used in the present tense or prospectively (starting October 31, 2012) refer to MPLX LP and its subsidiaries. References to MPC refer collectively to Marathon Petroleum Corporation and its subsidiaries, other than the Partnership. Prior to June 30, 2011, MPC was a wholly owned subsidiary of Marathon Oil Corporation. Marathon Oil Corporation and all its subsidiaries and equity method investments not spun off with MPC are referred to as Marathon Oil.

Part I Financial Information

Item 1. Financial Statements

MPLX LP Predecessor

Combined Statements of Income (Unaudited)

(In millions)	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Revenues and other income:				
Sales and other operating revenues	$ 19.6	$ 15.9	$ 53.5	$ 44.5
Sales to related parties	96.6	89.1	265.8	253.4
Loss on sale of assets			(0.3)	
Other income	1.7	1.9	5.0	2.3
Other income - related parties	3.2	2.4	9.6	6.3
Total revenues and other income	121.1	109.3	333.6	306.5
Costs and expenses:				
Cost of revenues (excludes items below)	53.5	39.7	136.0	114.3
Purchases from related parties	7.7	7.4	21.3	21.5
Depreciation	9.4	9.7	27.8	27.4
General and administrative expenses	11.2	10.7	38.1	27.1
Other taxes	3.0	2.7	9.7	8.8
Total costs and expenses	84.8	70.2	232.9	199.1
Income from operations	36.3	39.1	100.7	107.4
Related party interest and other financial income	0.5	0.2	1.3	2.1
Interest and other financial income (costs)				(0.2)
Income before income taxes	36.8	39.3	102.0	109.3
Provision (benefit) for income taxes	(0.1)		0.1	
Net income	$ 36.9	$ 39.3	$ 101.9	$ 109.3

The accompanying notes are an integral part of these combined financial statements.

MPLX LP Predecessor

Combined Balance Sheets (Unaudited)

(In millions)	September 30, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 68.5	$ 0.1
Receivables	13.7	15.6
Receivables from related parties	59.7	53.4
Loans receivable from related party		220.4
Inventories	10.1	9.0
Other current assets	0.5	0.2
Total current assets	152.5	298.7
Property, plant and equipment, net	958.3	866.8
Goodwill	134.2	134.2
Other noncurrent assets	5.2	3.4
Total assets	$ 1,250.2	$ 1,303.1
Liabilities		
Current liabilities:		
Accounts payable	$ 42.5	$ 34.7
Payables to related parties	3.7	1.9
Payroll and benefits payable	8.1	6.4
Accrued taxes	6.0	5.7
Long-term debt due within one year	0.7	0.7
Other current liabilities	1.6	1.7
Total current liabilities	62.6	51.1
Long-term debt	10.7	11.2
Deferred credits and other liabilities	1.3	1.6
Total liabilities	74.6	63.9
Commitments and contingencies (see Note 11)		
Net investment		
Net investment	1,175.6	1,239.2
Total net investment	1,175.6	1,239.2
Total liabilities and net investment	$ 1,250.2	$ 1,303.1

The accompanying notes are an integral part of these combined financial statements.

MPLX LP Predecessor

Combined Statements of Cash Flows (Unaudited)

(In millions)	Nine Months Ended September 30, 2012	2011
Increase (decrease) in cash and cash equivalents		
Operating activities:		
Net income	$ 101.9	$ 109.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	27.8	27.4
Deferred income taxes	(0.1)	(0.2)
Net loss on sale of assets	0.3	
Changes in:		
Current receivables	1.9	(1.1)
Inventories	(1.1)	(0.6)
Current accounts payable and accrued liabilities	0.8	0.9
Receivables from / payables to related parties	(4.5)	4.7
All other, net	(5.2)	1.2
Net cash provided by operating activities	121.8	141.6
Investing activities:		
Additions to property, plant and equipment	(109.2)	(22.2)
Disposal of assets	0.1	
Investments in related party debt securities purchases		(260.6)
redemptions		311.7
Investments loans to related party	221.7	(174.2)
Net cash provided by (used in) investing activities	112.6	(145.3)
Financing activities:		
Long-term debt repayments	(0.5)	(0.5)
Contributions from (distributions to) MPC	(165.5)	17.7
Net cash provided by (used in) financing activities	(166.0)	17.2
Net increase in cash and cash equivalents	68.4	13.5
Cash and cash equivalents at beginning of period	0.1	0.2
Cash and cash equivalents at end of period	$ 68.5	$ 13.7

The accompanying notes are an integral part of these combined financial statements.

