

PFSWEB INC  
Form SC 13G/A  
February 13, 2012

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13G

Under the Securities Exchange Act of 1934

(Amendment No: 1)

PFSWEB INC

-----  
(Name of Issuer)

Common Stock

-----  
(Title of Class of Securities)

717098206

-----  
(CUSIP Number)

December 30, 2011

-----  
(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

- Rule 13d-1(b)  
 Rule 13d-1(c)  
 Rule 13d-1(d)

\*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. 717098206

(1) Names of reporting persons. BlackRock, Inc.

(2) Check the appropriate box if a member of a group  
(a)

Edgar Filing: PFSWEB INC - Form SC 13G/A

(b) [X]

(3) SEC use only

(4) Citizenship or place of organization

Delaware

Number of shares beneficially owned by each reporting person with:

(5) Sole voting power

712135

(6) Shared voting power

None

(7) Sole dispositive power

712135

(8) Shared dispositive power

None

(9) Aggregate amount beneficially owned by each reporting person

712135

(10) Check if the aggregate amount in Row (9) excludes certain shares

(11) Percent of class represented by amount in Row 9

5.58%

(12) Type of reporting person

HC

Item 1.

Item 1(a) Name of issuer:

-----  
PFSWEB INC

Item 1(b) Address of issuer's principal executive offices:

-----  
500 North Central Expressway  
Plano TX 75074

Item 2.

Edgar Filing: PFSWEB INC - Form SC 13G/A

2(a) Name of person filing:

-----  
BlackRock, Inc.

2(b) Address or principal business office or, if none, residence:

-----  
BlackRock Inc.  
40 East 52nd Street  
New York, NY 10022

2(c) Citizenship:

-----  
See Item 4 of Cover Page

2(d) Title of class of securities:

-----  
Common Stock

2(e) CUSIP No.:

See Cover Page

Item 3.

If this statement is filed pursuant to Rules 13d-1(b), or 13d-2(b) or (c), check whether the person filing is a:

- Broker or dealer registered under Section 15 of the Act;
- Bank as defined in Section 3(a)(6) of the Act;
- Insurance company as defined in Section 3(a)(19) of the Act;
- Investment company registered under Section 8 of the Investment Company Act of 1940;
- An investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E);
- An employee benefit plan or endowment fund in accordance with Rule 13d-1(b)(1)(ii)(F);
- A parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G);
- A savings associations as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. 1813);
- A church plan that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940;
- A non-U.S. institution in accordance with Rule 240.13d-1(b)(1)(ii)(J);
- Group, in accordance with Rule 240.13d-1(b)(1)(ii)(K). If filing as a non-U.S. institution in accordance with Rule 240.13d-1(b)(1)(ii)(J), please specify the type of institution:

Item 4. Ownership

Provide the following information regarding the aggregate number and percentage of the class of securities of the issuer identified in Item 1.

Edgar Filing: PFSWEB INC - Form SC 13G/A

Amount beneficially owned:

712135

Percent of class

5.58%

Number of shares as to which such person has:

Sole power to vote or to direct the vote

712135

Shared power to vote or to direct the vote

None

Sole power to dispose or to direct the disposition of

712135

Shared power to dispose or to direct the disposition of

None

Item 5.

Ownership of 5 Percent or Less of a Class. If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than 5 percent of the class of securities, check the following [ ].

Item 6. Ownership of More than 5 Percent on Behalf of Another Person

If any other person is known to have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, such securities, a statement to that effect should be included in response to this item and, if such interest relates to more than 5 percent of the class, such person should be identified. A listing of the shareholders of an investment company registered under the Investment Company Act of 1940 or the beneficiaries of employee benefit plan, pension fund or endowment fund is not required.

Various persons have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of the common stock of

PFSWEB INC.

No one person's interest in the common stock of

PFSWEB INC

is more than five percent of the total outstanding common shares.

Edgar Filing: PFSWEB INC - Form SC 13G/A

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company or Control Person.

