WYGOD MARTIN J
Form 4
December 03, 2008

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
OMB Number: 3235-0287
Expires: January 31, 2005
Estimated average burden hours per response... 0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
WYGOD MARTIN J

(Last) (First) (Middle)

669 RIVER DR, CENTER 2

(Street)

ELMWOOD PARK, NJ 07407

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
HLTH CORP [HLTH]

3. Date of Earliest Transaction (Month/Day/Year)
12/01/2008

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Chairman of the Board

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	12/01/2008		A		240,000 (1)	A	(1)	7,462,118 (2)	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Stock Option (right to buy)	$ 8.49	12/01/2008		A		480,000		(3)	12/01/2018	Common Stock	480,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
WYGOD MARTIN J 669 RIVER DR, CENTER 2 ELMWOOD PARK, NJ 07407	X		Chairman of the Board	

Signatures

Lewis H. Leicher, Attorney-in-Fact for Martin J. Wygod	12/03/2008
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) 25% of the restricted shares are scheduled to vest on each of December 1, 2009, December 1, 2010, December 1, 2011 and December 1, 2012.

(2) Includes 170,000 shares of unvested restricted stock previously granted.

(3) 25% of the shares underlying the option are scheduled to vest on each of December 1, 2009, December 1, 2010, December 1, 2011 and December 1, 2012.

(4) Not applicable.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. o three classes of two members each. The terms of office of the three classes of directors (Class I, Class II and Class III) end in successive years. Currently there are four vacancies, two in Class I and two in Class II. Pursuant to the Company's bylaws, a majority of the remaining two members of the Board may appoint successors to fill the vacancies.

Class III Directors—Present Term

John B. Gallagher Age 51	Mr. Gallagher is co-founder of the Company and European Micro Plc, a wholly-owned subsidiary of the Company. He has served as Co-Chairman, Co-President and Director of the Company since it

was formed in December 1997. Mr. Gallagher has also served as Co-Chairman and Director of European Micro Plc since it was formed in 1991 and as President, Secretary, Treasurer and Director of American Micro Computer Center, Inc., a computer distributor, since 1999. Between 1989 and 1999, Mr. Gallagher served as President of American Surgical Supply Corp. of Florida d/b/a American Micro Computer Center until it was acquired by the Company in 1999 and changed its name to American Micro Computer Center, Inc. He was a Director and President of Ameritech Exports, a computer distributor, from 1992 to 1997. Mr. Gallagher is an attorney with a Bachelor of Arts and a Juris Doctorate from the University of Florida.

Harry D. Shields
Age 56

Mr. Shields is co-founder of the Company and European Micro Plc, a wholly-owned subsidiary of the Company. He has served as Co-Chairman, Co-President and Director of the Company since it was formed in December 1997. Mr. Shields has also served as Co-Chairman and Director of European Micro Plc since it was formed in 1991. Mr. Shields had been Vice President and a Director of American Micro Computer Center, Inc. from its acquisition in 1999 to August 31, 2001. He served as President of Technology Express, a computer distributor, from 1986 to 2003, and was a Director of Ameritech Exports, a computer distributor, from 1992 to 1997. Mr. Shields has a Bachelor of Arts from DePaul University and a Masters of Science from the University of Tennessee.

Executive Officer

In addition to John B. Gallagher and Harry D. Shields, who are listed above, the following individual is an executive officer of the Company:

Jay Nash
Age 44

Mr. Nash has been Chief Financial Officer, Controller, Secretary and Treasurer of the Company since January 1998. He had also been Assistant Secretary and a Director of American Micro Computer Center, Inc. since 1999. He had served as Vice President of Technology Express, Inc., a computer distributor, since 1992 and was an accountant with Jacques Miller, a real estate firm, from 1986 to 1992 and KPMG LLP, an accounting firm, from 1983 to 1986. Mr. Nash is a Certified Public Accountant with a Bachelor of Science in Accounting from the University of Tennessee.

10

ITEM 10. EXECUTIVE COMPENSATION.

Executive Compensation

Summary Compensation Table

The following table sets forth compensation information for the three fiscal years ended June 30, 2005 for the Company's Chief Executive Officers and the one other executive officers of the Company.

					Long-Term Compensation	
		Annual Compensation				
Name and Principal Position(s)	Fiscal Year	Salary	Bonus	Other Annual Compensation	No. of Stock Options Granted	All Other Compensation
John B. Gallagher	2005	$ 175,000	$ 0	$ 0	0	$ 0
Co-Chairman and						
Co-President	2004	$ 0	0	0	0	0
	2003	$ 0	0	0	0	0
Harry D. Shields	2005	$ 125,000	$ 0	$ 0	0	$ 0
Co-Chairman and						
Co-President	2004	$ 0	0	0	0	0
	2003	$ 0	0	0	0	0
Jay Nash	2005	$ 85,000	$ 0	$ 0	0	$ 0
Chief Financial Officer,						
Controller,	2004	$ 0	0	0	0	0
Secretary and Treasurer	2003	$ 0	0	0	0	0

Option Grants in Fiscal 2005

During Fiscal 2005, the Company did not grant options to any of the named executive officers.

Option Exercises and Values for Fiscal 2005

There are no outstanding options.

Employment Agreements

Employment Agreements with the Chief Executive Officers. The Company entered into five-year employment agreements with each of Messrs. Gallagher and Shields. Pursuant to the agreements, each executive was employed as Co-Chairman and Co-President of the Company. These agreements were effective as of January 1, 1998, and each provided for initial annual base salaries of $175,000, plus annual cost of living adjustments and other increases to be determined at any time or from time to time by the Board of Directors or any committee thereof. On January 31, 1999, the annual base salaries for each of Messrs. Gallagher and Shields were increased to $275,000. Effective May 1, 2000, Messrs. Gallagher and Shields voluntarily decreased their annual base salaries from $275,000 to $225,000. Effective July 1, 2001, Messrs. Gallagher and Shields voluntarily waived payment of their base salaries. Furthermore, effective August 31, 2001, Messrs. Gallagher and Shields terminated their employment agreements and permanently released the Company from its obligation to pay past due compensation for the prior two months.

On July 1, 1999, Mr. Gallagher entered into a two-year employment agreement with American Micro Computer Center, Inc., a wholly-owned subsidiary of the Company ("American Micro"). Pursuant to this agreement, Mr. Gallagher was employed as President of American Micro. This agreement provided for an annual base salary of $104,000, which was in addition to the annual base salary paid by the Company. Effective August 31, 2001, Mr. Gallagher terminated the employment agreement with American Micro.

11

Employment Agreements with Other Named Executive Officers. Jay Nash has never had an employment agreement with the Company.