MPLX LP Predecessor

Combined Statements of Net Investment (Unaudited)

(In millions)	Nine Months Ended September 30, 2012	2011
Net Investment:		
Balance at beginning of period	$ 1,239.2	$ 1,068.2
Net income	101.9	109.3
Contributions from (distributions to) MPC, net	(165.5)	17.2
Balance at end of period	$ 1,175.6	$ 1,194.7

The accompanying notes are an integral part of these combined financial statements.

Notes to Combined Financial Statements (Unaudited)

1. Initial Public Offering, Description of the Business and Basis of Presentation

Initial Public Offering On October 31, 2012, MPLX LP (the Partnership) completed its initial public offering (the Offering) of 19,895,000 common units (including 2,595,000 common units issued pursuant to the exercise of the underwriters over-allotment option), representing limited partner interests. Unless the context otherwise requires, references in this report to the Predecessor, we, our, us, or like terms, when use in a historical context (periods prior to October 31, 2012), refer to MPLX LP Predecessor, our predecessor for accounting purposes. References in this report to MPLX LP, the Partnership, we, our, us, or like terme="DISPLAY: block; MARGIN-LEFT: 0pt; TEXT-INDENT: 0pt; MARGIN-RIGHT: 0pt" align="center">Three Months Ended

	March 31, 2008	March 31, 2007
Cash flows from operating activities:		
Net income (loss)	$6	$(13)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
(Increase) decrease in prepaid and other assets	(150)	70
Increase (decrease) in accounts payable	96	(8)
Increase (decrease) in accrued liabilities	100	(11)
Net cash provided by operating activities	52	38
Cash flows from investing activities:		
Purchase of property and equipment	-	(2)
Net cash used in investing activities	-	(2)
Cash flows from financing activities	-	-
Net increase in cash and cash equivalents	52	36
Cash and cash equivalents, beginning of period	12,679	12,319
Cash and cash equivalents, end of period	$12,731	$12,355

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

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

Note 1. Basis of Presentation

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

Note 2. Historical Overview

New Century Equity Holdings Corp. is a company in transition. The Company is currently seeking to redeploy its assets to enhance stockholder value and is seeking, analyzing and evaluating potential acquisition and merger candidates. On October 5, 2005, the Company entered into an agreement (the "Ascendant Agreement") with ACP Investments, L.P. (d/b/a Ascendant Capital Partners) ("Ascendant") to acquire an interest in the revenues generated by Ascendant. Ascendant is a Berwyn, Pennsylvania based alternative asset management company whose funds have investments in long/short equity funds and which distributes its registered funds primarily through various financial intermediaries and related channels. The Company's interest in Ascendant currently represents the Company's sole operating business.

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

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

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

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

Derivative Lawsuit

On August 11, 2004, Craig Davis, allegedly a stockholder of the Company, filed a lawsuit in the Chancery Court of New Castle County, Delaware (the "Lawsuit"). The Lawsuit asserted direct claims, and also derivative claims on the Company's behalf, against five former and three current directors of the Company. On April 13, 2006, the Company announced that it reached an agreement with all of the parties to the Lawsuit to settle all claims relating thereto (the "Settlement"). On June 23, 2006, the Chancery Court approved the Settlement, and on July 25, 2006, the Settlement became final and non-appealable. As part of the Settlement, the Company set up a fund (the "Settlement Fund"), which was distributed to stockholders of record as of July 28, 2006, with a payment date of August 11, 2006. The portion of the Settlement Fund distributed to stockholders pursuant to the Settlement was $2,270,017 or approximately $.04 per common share on a fully diluted basis, provided that any Common Stock held by defendants in the Lawsuit who were formerly directors of the Company would not be entitled to any distribution from the Settlement Fund. The total Settlement proceeds of $3,200,000 were funded by the Company's insurance carrier and by Parris H. Holmes, Jr., the Company's former Chief Executive Officer, who contributed $150,000. Also included in the total Settlement proceeds was $600,000 of reimbursement for legal and professional fees paid to the Company by its insurance carrier and subsequently contributed by the Company to the Settlement Fund. Therefore, the Company recognized a loss of $600,000 related to the Lawsuit for the year ended December 31, 2006. As part of the Settlement, the Company and the other defendants in the Lawsuit agreed not to oppose the request for fees and expenses by counsel to the plaintiff of $929,813. Under the Settlement, the plaintiff, the Company and the other defendants (including Mr. Holmes) also agreed to certain mutual releases.