See Exhibit A

Item 8. Identification and Classification of Members of the Group

If a group has filed this schedule pursuant to Rule 13d-1(b)(ii)(J), so indicate under Item 3(j) and attach an exhibit stating the identity and Item 3 classification of each member of the group. If a group has filed this schedule pursuant to Rule 13d-1(c) or Rule 13d-1(d), attach an exhibit stating the identity of each member of the group.

Item 9. Notice of Dissolution of Group

Notice of dissolution of a group may be furnished as an exhibit stating the date of the dissolution and that all further filings with respect to transactions in the security reported on will be filed, if required, by members of the group, in their individual capacity.

See Item 5.

Item 10. Certifications

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

Signature.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: January 20, 2012  
BlackRock, Inc.

Signature: Matthew J. Fitzgerald

-----  
Name/Title Attorney-In-Fact

The original statement shall be signed by each person on whose behalf the statement is filed or his authorized representative. If the statement is signed on behalf of a person by his authorized

## Edgar Filing: PFSWEB INC - Form SC 13G/A

representative other than an executive officer or general partner of the filing person, evidence of the representative's authority to sign on behalf of such person shall be filed with the statement, provided, however, that a power of attorney for this purpose which is already on file with the Commission may be incorporated by reference. The name and any title of each person who signs the statement shall be typed or printed beneath his signature.

Attention: Intentional misstatements or omissions of fact constitute Federal criminal violations (see 18 U.S.C. 1001).

Exhibit A

Subsidiary

BlackRock Institutional Trust Company, N.A. \*  
BlackRock Fund Advisors

\*Entity beneficially owns 5% or greater of the outstanding shares of the security class being reported on this Schedule 13G.  
Exhibit B

POWER OF ATTORNEY

The undersigned, BLACKROCK, INC., a corporation duly organized under the laws of the State of Delaware, United States (the "Company"), does hereby make, constitute and appoint each of Robert Connolly, Howard Surloff, Edward Baer, Bartholomew Battista, Daniel Waltcher, Karen Clark, John Stelley, Daniel Ronnen, Brian Kindelan, Andrew Crain, Con Tzatzakis, John Blevins, Rick F. Froio and Matthew Fitzgerald acting severally, as its true and lawful attorneys-in-fact, for the purpose of, from time to time, executing in its name and on its behalf, whether the Company is acting individually or as representative of others, any and all documents, certificates, instruments, statements, other filings and amendments to the foregoing (collectively, "documents") determined by such person to be necessary or appropriate to comply with ownership or control-person reporting requirements imposed by any United States or non-United States governmental or regulatory authority, including without limitation Forms 3, 4, 5, 13D, 13F, 13G and 13H and any amendments to any of the foregoing as may be required to be filed with the Securities and Exchange Commission, and delivering, furnishing or filing any such documents with the appropriate governmental, regulatory authority or other person, and giving and granting to each such attorney-in-fact power and authority to act in the premises as fully and to all intents and purposes as the Company might or could do if personally present by one of its authorized signatories, hereby ratifying and confirming all that said attorney-in-fact shall lawfully do or cause to be done by virtue hereof. Any such determination by an attorney-in-fact named herein shall be conclusively evidenced by such person's execution, delivery, furnishing or filing of the applicable document.

Edgar Filing: PFSWEB INC - Form SC 13G/A

This power of attorney shall expressly revoke the power of attorney dated October 5, 2011 in respect of the subject matter hereof, shall be valid from the date hereof and shall remain in full force and effect until either revoked in writing by the Company, or, in respect of any attorney-in-fact named herein, until such person ceases to be an employee of the Company or one of its affiliates.

IN WITNESS WHEREOF, the undersigned has caused this power of attorney to be executed as of this 30th day of November, 2011.

BLACKROCK, INC.