ITEM 11. SECURITY OWNERSHIPOF CERTAIN BENEFICIAL OWNERSAND MANAGEMENT.

Directors and Executive Officers

The following table shows the amount of common stock of the Company beneficially owned by the Company's directors, the executive officers named in the Summary Compensation Table below and by all directors and executive officers as a group as of July 31, 2006. Unless otherwise indicated, beneficial ownership is direct and the person indicated has sole voting and investment power. As of July 31, 2006, the Company had 5,029,667 shares of common stock outstanding.

Name and Address	**Shares Beneficially Owned**	**Percent of Class**
John B. Gallagher	1,900,000	37.8%
Harry D. Shields	1,577,696	31.4%
All officers and directors as a group	3,477,696	69.2%

Section 16(a) Beneficial Ownership Reporting Compliance

Except as noted below, based upon a review of filings with the Securities and Exchange Commission, the Company believes that all of the Company's directors and executive officers complied during Fiscal 2005 with the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934.

Stockholders Agreement

Pursuant to a stockholders agreement, each of Messrs. Gallagher and Shields have agreed to vote his shares in concert on all matters submitted to a vote of stockholders of the Company, including the election of all directors. In the event that either Messrs. Gallagher or Shields cannot agree to vote his shares in concert with the other, neither shall vote his shares.

Code Of Ethics

On August 28, 2006, our Board of Directors adopted a Code of Business Conduct and Ethics that applies to all of our officers, directors and employees.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

On February 2, 1999, the Company's Board formed an Acquisition Committee consisting solely of independent directors to evaluate and determine whether the Company should acquire American Surgical Supply Corp. of Florida d/b/a American Micro Computer Center ("AMCC") and, if so, on what terms. The members of the committee were Kyle R. Saxon and Barrett Sutton. John B. Gallagher, who is a significant shareholder, Co-Chairman and Co-President of the Company, was the President and a Director of AMCC and owned fifty percent of its outstanding capital stock. Frank Cruz, who was the Chief Operating Officer of the Company, had been an employee of AMCC since 1994. He was an employee of American Micro, the newly-formed, wholly-owned subsidiary of the Company formed to acquire AMCC. The remaining fifty percent of AMCC's outstanding capital stock was owned by Mr. Gallagher's father. The committee's charter authorized it to take any action it deemed necessary to properly evaluate and determine whether the Company should acquire AMCC, including hiring independent advisors and ensuring that any such transaction was fair to the Company and its stockholders from a financial point of view. The committee hired independent legal counsel and an independent financial advisor to render a fairness opinion. On July 1, 1999, the Company acquired AMCC.

12

During Fiscal 2005, the Company repaid money to Harry D. Shields. Harry D. Shields who is the Co-Chairman, Co-President, director and a significant stockholder of the Company, is also the owner of Technology Express, Inc. John B. Gallagher who is the Co-Chairman, Co-President, director and a significant stockholder of the Company, is also the owner of American Micro. In addition, Jay Nash, who was Chief Financial Officer, Controller, Secretary and Treasurer of the Company, has been an officer of Technology Express since 1992. Amounts payable to the related parties are listed below:

	($ in thousands) Fiscal 2005
Notes Payable to Harry D. Shields(1)	$ -

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(1) The largest aggregate amount of indebtedness owed by the Company to Harry D. Shields between July 1, 2004 and June 30, 2005 was approximately $210,000.

13

ITEM 13. EXHIBITSAND FINANCIAL STATEMENT SCHEDULES, AND REPORTSON FORM 8-K.

(a)(1)(2) **Financial Statements.** See index to consolidated financial statements and supporting schedules.

(a)(3) Exhibits.

Exhibit No.	Description	Location
2.01	Agreement for the Acquisition of Sunbelt (UK) Limited by European Micro Plc dated October 26, 1998	Incorporated by reference as Exhibit 2.01 to the Company's Quarterly Report on Form 10-QSB filed on November 13, 1998.
2.02	Merger Agreement re: AMCC dated June 29, 1999	Incorporated by reference as Exhibit 2.02 to the Company's Annual Report on Form 10-KSB filed on September 28, 1999.
2.03	Plan of 1999 Merger re: AMCC dated June 29, 1999	Incorporated by reference as Exhibit 2.03 to the Company's Annual Report on Form 10-KSB filed on September 28, 1999.
2.04	Articles of Merger re: AMCC dated June 29, 1999	Incorporated by reference as Exhibit 2.04 to the Company's Annual Report on Form 10-KSB filed on September 28, 1999.
2.05	Amendment to Merger Agreement re: AMCC dated October 2, 2000	Incorporated by reference as Exhibit 2.05 to the Company's Registration Statement on Form S-1 filed on October 27, 2000.
3.01	Articles of Incorporation	Incorporated by reference as Exhibit No. 3.01 to the Company's Registration Statement on Form S-1 filed on January 16, 1998.
3.02	Certificate of Amendment of Articles of Incorporation	Incorporated by reference as Exhibit 3.02 to the Company's Quarterly Report on Form 10-QSB filed on May 13, 1998.
3.03	Bylaws	Incorporated by reference as Exhibit No. 3.02 to the Company's Registration Statement on Form S-1 filed on January 16, 1998.
4.01	Form of Stock Certificate	Incorporated by reference as Exhibit No. 4.01 to the Company's Registration Statement on Form S-1/A filed on March 6, 1998.
4.02	1998 Stock Incentive Plan	Incorporated by reference as Exhibit No. 4.02 to the Company's Registration Statement on Form S-1 filed on January 16, 1998.
4.03		

	1998 Stock Employee Stock Purchase Plan	Incorporated by reference as Exhibit No. 4.03 to the Company’s Registration Statement on Form S-1 filed on January 16, 1998.
4.04	Form of Lock-up Agreement	Incorporated by reference as Exhibit No. 4.04 to the Company’s Registration Statement on Form S-1/A filed on March 24, 1998.
10.01	Form of Advice of Borrowing Terms with National Westminster Bank Plc	Incorporated by reference as Exhibit No. 10.01 to the Company’s Registration Statement on Form S-1/A filed on March 6, 1998.