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

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

Note 3. Stock Based Compensation

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

Note 4. Revenue Interest

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

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

Ascendant had assets under management of approximately $39,500,000 and $37,500,000 as of March 31, 2008 and December 31, 2007, respectively. Under the Ascendant Agreement, revenues earned by the Company from the Ascendant revenue interest (as determined in accordance with the terms of the Ascendant Agreement) are payable in cash within 30 days after the end of each quarter. Under the terms of the Ascendant Agreement, Ascendant has 45 days following notice by the Company to cure any material breach by Ascendant of the Ascendant Agreement, including with respect to payment obligations. Ascendant failed to make the required revenue sharing payments for the quarters ended June 30, 2006, September 30, 2006 and December 31, 2006 and for the year ended December 31, 2007, in a timely manner and did not cure such failures within the required 45 day period. In addition Ascendant has not made the payment for the quarter ended March 31, 2008. Under the terms of the Ascendant Agreement, upon notice of an uncured material breach, Ascendant is required to fully refund all amounts paid by the Company, and the Company’s revenue interest remains outstanding.

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The Company has not recorded any revenue or received any revenue sharing payments for the period from July 1, 2006 through March 31, 2008. According to the Ascendant Agreement, if Ascendant acquires the revenue interest from the Company, Ascendant must pay the Company a return on the capital that it invested. Pursuant to the Ascendant Agreement, the required return on the Company's invested capital will not be impacted by any revenue sharing payments made or not made by Ascendant.

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

Since the Ascendant revenue interest meets the indefinite life criteria outlined in Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets", the Company does not amortize this intangible asset, but instead reviews this asset quarterly for impairment. Each reporting period, the Company assesses whether events or circumstances have occurred which indicate that the indefinite life criteria are no longer met. If the indefinite life criteria are no longer met, the Company assesses whether the carrying value of the asset exceeds its fair value, and an impairment loss is recorded in an amount equal to any such excess.

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

Note 5. Commitments and Contingencies

In October 2000, the Company completed the Platinum Transaction. Under the terms of the Platinum Transaction, all leases and corresponding obligations associated with the Transaction Processing and Software Business were assumed by Platinum. Prior to the Platinum Transaction, the Company guaranteed two operating leases for office space of the divested companies. The first lease is related to office space located in San Antonio, Texas, and expired in 2006. The second lease is related to office space located in Austin, Texas, and expires in 2010. Under the original terms of the second lease, the remaining minimum undiscounted rent payments total approximately $2,482,000 at March 31, 2008. In conjunction with the Platinum Transaction, Platinum agreed to indemnify the Company should the underlying operating companies not perform under the terms of the office leases. The Company can provide no assurance as to Platinum's ability, or willingness, to perform its obligations under the indemnification. The Company does not believe it is probable that it will be required to perform under the remaining lease guarantee and, therefore, no liability has been accrued in the Company's financial statements.

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

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

Note 6. Related Party Transactions

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

The Company's corporate headquarters are currently located at 200 Crescent Court, Suite 1400, Dallas, Texas 75201, which are also the offices of NCM. The Company occupies a portion of NCM space on a month-to-month basis at $2,500 per month, pursuant to a services agreement entered into between the parties. NCM is the general partner of Newcastle. The Company incurred expenses pursuant to the services agreement totaling $7,500 for each of the quarters ended March 31, 2008 and 2007, respectively. The Company owed NCM $0 as of March 31, 2008 and 2007, respectively. The Company also receives accounting and administrative services from employees of NCM pursuant to such agreement.

Note 7. Share Capital

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

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

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

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Item 2.

This Quarterly Report on Form 10-Q contains certain “forward-looking” statements as such term is defined in the Private Securities Litigation Reform Act of 1995 and information relating to the Company and its subsidiaries that are based on the beliefs of the Company’s management as well as assumptions made by and information currently available to the Company’s management. When used in this report, the words “anticipate”, “believe”, “estimate”, “expect” and “intend” and words or phrases of similar import, as they relate to the Company or its subsidiaries or Company management, are intended to identify forward-looking statements. Such statements reflect the current risks, uncertainties and assumptions related to certain factors including, without limitation, competitive factors, general economic conditions, the interest rate environment, governmental regulation and supervision, seasonality, changes in industry practices, onetime events and other factors described herein and in other filings made by the Company with the Securities and Exchange Commission. Based upon changing conditions, should any one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended. The Company does not intend to update these forward-looking statements.