By:            /s/ Robert W. Doll, Jr.  
 Name: Robert W. Doll, Jr.  
 Title: Vice Chairman

-SIZE: 10pt; FONT-FAMILY: times new roman;">

Granted

\$	680,000
	6.57

Cancelled

\$	(680,000)
	6.57

Exercised  
 (76,000) \$

2.05

OUTSTANDING, DECEMBER 31, 2005

\$	756,100
	3.99

Granted

\$	500,000
	4.75

Cancelled  
 (491,600) \$

4.75

Exercised  
(394,000) \$

2.12

OUTSTANDING, DECEMBER 31, 2006

**370,500**

\$

2.00

Following is a summary of the status of options outstanding at December 31, 2006:

Grant Date	Total Options Outstanding	Aggregate Intrinsic Value	Weighted Average Remaining Life (Years)	Total Weighted Average Exercise Price	Option Exercisable	Weighted Average Exercise Price
2004-7-26	370,500	\$1,548,690	0.57	\$2.00	370,500	\$2.00

There are 370,500 options, which granted during year 2004, were outstanding and vested in year 2006. Those options have a term of three years and 0.83 year vesting period. The weighted-average fair value of such options was \$1.42. The assumptions used in calculating the fair value of options granted using the Black-Scholes option-pricing model are as follows:

Risk-free interest rate	2.75%
Expected life of the options	1.65 years
Expected volatility	61.33%
Expected dividend yield	0%

There were 500,000 options authorized on September 21 of 2006 with a \$4.75 exercise price. Such options have a term of 5 years and will be vested 5% per quarter commencing from January 1<sup>st</sup> 2007. On December 15, 2006, the board of directors decided to cancel all options previously granted in 2005 and 2006 due to the increasing cost of option administration. The board of directors plan to issue restricted stock or stock appreciation right (SAR) for future executive and employee incentive compensation.

#### c) WARRANTS

At December 31, 2006, the Company had outstanding and exercisable warrants to purchase an aggregate of 1,007,138 shares of common stock. The weighted average remaining life is 3.34 years and the weighted average price per share is \$10.61.

F-26

---



Following is a summary of the warrant activity:

		WEIGHTED AVERAGE EXERCISE PRICE
OUTSTANDING, DECEMBER 31, 2003	800,000	\$ 1.53
Granted	622,002	-
Expired	-	-
Exercised	(30,864)	-
OUTSTANDING, DECEMBER 31, 2004	1,391,138	4.93
Granted	-	-
Expired	(200,000)	-
Exercised	(600,000)	-
OUTSTANDING, DECEMBER 31, 2005	591,138	9.5
Granted	416,000	-
Expired	-	-
Exercised	-	-
OUTSTANDING, DECEMBER 31, 2006	1,007,138	\$ 10.61

Following is a summary of the status of warrants outstanding at December 31, 2006:

Grant Date	Total warrants Outstanding	Weighted Average Remaining Life (Years)	Total Weighted Average Exercise Price	Warrants Exercisable	Weighted Average Exercise Price
2004-1-15	123,456	3.04	\$7.15	123,456	\$7.15
2004-11-15	117,682	3.88	\$3.89	117,682	\$3.89
2004-12-9	350,000	3.94	\$12.21	350,000	\$12.21
2006-3-13	416,000	4.20	\$12.20	416,000	\$12.20

On March 13, 2006, we issued 400,000 warrants to several institutional investors in connection with a private placement of \$8 million in convertible debentures. On the same day we issued another 16,000 warrants to our placement agent for the transaction. See Note 1 for further details. Those warrants have a term of 5 years and immediately vesting. The assumptions used in calculating the fair value of such warrants granted using the Black-Scholes option- pricing model are as follows:

Risk-free interest rate	4.78%
Expected life of the options	5.00 years
Expected volatility	37.08%
Expected dividend yield	0%

## d) TREASURY STOCK

The following is a summary of the movement of the Company's shares held as treasury stock for the years ended December 31, 2006:

	<b>Number of shares</b>	<b>Remarks</b>
Escrowed shares returned to treasury in 2003	800,000	
Shares purchased in the open market	43,426	
Repurchase of shares from Take 1	149,459	
Repurchase of shares from Yueshen	24,200	
Cancellation of former employee shares	45,000	
Termination with ChinaGoHi	825,000	Returned shares plus Escrow shares
Incomplete acquisition of Allink	200,000	
Holdback shares as contingent consideration due to performance targets not yet met	529,848	Includes shares related to Clickcom (78,000); Guangzhou(Wanrong (138,348); iMobile (153,500); Games (160,000);
Balance, December 31, 2006	<b>2,616,933</b>	
Shares outstanding at December 31, 2006	11,538,664	
Shares issued at December 31, 2006	14,155,597	

**11. INCOME TAXES**

The Company is registered in the State of Delaware and has operations in primarily three tax jurisdictions - the PRC, Hong Kong and the United States.

The components of income before income taxes are as follows:

(USD000s)	2006	2005	2004
Income subject to PRC	\$ 1,662	\$ 1,308	\$ 1,923
Loss subject to Hong Kong	(8,053)	(4,451)	(3,629)
Loss subject to United States	(5,961)	(1,947)	(3,612)
<b>Income (loss) before taxes</b>	<b>(12,352)</b>	<b>(5,090)</b>	<b>(5,318)</b>
Less: income taxes	(63)	(55)	(106)
Net income available to common stockholders	\$ (12,415)	\$ (5,145)	\$ (5,424)

United States of America

For operations in the USA, the Company is subject to United States federal income tax at a rate of 34%. The Company has incurred net accumulated operating losses for income tax purposes and there is no provision for U.S. federal

income tax for 2006, 2005 and 2004 due to the Company's loss position. The Company believes that it is more likely than not that these net accumulated operating losses will not be utilized in the future because the Parent company is a holding company with foreign subsidiaries and does not generate income. Therefore, the Company has provided full valuation allowance for the deferred tax assets arising from the losses as of December 31, 2006, 2005 and 2004.

The following table sets forth the significant components of the deferred tax assets for operation in the United States of America as of December 31, 2006, 2005 and 2004.

	2006	2005	2004
Deferred tax asset credit:			
Federal	34%	34%	34%
State	6%	6%	6%
Valuation allowance	(40)%	(40)%	(40)%
	0%	0%	0%

F-28

---

### Hong Kong

Hong Kong profits tax has been provided at a rate of 17.5% on the estimated assessable profits arising in Hong Kong for each of the years ended December 31, 2006, 2005 and 2004. Provision for Hong Kong profits tax for 2006, 2005 and 2004 was approximately \$63,000, \$40,000 and \$36,000.

### PEOPLE'S REPUBLIC OF CHINA (PRC)

Pursuant to the PRC Income Tax Laws, the Company's subsidiaries and VIEs are generally subject to Enterprise Income Taxes ("EIT") at a statutory rate of 33%, which comprises 30% national income tax and 3% local income tax. Some of these subsidiaries and VIEs are qualified new technology enterprises and under PRC Income Tax Laws, they are subject to a preferential tax rate of 15%. In addition, some of the Company's subsidiaries are Foreign Investment Enterprises and under PRC Income Tax Laws, they are entitled to either a three-year tax exemption followed by three years with a 50% reduction in the tax rate, commencing the first operating year, or a two-year tax exemption followed by three years with a 50% reduction in the tax rate, commencing the first profitable year. Provision for PRC business tax expense for 2006 was \$257,000 (reclassified to discontinued operations), 2005 was \$15,000 (\$217,000 reclassified to discontinued operations) and 2004 was \$70,000.

No provision for deferred tax liabilities has been made, since the Company had no material temporary differences between the tax bases of assets and liabilities and their carrying amounts.

## **12. RELATED PARTY TRANSACTIONS**

### LEASE AGREEMENT

In November 2004, the Company entered a lease agreement with EPRO for rental space in the amount of \$1,923 per month. The term of the lease was one year and renewable by either party.