14

Exhibit No.	Description	Location
10.02	Invoice Discounting Agreement with Lombard NatWest Discounting Limited, dated November 21, 1996	Incorporated by reference as Exhibit No. 10.02 to the Company's Registration Statement on Form S-1/A filed on March 6, 1998.
10.03	Commercial Credit Insurance, policy number 60322, with Hermes Kreditversicherungs-AG dated August 1, 1995	Incorporated by reference as Exhibit No. 10.03 to the Company's Registration Statement on Form S-1/A filed on March 6, 1998.
10.04	Commercial Credit Insurance, policy number 82692, with Hermes Kreditversicherungs-AG dated August 1, 1995	Incorporated by reference as Exhibit No. 10.04 to the Company's Registration Statement on Form S-1/A filed on March 6, 1998.
10.05	Consignment Agreement with European Micro Computer B.V., dated January 1996	Incorporated by reference as Exhibit No. 10.05 to the Company's Registration Statement on Form S-1/A filed on March 6, 1998.
10.06	Stockholders' Cross-Purchase Agreement by and between Jeffrey Gerard Alnwick, Marie Alnwick, European Micro Plc and Big Blue Europe, B.V. dated August 21, 1997	Incorporated by reference as Exhibit No. 10.07 to the Company's Registration Statement on Form S-1/A filed on March 6, 1998.
10.07	Trusteed Stockholders Cross-Purchase Agreement by and between John B. Gallagher, Harry D. Shields, Thomas H. Minkoff, Trustee of the Gallagher Family Trust, Robert H. True and Stuart S. Southard, Trustees of the Henry Daniel Shields 1997 Irrevocable Educational Trust, European Micro Holdings, Inc. and SunTrust Bank, Nashville, N.A., as Trustee dated January 31, 1998	Incorporated by reference as Exhibit No. 10.08 to the Company's Registration Statement on Form S-1/A filed on March 6, 1998.
10.08	Executive Employment Agreement between John B. Gallagher and European Micro Holdings, Inc. effective as of January 1, 1998	Incorporated by reference as Exhibit No. 10.09 to the Company's Registration Statement on Form S-1/A filed on March 6, 1998.
10.09	Executive Employment Agreement between Harry D. Shields and European Micro Holdings, Inc. effective as of January 1, 1998	Incorporated by reference as Exhibit No. 10.10 to the Company's Registration Statement on Form S-1/A filed on March 6, 1998.
10.10		

	Contract of Employment Agreement between Laurence Gilbert and European Micro UK dated March 14, 1998	Incorporated by reference as Exhibit No. 10.11 to the Company's Registration Statement on Form S-1/A filed on March 6, 1998.
10.11	Subscription Agreement by and between John B. Gallagher, Harry D. Shields, Thomas H. Minkoff, Trustee of the Gallagher Family Trust, Robert H. True and Stuart S. Southard, Trustees of the Henry Daniel Shields 1997 Irrevocable Educational Trust, European Micro Holdings, Inc. effective as of January 31, 1998	Incorporated by reference as Exhibit No. 10.13 to the Company's Registration Statement on Form S-1/A filed on March 6, 1998.
10.12	Administrative Services Contract by and between European Micro Holdings, Inc. and European Micro Plc effective as of January 1, 1998	Incorporated by reference as Exhibit No. 10.14 to the Company's Registration Statement on Form S-1/A filed on March 6, 1998.
10.13	Escrow Agreement between European Micro Holdings, Inc., Tarpon Scurry Investments, Inc. and The Chase Manhattan dated as of March 24, 1998	Incorporated by reference as Exhibit No. 10.15 to the Company's Registration Statement on Form S-1/A filed on March 6, 1998.

15

Exhibit No.	Description	Location
10.14	Form of Indemnification Agreements with officers and directors	Incorporated by reference as Exhibit No. 10.16 to the Company’s Registration Statement on Form S-1/A filed on March 6, 1998.
10.15	Form of Transfer Agent Agreement with Chase Mellon Stockholder Services, L.L.C.	Incorporated by reference as Exhibit No. 10.17 to the Company’s Registration Statement on Form S-1/A filed on March 6, 1998.
10.16	Form of Credit Agreement by and between European Micro UK and National Westminster Bank Plc	Incorporated by reference as Exhibit No. 10.17 to the Company’s Annual Report on Form 10-KSB filed on September 28, 1998.
10.17	Consulting Contract dated September 10, 1998 by and between European Micro Holdings, Inc. and The Equity Group	Incorporated by reference as Exhibit 10.19 to the Company’s Quarterly Report on Form 10-QSB filed on November 13, 1998.
10.18	Employment Agreement dated July 1, 1999 between John B. Gallagher and American Micro	Incorporated by reference as Exhibit 10.21 to the Company’s Annual Report on Form 10-KSB filed on September 28, 1999.
10.19	Revolving Loan Agreement dated October 5, 2000 between American Micro and SouthTrust Bank re: Line of Credit to American Micro	Incorporated by reference as Exhibit 10.19 to the Company’s Annual Report on Form 10-KSB filed on October 11, 2000.
10.20	First Amendment to Loan Agreement dated October 5, 2000 among the Company, American Micro, Nor’Easter and SouthTrust Bank, N.A. re: Term Loan to the Company	Incorporated by reference as Exhibit 10.20 to the Company’s Annual Report on Form 10-KSB filed on October 11, 2000.
10.21	Revolving Loan Agreement dated October 5, 2000 between Nor’Easter and SouthTrust Bank re: Line of Credit to Nor’Easter	Incorporated by reference as Exhibit 10.21 to the Company’s Annual Report on Form 10-KSB filed on October 11, 2000.
10.22	Loan Agreement dated October 28, 1999 among the Company, American Micro, Nor’Easter and SouthTrust Bank, N.A. re: Term Loan to the Company	Incorporated by reference as Exhibit 10.23 to the Company’s Quarterly Report on Form 10-QSB filed on November 15, 1999.
10.23	Security Agreement dated October 5, 2000 between Nor’Easter and SouthTrust Bank	Incorporated by reference as Exhibit 10.23 to the Company’s Annual Report on Form 10-KSB filed on October 11, 2000.
10.24		

	Security Agreement dated October 5, 2000 between American Micro and SouthTrust Bank	Incorporated by reference as Exhibit 10.24 to the Company's Annual Report on Form 10-KSB filed on October 11, 2000.
10.25	Line of Credit Note given by Nor'Easter to SouthTrust Bank	Incorporated by reference as Exhibit 10.25 to the Company's Annual Report on Form 10-KSB filed on October 11, 2000.
10.26	Line of Credit Note given by American Micro to SouthTrust Bank	Incorporated by reference as Exhibit 10.26 to the Company's Annual Report on Form 10-KSB filed on October 11, 2000.
10.27	Unconditional Guaranty given by Harry Shields to SouthTrust Bank Re: American Micro	Incorporated by reference as Exhibit 10.27 to the Company's Annual Report on Form 10-KSB filed on October 11, 2000.