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

General

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

Results of Operations

Operating Revenues

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

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

Ascendant had assets under management of approximately $39,500,000 and $37,500,000 as of March 31, 2008 and December 31, 2007, respectively. Under the Ascendant Agreement, revenues earned by the Company from the Ascendant revenue interest (as determined in accordance with the terms of the Ascendant Agreement) are payable in cash within 30 days after the end of each quarter. Under the terms of the Ascendant Agreement, Ascendant has 45 days following notice by the Company to cure any material breach by Ascendant of the Ascendant Agreement, including with respect to payment obligations. Ascendant failed to make the required revenue sharing payments for the quarters ended June 30, 2006, September 30, 2006 and December 31, 2006 and for the year ended December 31, 2007, in a timely manner and did not cure such failures within the required 45 day period. In addition Ascendant has not made the payment for the quarter ended March 31, 2008. Under the terms of the Ascendant Agreement, upon notice of an uncured material breach, Ascendant is required to fully refund all amounts paid by the Company, and the Company's revenue interest remains outstanding.

The Company has not recorded any revenue or received any revenue sharing payments for the period from July 1, 2006 through March 31, 2008. According to the Ascendant Agreement, if Ascendant acquires the revenue interest from the Company, Ascendant must pay the Company a return on the capital that it invested. Pursuant to the Ascendant Agreement, the required return on the Company's invested capital will not be impacted by any revenue sharing payments made or not made by Ascendant.

General and Administrative Expenses

General and administrative ("G&A") expenses are comprised of all costs incurred in direct support of the business operations of the Company. G&A expenses decreased by $74,000, or 44%, to $95,000 during the three months ended March 31, 2008, as compared to the corresponding period of the prior fiscal year. This decrease is primarily attributable to the absence of legal and professional fees associated with the Lawsuit and officers' compensation in the quarter ended March 31, 2008.

Interest Income

Interest income decreased by $55,000, or 35%, to $101,000 during the three months ended March 31, 2008, as compared to the corresponding period of the prior fiscal year. This decrease is attributable to a decrease in yields on cash balances available for short-term investment.

Liquidity and Capital Resources

The Company's cash balance increased to $12,731,000 at March 31, 2008, from $12,679,000 at December 31, 2007. The increase resulted from interest income of approximately $101,000 offset by cash funding of general and administrative expenses during the three months ended March 31, 2008.

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

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Lease Guarantees

In October 2000, the Company completed the Platinum Transaction. Under the terms of the Platinum Transaction, all leases and corresponding obligations associated with the Transaction Processing and Software Business were assumed by Platinum. Prior to the Platinum Transaction, the Company guaranteed two operating leases for office space of the divested companies. The first lease is related to office space located in San Antonio, Texas, and expired in 2006. The second lease is related to office space located in Austin, Texas, and expires in 2010. Under the original terms of the second lease, the remaining minimum undiscounted rent payments total approximately $2,482,000 at March 31, 2008. In conjunction with the Platinum Transaction, Platinum agreed to indemnify the Company should the underlying operating companies not perform under the terms of the office leases. The Company can provide no assurance as to Platinum’s ability, or willingness, to perform its obligations under the indemnification. The Company does not believe it is probable that it will be required to perform under the remaining lease guarantee and, therefore, no liability has been accrued in the Company’s financial statements.

New Accounting Standards

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, “Fair Value Measurements” (“SFAS 157”), which establishes a framework for reporting fair value and expands disclosures about fair value measurements. SFAS 157 was effective for the Company on January 1, 2008, with the exception that the applicability of SFAS 157’s fair value measurement requirements to nonfinancial assets and liabilities that are not required or permitted to be recognized or disclosed at fair value on a recurring basis has been delayed by the FASB for one year. The Company does not believe that the requirements of SFAS 157, which were effective for the Company on January 1, 2008, will have a material impact on the Company’s consolidated financial statements. The Company is currently evaluating the impact of the SFAS 157 requirements, which will be effective for the Company on January 1, 2009, on the Company’s financial position and results of operations.

Item 4. Controls and Procedures

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

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

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

PART II OTHER INFORMATION

Item 1. Legal Proceedings

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

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

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Item 6. Exhibits

Exhibits:

31.1	Certification of Principal Executive Officer in Accordance with Section 302 of the Sarbanes-Oxley Act (filed herewith).
31.2	Certification of Principal Financial Officer in Accordance with Section 302 of the Sarbanes-Oxley Act (filed herewith).
32.1	Certification of Principal Executive Officer in Accordance with Section 906 of the Sarbanes-Oxley Act (filed herewith).
32.2	Certification of Principal Financial Officer in Accordance with Section 906 of the Sarbanes-Oxley Act (filed herewith).

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SIGNATURE

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

NEW CENTURY EQUITY HOLDINGS CORP.
(Registrant)

Date: May 15, 2008	By:	/s/ John P. Murray
		John P. Murray
		Chief Financial Officer
		(Duly authorized and principal financial officer)