### LOAN DUE TO AND FROM RELATED PARTIES

As at the years ended December 31, 2006 and 2005, there was a total loan receivable of approximately \$1,706,000 and \$2,328,00 respectively due from related parties while the loan due to related party was \$638,000 and \$759,000.

As at the year ended December 31, 2005 the related party loans receivable included \$769,000 due from Take 1, an affiliated company that is 20% owned by PacificNet Strategic Limited. The loans receivable from shareholders and directors of PacificNet's subsidiaries comprised of \$1,559,000 due from a shareholder of Smartim and Yueshen.

As at the year ended December 31, 2006, the related party loan receivables included \$1,026,000 due from Take 1, an affiliated company that is 20% owned by PacificNet, \$196,000 due from MOABC, an affiliated company that is 20% owned by PacificNet, and \$384,000 due from shareholders and directors of certain of the Company's subsidiaries in connection with the acquisition of these subsidiaries. The loans receivable from shareholders and directors of these subsidiaries is comprised of \$256,000 due from a shareholder of Yueshen and \$128,000 due from a director of Soluteck.

The terms of these related parties loan receivables and payables are summarized below:

### LOAN TO TAKE 1

Take 1 is an affiliated company and is 20% owned by PacificNet as of December 31, 2006. A convertible loan of \$1,026,000 and \$769,000 respectively is outstanding from Take 1 as of December 31, 2006 and 2005. Conversion terms of the convertible loan provide PacificNet an option at any time during the Term to convert in part or in whole of the then outstanding loan principle up to \$1,026,000 (or HKD \$8,000,000) into shares of Take 1 to reach 51% ownership of Take 1. The loan was extended as a working capital loan to finance the expansion of Take 1's business in Europe and North America.

LOAN TO MOABC

MOABC is an affiliated company and is 20% owned by PacificNet as of December 31, 2006. A convertible loan of \$196,000 is outstanding from MOABC as of December 31, 2006. Conversion terms of the convertible loan provide PacificNet an option at any time during the Term to convert in part or in whole of the then outstanding loan principle by using the price of \$23,160 (1% of shares). The provision for doubtful debts of \$293,000 for the loan to MOABC was recorded in 2006.

F-29

---

#### LOAN TO GLAD SMART

Glad Smart is an affiliated company and is 15% owned by PacificNet as of December 31, 2006. A loan of \$100,000 is outstanding from Glad Smart as of December 31, 2006. The loan was extended as a working capital loan to finance the expansion of Glad Smart's voice card business operation.

#### LOAN TO YUESHEN'S SHAREHOLDER

As at the year ended December 31, 2006, there was a loan outstanding of \$256,000 receivable from the shareholder of Yueshen. This loan is collateralized with 106,240 PacificNet shares owned by the shareholder of Yueshen. Further discussion of the outcome of our legal dispute with Yueshen is found under Part II of this 10Q document - Item1: Legal Proceedings.

As at the year ended December 31, 2005 there was an unsecured loan of \$1,367,000 due from Ms. Li Yan-Kuan, shareholder of Yueshen.

#### LOAN TO SMARTIME'S SHAREHOLDER

As at the year ended December 31, 2005, there was \$192,000 loan receivable due from the shareholder of PacificNet Smartime.

#### LOAN TO SOLUTECK'S DIRECTOR

As at the year ended December 31, 2006, there was a loan outstanding of \$128,000 receivable from a director of Soluteck, due on December 14 for three consecutive years ending 2007. The interest rate for the loan is 8% per annum plus 5% penalty interest in case it has not been timely paid. The loan is collateralized with 100,000 PacificNet's shares owned by the borrowing director and Ms Iris Lo, and the remaining assets of Smartime Holding Ltd.

#### LOAN PAYABLE TO RELATED PARTY

As at the year ended December 31, 2006, a loan of \$356,000 was payable to a shareholder of EPRO. The loan was advanced to Epro for working capital purposes. The loan is due on August 4, 2010. Interest being charged per annum is at Hong Kong Prime lending rate, which was approximately 6.5% per annum in 2005 and 8% in 2006.