Exhibit No.	Description	Location
10.28	Unconditional Guaranty given by John Gallagher to SouthTrust Bank Re: American Micro	Incorporated by reference as Exhibit 10.28 to the Company's Annual Report on Form 10-KSB filed on October 11, 2000.
10.29	Amended and Restated Unlimited Guaranty Agreement dated October 5, 2000 between Harry Shields and SouthTrust Bank	Incorporated by reference as Exhibit 10.29 to the Company's Annual Report on Form 10-KSB filed on October 11, 2000.
10.30	Amended and Restated Unlimited Guaranty Agreement dated October 5, 2000 between John Gallagher and SouthTrust Bank	Incorporated by reference as Exhibit 10.30 to the Company's Annual Report on Form 10-KSB filed on October 11, 2000.
10.31	Unconditional Guaranty given by John Gallagher to SouthTrust Bank Re: Nor'Easter	Incorporated by reference as Exhibit 10.31 to the Company's Annual Report on Form 10-KSB filed on October 11, 2000.
10.32	Unconditional Guaranty given by Harry Shields to SouthTrust Bank Re: Nor'Easter	Incorporated by reference as Exhibit 10.32 to the Company's Annual Report on Form 10-KSB filed on October 11, 2000.
10.33	Specific Agreement for the Provision of Professional Services dated as of March 17, 2000 between the Company and Cap Gemini UK Plc	Incorporated by reference as Exhibit 10.25 to the Company's Quarterly Report on Form 10-QSB filed on May 15, 2000.
10.34	Equity Line of Credit Agreement dated as of August 24, 2000, between the Company and Spinneret Financial System, Ltd.	Incorporated by reference as Exhibit 10.34 to the Company's Annual Report on Form 10-KSB filed on October 11, 2000.
10.35	Registration Rights Agreement dated as of August 24, 2000, between the Company and Spinneret Financial System, Ltd.	Incorporated by reference as Exhibit 10.35 to the Company's Annual Report on Form 10-KSB filed on October 11, 2000.
10.36	Warrant to Purchase Common Stock dated as of August 24, 2000, given by the Company to Spinneret Financial System, Ltd.	Incorporated by reference as Exhibit 10.36 to the Company's Annual Report on Form 10-KSB filed on October 11, 2000.
10.37	Warrant to Purchase Common Stock dated as of August 24, 2000, given by the Company to the May Davis Group, Inc.	Incorporated by reference as Exhibit 10.37 to the Company's Annual Report on Form 10-KSB filed on October 11, 2000.
10.38	Registration Rights Agreement dated as of August 24, 2000, between the Company and the May Davis Group, Inc.	Incorporated by reference as Exhibit 10.38 to the Company's Annual Report on Form 10-KSB filed on October 11, 2000.

10.39	Placement Agent Agreement dated as of August 24, 2000, between the Company and the May Davis Group, Inc.	Incorporated by reference as Exhibit 10.39 to the Company's Annual Report on Form 10-KSB filed on October 11, 2000.
14.01	Code of Ethics	Incorporated by reference as Exhibit 14.01 to the Company's Annual Report on Form 10-KSB filed on October 12, 2006.

(b) Reports on Form 8-K.

None.

17

ITEM 14. PRINCIPAL ACCOUNTING FEESAND SERVICES.

AUDIT FEE

The aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant for our audit of annual financial statements and review of financial statements included in our Form 10-KSB and 10-Q or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years were:

2005	$	9,000
2004	$	9,000

ALL OTHER FEES

The aggregate fees billed in each of the last two fiscal years for the products and services provided by the principal accountant other than the services reported in the above paragraph were:

2005	$	-
2004	$	-

18

SIGNATURES

Pursuant to the requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

Date: October 16, 2006.

EUROPEAN MICRO HOLDINGS, INC.

By: /s/ John B. Gallagher

John B. Gallagher
Co-President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	**TITLE**	**DATE**
/s/ Harry D. Shields Harry D. Shields	Co-Chairman; Co-President (Principal Executive Officer); Director	October 16, 2006
/s/ John B. Gallagher John B. Gallagher	Co-Chairman; Co-President (Principal Executive Officer); Director	October 16, 2006
/s/ Jay P. Nash Jay P. Nash	Chief Financial Officer and Controller (Principal Financial Officer and Controller)	October 16, 2006

Index to the Financial Statements

European Micro Holdings, Inc. and Subsidiaries

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of
European Micro Holdings, Inc. and Subsidiaries:

We have audited the accompanying consolidated statement of net assets in liquidation of European Micro Holdings, Inc. and Subsidiaries (the "Company") as of June 30, 2005 and the related consolidated statements of changes in net assets and cash flows for the years ended June 30, 2005 and 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2 to the financial statements, the stockholders of the Company approved a plan of liquidation on July 1, 2001, and the Company commenced liquidation shortly thereafter. As a result, the Company has changed its basis of accounting for periods subsequent to June 30, 2001 from the going-concern basis to a liquidation basis.

In our opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the financial position of European Micro Holdings, Inc. and Subsidiaries as of June 30, 2005, and the results of their operations and their cash flows for the years ended June 30, 2005 and 2004, in conformity with accounting principles generally accepted in the United States of America applied on the bases described in the preceding paragraph.

WEINBERG & COMPANY, P.A.

Boca Raton, Florida
June 28, 2006

F-2

European Micro Holdings, Inc. and Subsidiaries

Consolidated Statement of Net Assets in liquidation as of June 30, 2005
(Liquidation Basis)
(In thousands)

		2005
ASSETS		
ASSETS:		
Cash	$	424
Income taxes receivable		22
TOTAL ASSETS	$	446
LIABILITIES		
LIABILITIES:		
Accrued expenses and other liabilities	$	230
TOTAL LIABILITIES	$	230
COMMITMENT AND CONTINGENCIES		
NET ASSETS IN LIQUIDATION (available to holders of Common Stock)	$	216

See accompanying notes to consolidated financial statements.

F-3

European Micro Holdings, Inc. and Subsidiaries

Consolidated Statements of Changes in Net Assets for the years ended
June 30, 2005 and 2004
(Liquidation Basis)
(In thousands)

	2005	2004
SALES:		
Net sales	$ -	$ -
COST OF GOODS SOLD:		
Cost of goods sold	-	-
GROSS PROFIT	**-**	**-**
OPERATING EXPENSES:		
Selling, general and administrative expenses	(409)	(80)
LOSS FROM OPERATIONS	**(409)**	**(80)**
OTHER INCOME		
Interest Income	3	4
TOTAL OTHER INCOME	**3**	**4**
NET LOSS	**(406)**	**(76)**
NET ASSETS BEGINNING OF PERIOD	**619**	**618**
EFFECT OF FOREIGN EXCHANGE RATES	**3**	**77**
NET ASSETS IN LIQUIDATION	**$ 216**	**$ 619**

See accompanying notes to consolidated financial statements.

F-4

European Micro Holdings, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
For the years ended June 30, 2005 and 2004
(Liquidation Basis)
(In thousands)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (406)	$ (76)
Changes in assets and liabilities		
Income taxes receivable	1,108	(111)
Accounts payable	—	(43)
Accrued expenses and other liabilities	(136)	(59)
Due to related parties	(210)	19
Net cash provided by(used in) operating activities	356	(270)
Effect of foreign exchange rates	3	77
NET INCREASE (DECREASE) IN CASH	359	(193)
Cash at beginning of year	65	258
CASH AT END OF YEAR	$ 424	$ 65

See accompanying notes to consolidated financial statements.

F-5

European Micro Holdings, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements
As of June 30, 2005

Note 1 Summary of Significant Accounting Policies and Organization

(A) Organization

On December 23, 1997, European Micro Holdings, Inc. was incorporated, in the state of Nevada, and 4,000,000 shares of common stock with a par value of $0.01 per share were issued. The 4,000,000 shares were issued to the shareholders of European Micro Plc in exchange for the entire issued share capital of that company on January 31, 1998. European Micro Holdings, Inc. and its subsidiaries are hereinafter referred to as “European Micro” or “the Company.” The following companies’ results of operations and financial position have been included in the consolidated financial statements as follows:

Companies	Incorporated	Commenced Operations	Acquired
European Micro Holdings, Inc.	1997	1998	-
Nor’Easter Micro Inc.	1997	1998	-
European Micro Plc	1991	1992	-
European Micro GmbH	1993	1993	-
European Micro BV	1997	1997	-
Colchester Enterprise Pte. Ltd.	1998	1999	-
Sunbelt (UK) Limited	-	-	October 26, 1998
American Micro Computer Center, Inc.	-	-	July 1, 1999
Engenis.com Ltd.	2000	-	-

European Micro operated in a single industry trading computer components. In principle the Company purchased components from international suppliers, including related parties, and sold them in local markets. The main operating company, European Micro Plc, had its principal operations in Altrincham, England with its subsidiaries operating in Germany and Holland. Nor’Easter Micro Inc. had its operations in Portsmouth, New Hampshire. Colchester Enterprise Pte. Ltd. had its operations in Singapore. American Micro Computer Center, Inc. had its operations in Miami, Florida.

The parent company held a 50% interest in a joint venture company, Big Blue Europe BV. Big Blue Europe BV commenced operations in January 1997 and had been included in these consolidated financial statements under the equity method of accounting. Big Blue Europe BV operated in the same industry as the Company. Big Blue Europe BV ceased operations in 2001 and the investment was written-off at June 30, 2001.

Due to sales slowdown and liquidity problems resulting from the Company’s primary lender demanding repayment of their loans, the Company decided to cease operations at Nor’Easter. During May and June 2001, the remaining inventory was sold or written off. All fixed assets were sold or written off except for a vehicle which was sold in July 2001. All accounts receivable were collected except for the Arlington receivable (See Note 4). All accounts payable were paid and the bank accounts were closed. Nor’Easter’s parent European Micro Holdings paid off the remaining balance on Nor’Easter’s Line of Credit on June 15, 2001 and paid all remaining liabilities as they came due.

Due to the same liquidity problems, during June 2001, the Company decided to cease operations at Colchester. During July 2001, Colchester terminated all employees and hired a liquidator to finalize the remaining business. On

September 4, 2003, Colchester's liquidation process was finalized.

F-6

European Micro Holdings, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements
As of June 30, 2005 *(continued)*

Summary of Significant Accounting Policies and Organization *(continued)*

Since the Company was unable to meet the requirements of the notes payable due to the former American Micro Computer Center, Inc. ("AMCC") shareholders, on September 1, 2001, the Company entered into a Settlement and Stock Purchase Agreement whereby all AMCC shares were transferred back to the former AMCC shareholders in order to satisfy the notes payable.

During August, 2001 the lender on the European Micro Plc's line of credit demanded repayment. European Micro Plc was able to repay the line of credit with a loan from a majority shareholder. On October 5, 2001, an agreement between European Micro Plc and Square 1 International, Ltd, a company majority owned by a significant shareholder of European Micro Holdings, Inc., provided for the orderly transfer of employees and the purchase of inventory and fixed assets from European Micro Plc to Square 1 International, Ltd. In July 2002, the Company hired a liquidator to finalize the remaining business. On December 7, 2005, European Micro Plc's liquidation process was finalized.

(B) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned inactive subsidiaries. All significant intercompany balances and transactions are eliminated in consolidation.

The Company's investment in Big Blue Europe BV was accounted for under the equity method, until the investment was completely written off on June 30, 2001.

(C) Basis of Presentation

The consolidated financial statements are expressed in United States dollars and have been prepared in accordance with accounting principles generally accepted in the United States of America, under the liquidation basis of accounting since July 1, 2001.

(D) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual amounts could differ significantly from these estimates.

(E) Revenue and Expense Recognition

Revenues were recognized at the time the goods were shipped. Revenues from related parties were recognized when the products were sold by the related parties to third parties. Discount and customer rebates were deducted from sales revenue when earned. Costs of goods sold included material and freight costs. Selling, general and administrative costs are charged to expense as incurred. For the years ended June 30, 2005 and 2004, the Company did not have any revenue or related cost of goods sold.

(F) Inventories

Inventories were stated at the lower of cost or market value. Cost was determined using the weighted average cost method. As of June 30, 2002 all inventories had been sold or liquidated.

European Micro Holdings, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements
As of June 30, 2005 *(continued)*

Summary of Significant Accounting Policies and Organization *(continued)*

(G) Property, Equipment & Impairment of Long-Lived Assets

Prior to the adoption of the liquidation basis of accounting, property and equipment were recorded at cost. Property and equipment held under capital leases were stated at the present value of minimum lease payments at the inception of the related leases. Depreciation was calculated using the straight line method over their estimated useful lives as follows: Furniture, fixtures & equipment, 2-7 years and motor vehicles and other, 4 years. Property and equipment held under capital leases and leasehold improvements to property under operating leases were amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the assets. The cost of additions and betterments were capitalized, and repairs and maintenance costs were charged to operations in the period incurred. When depreciable assets were retired or sold, the cost and related allowances for depreciation were removed from the accounts and the gain or loss was recognized. The Company reviews long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Based upon a comprehensive review of all liquidity circumstances and current market conditions, the Company determined that the value of certain property and equipment was impaired. As a result of this determination, for the year ended June 30, 2001, the Company abandoned, discarded and wrote-off $171,440 in property and equipment. The Company also wrote-down $422,123 in property and equipment to net realizable value.

As a result of recording the write-off in the year ended June 30, 2001, no adjustments were needed to reflect the change to liquidation basis of accounting, as of July 1, 2001. As of June 30, 2002 all property and equipment had been sold or liquidated.