As at the year ended December 31, 2006, a loan of \$282,000 was payable to a shareholder of Smartime. The loan was advanced to Smartime for working capital purposes.

As at the year ended December 31, 2005, a loan of \$513,000 was payable to a shareholder of EPRO. The loan was advanced to Epro for working capital purpose expiring by August 4, 2010 at Hong Kong Prime lending rate approximately 6.5% interest per annum prevailing in the year 2005.

As at the year ended December 31, 2005, a loan of \$246,000 was payable to a shareholder of Yueshen.

### **13. SEGMENT INFORMATION**

SFAS No. 131, DISCLOSURE ABOUT SEGMENTS OF AN ENTERPRISE AND RELATED INFORMATION ("SFAS 131"), establishes standards for reporting information about operating segments and for related disclosures about products, services and geographic areas. Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision-maker, or decision-making group, in making decisions regarding allocation of resources and assessing performance. PacificNet's

chief decision-makers, as defined under SFAS 131, are the Chief Executive Officer and Chairman. During 2006 and 2005, PacificNet had four operating segments.

F-30

---

The Company's reportable segments are operating units, which represent the operations of the Company's significant business operations. Summarized financial information concerning the Company's reportable segments is shown in the following table. The "Other" column includes the Company's other insignificant services and corporate related items, and, as it relates to segment profit (loss), income and expense not allocated to reportable segments.

	Group 1. Outsourcing Service	Group 2. Telecom Value-Added Services	Group 3. Products (Telecom & Gaming)	Group 4. Other Business	Total
For the year ended December 31, 2006 (in thousands of US Dollars, except percentages)	Restated (\$)	Restated (\$)	Restated (\$)	Restated (\$)	Restated (\$)
Revenues	14,146	1,555	23,385	3,652	42,738
(% of Total Revenues)	33%	4%	55%	9%	100%
Earnings / (Loss) from Operations	677	(44)	(1,054)	(5,889)	(6,310)
(% of Total Profit)	(11)%	1%	17%	96%	100%
Total Assets	8,365	2,747	12,673	18,244	36,535
(% of Total Assets)	23%	(8)%	35%	50%	100%
Goodwill	3,964	461	1,176		5,601
Geographic Area	HK,PRC	HK, PRC	HK,PRC,Macau	HK,PRC	

	Group 1. Outsourcing Service	Group 2. Telecom Value-Added Services	Group 3. Products (Telecom & Gaming)	Group 4. Other Business	Total
For the year ended December 31, 2005 (in thousands of US Dollars, except percentages)	Restated (\$)	Restated (\$)	Restated (\$)	Restated (\$)	Restated (\$)
Revenues	13,568	-	2,880	859	17,307
(% of Total Revenues)	78%	-	17%	5%	100%
Earnings / (Loss) from Operations	686	-	(106)	(6,188)	(5,608)
(% of Total Profit)	(12)%	-	2%	110%	100%
Total Assets	4,745	10,876	7,037	12,431	35,089
(% of Total Assets)	14%	31%	20%	35%	100%
Goodwill	3,964	-	-	-	3,964
Geographic Area	HK,PRC	HK, PRC	HK,PRC,Macau	HK,PRC	

The Company identifies and classifies its operating segments based on reporting entities that exhibit similar long-term financial performance based on the nature of the products and services with similar economic characteristics such as margins, business practices and target market. The operating segments are classified into four major segments which are summarized as follows:

(1) Outsourcing Services - involves human voice services such as Business Process Outsourcing, CRM, call center, IT Outsourcing and software development services. These types of services are conducted through our subsidiaries EPRO, Smartime/Soluteck and PacificNet Solution Ltd.

(2) Telecom Value-Added Services (VAS) - primarily involves machine voice services such as Interactive Voice Response, SMS and related VAS, which are conducted through our subsidiaries such as ChinaGoHi (discontinued), Linkhead (discontinued), Clickcom (discontinued) and Guangzhou 3G/Sunroom. For example, Linkhead is a master reseller of NMS hardware and software platforms in China, and its voice cards are used as an integral part of voice



hardware using CPCI industry control machines, and also by Media Servers to support access from PSTN and VoIP, Softswitch and 3G networks.