(H) Depreciation and Amortization

Depreciation expense was not recorded during the year ended June 30, 2002 because, in accordance with Statement of Financial Accounting Standards ("SFAS") No. 121, substantially all of the Company's long-lived assets were deemed to be held for sale. No depreciation expense was recorded in fiscal years ended June 30, 2005 and 2004, because all property and equipment was sold or liquidated in 2002.

(J) Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

European Micro Holdings, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements
As of June 30, 2005 *(continued)*

Summary of Significant Accounting Policies and Organization *(continued)*

(K) Fair Value of Financial Instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties other than in a forced sale or liquidation.

The carrying amounts of the Company's financial instruments, including cash, taxes receivable, accrued expenses and other current liabilities approximate fair value because of their short maturities.

During prior years, the Company had entered into foreign currency exchange contracts to reduce exposure to foreign currency fluctuations associated with the settlement of inter-company receivables and payables denominated in foreign currencies. Foreign exchange contracts generally had maturities of less than one year and were accounted for on the fair value method. Gains and losses resulting from these instruments were recognized in the same period as the underlying foreign currency transaction gains and losses and were included in cost of sales. The Company did not use foreign currency exchange contracts or other derivative financial instruments for speculative or trading purposes.

(L) Foreign Currency Transaction

Assets and liabilities of foreign subsidiaries, whose functional currency is the local currency, were translated into US Dollars at year-end exchange rates. Capital accounts were re-measured into US dollars at the acquisition date rates. Income and expense items were translated at the average rates of exchange prevailing during the year. The adjustments resulting from translating the financial statements of such foreign subsidiaries were recorded as a component of accumulated other comprehensive income (loss) in stockholders equity. Foreign currency transaction and forward exchange contracts gains or losses are reported in results of operations.

(M) Stock Option Plans

The Company accounts for its employee stock option plans in accordance with Accounting Principals Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees." Under APB 25, compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. In accordance with the Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," the Company provides pro forma net income and pro forma earnings per share disclosures for employee stock option grants made in 1998 and subsequent years as if the fair value based method defined in SFAS No. 123 had been applied.

No stock options were granted during 2005 or 2004.

(N) Loss Per Common Share

Since the adoption of the liquidation basis of accounting on July 1, 2001, loss per share was not computed as such amounts are not deemed to be meaningful.

(O) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

F-9

European Micro Holdings, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements
As of June 30, 2005 *(continued)*

Summary of Significant Accounting Policies and Organization *(continued)*

(P) Recent Accounting Pronouncements

Consolidation of Variable Interest Entities

In January 2003, (as revised in December 2003) The Financial Accounting Standards Board ("FASB") issued Interpretation No. 46, "Consolidation of Variable Interest Entities", an interpretation of Accounting Research Bulletin ("ARB") No. 51, "Consolidated Financial Statements". Interpretation No. 46 addresses consolidation by business enterprises of variable interest entities, which have one or both of the following characteristics: (i) the equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated support from other parties, which is provided through other interest that will absorb some or all of the expected losses of the entity; (ii) the equity investors lack one or more of the following essential characteristics of a controlling financial interest: the direct or indirect ability to make decisions about the entities activities through voting rights or similar rights; or the obligation to absorb the expected losses of the entity if they occur, which makes it possible for the entity to finance its activities; the right to receive the expected residual returns of the entity if they occur, which is the compensation for the risk of absorbing the expected losses.

Interpretation No. 46, as revised, also requires expanded disclosures by the primary beneficiary (as defined) of a variable interest entity and by an enterprise that holds a significant variable interest in a variable interest entity but is not the primary beneficiary.

Interpretation No. 46, as revised, applies to small business issuers no later than the end of the first reporting period that ends after December 15, 2004. This effective date includes those entities to which Interpretation 46 had previously been applied. However, prior to the required application of Interpretation No. 46, a public entity that is a small business issuer shall apply Interpretation 46 or this Interpretation to those entities that are considered to be special-purpose entities no later than as of the end of the first reporting period that ends after December 15, 2003.

Interpretation No. 46 may be applied prospectively with a cumulative-effect adjustment as of the date on which it is first applied or by restating previously issued financial statements for one or more years with a cumulative-effect adjustment as of the beginning of the first year restated. This interpretation has not been retroactively applied to the June 30, 2004 Consolidated Financial Statements.

In June 2003, the FASB issued an Exposure Draft for proposed SFAS entitled "Qualifying Special Purpose Entities ("QSPE") and Isolation of transferred Assets", an amendment of SFAS No. 140 ("The Exposure Draft"). The Exposure Draft is a proposal that is subject to change and as such, is not yet authoritative. If the proposal is enacted in its current form, it will amend and clarify SFAS 140. The Exposure Draft would prohibit an entity from being a QSPE if it enters into an agreement that obliged a transferor of financial assets, its affiliates, or its agents to deliver additional cash or other assets to fulfill the special-purposes entity's obligation to beneficial interest holders.

European Micro Holdings, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements
As of June 30, 2005 *(continued)*

Summary of Significant Accounting Policies and Organization *(continued)*

Accounting For Certain Financial Instruments with Characteristics of both Liabilities and Equity

In May 2003, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 150, "Accounting For Certain Financial Instruments with Characteristics of both Liabilities and Equity". SFAS No. 150 changes the accounting for certain financial instruments with characteristics of both liabilities and equity that, under previous pronouncements, issuers could account for as equity. The new accounting guidance contained in SFAS No. 150 requires that those instruments be classified as liabilities in the balance sheet.

SFAS No. 150 affects the issuer's accounting for three types of freestanding financial instruments. One type is mandatorily redeemable shares, which the issuing company is obligated to buy back in exchange for cash or other assets. A second type includes put options and forward purchase contracts, which involves instruments that do or may require the issuer to buy back some of its shares in exchange for cash or other assets. The third type of instruments that are liabilities under this Statement is obligations that can be settled with shares, the monetary value of which is fixed, tied solely or predominantly to a variable such as a market index, or varies inversely with the value of the issuers' shares. SFAS No. 150 does not apply to features embedded in a financial instrument that is not a derivative in its entirety.

Most of the provisions of Statement 150 are consistent with the existing definition of liabilities in FASB Concepts Statement No. 6, "Elements of Financial Statements". The remaining provisions of this Statement are consistent with the FASB's proposal to revise that definition to encompass certain obligations that a reporting entity can or must settle by issuing its own shares. This Statement shall be effective for financial instruments entered into or modified after May 31, 2003 and otherwise shall be effective at the beginning of the first interim period beginning after June 15, 2003, except for mandatorily redeemable financial instruments of a non-public entity, as to which the effective date is for fiscal periods beginning after December 15, 2004.