(3) Product (Telecom & Gaming) Services Group - involves communication and gaming products, GSM/CDMA/3G Products, Multimedia Communication Kiosks. This Group includes the following subsidiaries: PacificNet Communications Limited, iMobile, Allink, Take1 and PacificNet Games. PacificNet Games Limited (PacGames) is a leading developer of Asian electronic gaming machines, multi-player electronic gaming technology solutions and gaming related maintenance, IT, and distribution services for the leading hotel and casino operators based in the Macau and other Asian gaming markets.

F-31

---

(4) Other Business -other administrative, financial and investment services and non-core businesses such as PacificNet Power Limited (PacPower), Pacific Financial Services Limited, etc.

Product and service revenues classified by major geographic areas are as follows (in thousands of US Dollars):

For the year ended December 31, 2006	Hong Kong	PRC	Macau	United States	Total
Product revenues	\$ 19,829	\$ 5,755	\$ 364	\$ -	\$ 25,948
Service revenues	\$ 13,527	\$ 3,263	\$ -	\$ -	\$ 16,790

For the year ended December 31, 2005	Hong Kong	PRC	Macau	United States	Total
Product revenues	\$ 3,216	\$ -	\$ -	\$ -	\$ 3,216
Service revenues	\$ 10,413	\$ 3,678	\$ -	\$ -	\$ 14,091

#### 14. DISCONTINUED OPERATIONS/ASSETS HELD FOR DISPOSITION

Financial Statements for the year ended December 31, 2003, 2004 & 2005 have been reclassified to account for the following discontinued operations and/or assets held for disposition.

##### 1. Guangzhou Yueshen Taiyang Network Science and Technology Limited (“Yueshen”)

During the year ended December 31, 2004 the Company impaired its investment in Yueshen. As of December 31, 2006, the Company recorded disposal loss of \$504,000.

On 12 August, 2006, to recover the loan advanced to Yueshen, we commenced a law suit in the High Court of the Hong Kong Special Administrative Region (“HKSAR”) against i) Guangzhou Yueshen Taiyang Network Science and Technology Limited as borrower and both ii) Ms. Li Yan Kuan and iii) Mr. Yi Wen as guarantors for the loan sum of RMB 2,000,000 (“Debt Sum”) together with the agreed interest rate calculated at 6% per annum all due on 15 November, 2005 according to the promissory note and guarantee entered into by the three defendants on 15 May, 2005.

##### 2. Guangzhou Clickcom Digit-net Science and Technology Ltd. (“Clickcom”)

Operations of Clickcom were discontinued and became dormant during the year as a result of poor business and market prospects. Former staffs of Clickcom have been reassigned to MOABC. Nominal amount of fixed assets are subject to disposition. Accordingly, Clickcom has been classified as Asset Held for Disposition in 2006. Approximately \$400,000 of goodwill carried for Clickcom has been charged to impairment by the Company at the year end of 2006.

##### 3. Beijing Linkhead Technologies Company Limited (“Linkhead”)

Due to bleak industry prospects, board of directors of Linkhead had resolved a special board resolution in January 2007 to direct management to engage in active search for willing buyers to acquire or prepare to enter into liquidation process. Accordingly, Linkhead has been classified as Asset Held for Disposition in 2006. Approximately \$4 million of goodwill carried for Linkhead has been charged to impairment by the Company at the year end of 2006.

##### 4. Guangzhou 3G Information Technology Co. Ltd. (“GZ3G”)

On April 30, 2007, the Company entered into a definitive agreement with HeySpace International Limited to sell PacificNet's 51% equity ownership of GZ3G group of companies for a consideration of \$6 million. Accordingly, GZ3G has been classified as Asset Held for Disposition in 2006. Approximately \$2.1 million in goodwill being carried on the Company's books had been written down to level the Company's total carrying cost of GZ3G to the intended disposition value.