Share-Based Payment

In December 2004, the FASB issued SFAS No. 123 (R), "Share-Based Payment". SFAS No. 123 (R) revises SFAS No. 123, "Accounting for Stock-Based Compensation" and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees". SFAS No. 123 (R) focuses primarily on the accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS No. 123 (R) requires companies to recognize in the statement of operations the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value of those awards (with limited exceptions). SFAS No. 123 (R) is effective as of the first interim or annual reporting period that begins on or after June 15, 2005 for non-small business issuers and on or after December 15, 2005 for small business issuers. Accordingly, the Company will adopt SFAS No. 123 (R) in its quarter ending March 31, 2006. The Company has evaluated the provisions of SFAS No. 123 (R) and has determined that SFAS No. 123 (R) will not have any impact on its financial statement presentation or disclosures.

European Micro Holdings, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements
As of June 30, 2005 *(continued)*

Summary of Significant Accounting Policies and Organization *(continued)*

Accounting for Nonmonetary Transactions

In December 2004, the FASB issued SFAS No. 153, “Exchanges of Nonmonetary Assets, an amendment of APB No. 29”. The guidance in APB Opinion No. 29, Accounting for Nonmonetary Transactions, is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in that Opinion, however, included certain exceptions to that principle. SFAS No. 153 amends Opinion 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. This statement is effective for nonmonetary exchanges occurring in fiscal periods beginning after June 15, 2005, earlier application is permitted. The Company has determined that SFAS No. 153 did not have any impact on its financial statement presentation or disclosures.

Accounting for changes in accounting principles

In May 2005, the FASB issued SFAS No. 154 that establishes new standards on accounting for changes in accounting principles. Pursuant to the new rules, all such changes must be accounted for by retrospective application to the financial statements of prior periods unless it is impracticable to do so. SFAS No. 154 completely replaces Accounting Principles Bulletin (APB) Opinion 20 and SFAS 3, though it carries forward the guidance in those pronouncements with respect to accounting for changes in estimates, changes in the reporting entity, and the correction of errors. This statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Management does not believe the adoption of SFAS No. 154 will have a material impact on the Company’s financial condition or results of operations.

Accounting for Certain Hybrid Financial Instruments

In February 2006, the FASB issued SFAS No. 155 “Accounting for Certain Hybrid Financial Instruments - an amendment of FASB Statements No. 133 and 140” This Statement resolves issues addressed in Statement 133 Implementation Issue No. D1, “Application of Statement 133 to Beneficial Interests in Securitized Financial Assets.” This Statement permits fair value re-measurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, clarifies which interest-only strips and principal-only strips are not subject to the requirements of Statement 133, establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives, amends Statement 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. This statement is effective for fiscal years beginning after September 15, 2006. Management does not believe the adoption of SFAS No. 155 will have a material impact on the Company’s financial condition or results of operations.

European Micro Holdings, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements
As of June 30, 2005*(continued)*

2 Liquidation

The Company had suffered operating losses in fiscal 2000 and 2001. Ongoing legal costs associated with the litigation related to Big Blue Europe, (See Note 4), the costs associated with the Company's electronic commerce strategy, increases in general overhead costs, and increased interest expense due primarily to increased borrowings, coupled with decreasing sales volumes and gross profit margins, have negatively impacted operating results. These factors resulted in the noncompliance of the financial covenants of the Company's loan agreements. Due to these operating results and the covenant violations, the lender on the American Micro and Nor'Easter lines of credit and the European Micro Holdings, Inc. term loan demanded repayment of the Nor'Easter line of credit before June 15, 2001 and the American Micro line of credit and the European Micro Holdings term loan by August 15, 2001. As a result, during April 2001, the Company decided to cease operations at Nor'Easter and during June 2001, the Company decided to cease operations at Colchester. The Nor'Easter line of credit was repaid on June 15, 2001. The American Micro line of credit was repaid during May 2001. The European Micro Holdings term loan was repaid on August 20, 2001.

The contingent earn-out payment of the American Micro acquisition relating to two times the after tax earnings for calendar year 2000 of approximately $1,839,000 was due to the former American Micro shareholders. As a result of financial restrictions imposed by the lender on the American Micro and Nor'Easter lines of credit, on February 20, 2001, the Company delivered two Secured Promissory Notes ("Notes") to the former American Micro shareholders in the original amount of $823,712 each. The Notes called for monthly principal payments of $50,000, plus interest at 8% commencing April 1, 2001, subject to financial covenant restrictions. Each Note was due in full within (30) days of the satisfaction of the American Micro and Nor'Easter lines of credit. On July 15, 2001, the Company notified the former American Micro shareholders that it would be unable to meet its obligations under each Note. After the repayment of the American Micro and Nor'Easter lines of credit along with the repayment of the European Micro Holdings, Inc. term loan, the Company was no longer restricted from performing its obligations to the American Micro shareholders. On August 22, 2001 the former American Micro shareholders demanded full payment of the Notes. On September 1, 2001 the Notes to the former American Micro shareholders were settled by transfer of all American Micro shares from European Micro Holdings to the former American Micro shareholders.

Another factor that negatively impacted the Company's liquidity was the terms of the borrowing arrangements of European Micro UK. European Micro UK's borrowing capacity was subject to termination by the lender at lender's sole discretion and during August, 2001 the lender on the European Micro UK's line of credit demanded repayment. European Micro UK was able to repay the line of credit with a loan from a significant shareholder. This loan to a significant shareholder was completely repaid on April 3, 2003.

Hence, with the complete termination of all lines of credit available to the Company, the closures of Nor'easter and Colchester and the loss of American Micro, the Company had no alternative but to proceed with a complete liquidation of all assets. On July 12, 2005, the Company declared a cash dividend in the aggregate amount of $200,000 on the issued and outstanding shares of Common Stock held by shareholders of record as of August 1, 2005. The dividend was paid on September 1, 2005. As of July 31, 2006, liquidation is almost complete with the only asset being cash in the approximate amount of $20,000.

European Micro Holdings, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements
As of June 30, 2005*(continued)*

3 Taxes

Provision has not been made for U.S. or additional foreign taxes on approximately $3,672,000 at June 30, 2000, of undistributed earnings of foreign subsidiaries, as those earnings were intended to be permanently reinvested. The foreign subsidiaries incurred substantial losses in excess of undistributed earnings for the years ended June 30, 2004, 2003, 2002 and 2001, and as a result there are no longer any undistributed earnings from foreign subsidiaries that could be repatriated to the US.

A reconciliation between actual income taxes and amounts computed by applying the federal statutory rate of 34% to earnings before income taxes is summarized as follows (in thousands):

	Years ended June 30,			
		2005		**2004**
US federal statutory rate on loss before income taxes	$	(131)	$	(19)
Change in valuation allowance		131		19
Income tax benefit	$	-	$	-

Sources of deferred tax assets are as follows (in thousands):

		June 30, 2005
Deferred tax assets:		
Property and equipment, principally due to differences in depreciation and amortization	$	1,236
Net operating loss carry forwards		1,884
Other		386
Total gross deferred tax assets		3,506
Valuation allowance		(3,506)
Net deferred tax assets	$	-0-

The Company has U.S. federal net operating loss carryforwards of approximately $4,300,000, which will begin to expire in 2018. The use of this net operating loss in future years may be restricted under Section 382 of the Internal Revenue Code. The valuation allowance, which increased in fiscal year 2005 by $131,000, has been provided for deferred tax assets as recoverability in future periods is not deemed to be more likely than not.

European Micro Holdings, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements
As of June 30, 2005*(continued)*

4 Foreign Exchange Contracts

During prior years, the Company utilized derivative financial instruments in the form of forward exchange contracts for the purpose of economic hedges of anticipated sale and purchase transactions. In addition the Company entered into economic hedges for the purposes of hedging foreign currency market exposures of underlying assets, liabilities and other obligations, which exist as part of its ongoing business operations.

Where the foreign currency exposure was covered by a forward foreign exchange contract the asset, liability or other obligation was recorded at the contracted rate each month end and the resultant mark-to-market gains and losses were recognized as cost of sales in the current period, generally consistent with the period in which the gain or loss of the underlying transaction was recognized. Cash flows associated with derivative transactions were classified in the statement of cash flows in a manner consistent with those of the exposure being hedged.

5 Related Party Information

There have not been any related party sales or purchases since June 2001.

Due from/to related parties

a) No amounts were due from related parties at June 30, 2005.

b) No amounts were due to related parties at June 30, 2005.

Nature of related party relationships

Technology Express

Until 1996, Technology Express was a full service authorized reseller of computers and related products based in Nashville, Tennessee, selling primarily to end-users. Technology Express was sold to Inacom Computers in 1996. Concurrently with the sale, Mr. Shields founded a new computer company with the name Technology Express. This company was a distributor of computer products. Harry D. Shields, who is Co-Chairman, Co-President, a Director and shareholder (owning 31% of the outstanding shares) of European Micro Holdings, Inc., was president of Technology Express and owned 100% of the outstanding shares of capital stock of that company. Jay Nash, who is Chief Financial Officer, Treasurer and Secretary of European Micro Holdings, Inc., had been an employee of Technology Express since 1992.

Harry Shields

Harry D. Shields is Co-Chairman, Co-President, a Director and shareholder (owning 31% of the outstanding shares) of European Micro Holdings, Inc.

John B. Gallagher

John B. Gallagher is Co-Chairman, Co-President, Director and shareholder (owning 39% of the outstanding shares) of European Micro Holdings, Inc. He was also the president of American Micro Computer Center and owns 50% of the outstanding shares of capital stock in that company.

F-15

European Micro Holdings, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements
As of June 30, 2005*(continued)*

6 Segment Information

The Company operated predominately in a single industry segment as a wholesale distributor of computer-based technology products and services. Geographic areas in which the Company operated included North America (United States and Canada), Europe (Austria, Belgium, Denmark, Finland, France, Germany, Great Britain, Greece, Holland, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, and Sweden), and Other (Singapore). The Company's reportable operating segments were based on geographic location generating the revenue, and the measure of segment profit was income from operations. The accounting policies of the segments were the same as those described in Note 1 - Summary of Significant Accounting Policies and Organization.

Financial information by geographic segments is as follows (in thousands):

	Year Ended June 30,	
	2005	**2004**
Net Sales:		
North America	$ -	$ -
Europe	-	-
Other	-	-
Total	$ -	$ -
Loss From Operations:		
North America	$ (409)	$ (78)
Europe	-	(2)
Other	-	-
Total	$ (409)	$ (80)
Identifiable Assets:		
North America	$ 349	$ 41
Europe	97	1,154
Other	-	-
Total	$ 446	$ 1,195

The Company did not have any suppliers where purchases were in excess of 10% as a percentage of total sales in the years ended June 30, 2005 and 2004.

The Company did not have any customers with sales in excess of 10% as a percentage of total sales in the years ended June 30, 2005 or 2004.

F-16

European Micro Holdings, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements
As of June 30, 2005*(continued)*

7 Stockholders' Equity, Stock Options and Incentive Plans

Equity Line of Credit

On August 24, 2000, European Micro Holdings, Inc. entered into an Equity Line of Credit (the "Equity Credit Line"). The Company incurred costs of $217,000 to obtain and execute the Equity Line of Credit. On December 20, 2000, the Company raised $50,000 by issuing 25,020 shares of common stock under the Equity Line of Credit. The Company and the investor agreed to terminate the Equity Line of Credit effective May 15, 2001. In connection with such termination, all outstanding warrants held by the investor and the placement agent were terminated. The Company agreed to issue the placement agent warrants to purchase 500,000 shares of common stock at $5.00 per share, which warrants become exercisable only if the closing bid price of such common stock is $4.00 per share or more for ten consecutive trading days. These warrants expired on August 23, 2005. Since the closing bid price of the common stock was never $4.00 for ten consecutive trading days, the warrants never became exercisable, and as such no expense was recognized.

Employee Stock Purchase Plan

In January 1998, European Micro Holdings, Inc. adopted the 1998 Employee Stock Purchase Plan (the "employee plan"). A total of 50,000 common shares have been reserved for issuance under the plan. The shares issued under the employee plan will be purchased at 85% of market value or such higher percentage (not in excess of 100%) as may be established by the employee plan committee. The employee plan shall remain in effect until terminated by an action of the Board. No shares had been issued as of June 30, 2005.

Stock Incentive Plan

In January 1998, European Micro Holdings, Inc. adopted the 1998 Stock Incentive Plan (the "Plan"). A total of 500,000 common shares have been reserved for issuance under the Plan. As of June 30, 2005 and 2004 there were no outstanding options to purchase common shares. The committee may grant to such participants as the committee may select options entitling the participants to purchase shares of common stock for the Company in such numbers, at such prices and on such terms and subject to such conditions, consistent with the terms of the Plan, as may be established by the committee. The Plan shall remain in effect until terminated by an action of the Board.

8 Subsequent Events

On July 12, 2005, the Company declared a cash dividend in the aggregate amount of $200,000 on the issued and outstanding shares of Common Stock held by shareholders of record as of August 1, 2005. The dividend was paid on September 1, 2005. As of July 31, 2006, liquidation is almost complete with the only asset being cash in the approximate amount of $20,000.