5. Lion Zone Holdings Ltd. ("Lion Zone")

On November 20, 2006, PacificNet executed an agreement ("Termination Agreement") to terminate the Sale and Purchase Agreement with Lion Zone, ChinaGoHi and Mr. Wang Wenming (collectively, the "Sellers"). The Termination Agreement was effective as of November 1, 2006. In the Termination Agreement, the Sellers agreed to pay an aggregate of HKD\$3,000,000, comprising: USD\$100,000 in cash and 275,000 in restricted shares of PACT, in exchange for 51% interest of Lion Zone, holding company of ChinaGoHi. Additionally, the Sellers agreed to waive PacificNet's obligations under the Sale and Purchase Agreement entered into between PacificNet and the Sellers in December 2005 to issue restricted shares and to provide certain loans to the Sellers. PacificNet, however, reserves the rights to re-purchase the said 51% interest of Lion Zone within 2 years of the date of signing the Termination Agreement for a consideration of 5 times audited net profit under US GAAP for the 12-month period subsequent to the year of signing.

F-32

---

The following is a summary of discontinued operations/ to be discontinued operations:

	Yueshen	ChinaGoHi	Linkhead	G3G	Clickcom	Total
Investment	\$ -	\$ 4,475	\$ -	\$ -	\$ -	\$ 4,475
Impairment of investment	-	(1,233)	-	-	-	(1,233)
Net earnings consolidated into PACT	-	175	-	-	-	175
Consideration received/receivable	-	3,947	-	-	-	3,947
Gain on disposal	-	530	-	-	-	530
Loss on disposal	(504)	-	-	-	-	(504)
Income/(loss) from discontinued operations	-	-	(1,089)	1,206	(4)	113
Net assets for disposal /to be sold	\$ -	\$ -	\$ 1,142	\$ 6,709	\$ 813	\$ 8,664

## 15. CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Company's operations are carried out in the PRC. Accordingly, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environments in the PRC, by the general state of the PRC's economy. The Company's business may be influenced by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among other things.

## 16. EVENTS SUBSEQUENT TO DECEMBER 31, 2006 (UNAUDITED)

### 1) SALE OF PACIFICNET TELECOM SOLUTIONS INC. ("PacTelso")

On May 20, 2007, the Company entered into a definitive agreement to sell its 36% equity interest in PacTelso, an intermediate holding company registered under the laws of British Virgin Islands, to Mr. Mu Yingliang, a resident of People's Republic of China. Consideration for the 36% interest of PacTelso was RMB10,000 (or US\$1,295), to be paid within 90 days after signing of the agreement. The Company's interest in PacTelso decreased from 51% to 15% after the transaction.

### 2) SALE OF MOABC.com ("MOABC")

On May 20, 2007, the Company entered into a definitive agreement to sell its 5% equity interest in MOABC, a PRC limited liability corporation engaged in the business of value-added services platform providing, to Mr. Jack Ou, a resident of People's Republic of China. Consideration for the 5% interest of MOABC was RMB5,000 (or US\$647), to be paid within 90 days after signing of the agreement. The Company's interest in MOABC decreased from 20% to 15% after the transaction.

### 3) SALE OF PACIFICNET SOLUTIONS LIMITED ("PacSo")

On May 18, 2007, the Company entered into a definitive agreement to sell its 45% equity interest in PacSo, a company registered under the laws of Hong Kong SAR, China and engaged in systems integration, software application, and e-business solutions services, to Mr. Alex Au, a resident of Hong Kong SAR, China. Consideration for the 45% interest of PacSo was HK\$4,500 (or US\$583), to be paid within 90 days after signing of the agreement. The Company's interest in PacSo decreased from 60% to 15% after the transaction.

4) SALE OF PACIFICNET POWER LIMITED ("PacPower")

On May 18, 2007, the Company entered into a definitive agreement to sell its 36% equity interest in PacPower, a company registered under the laws of Hong Kong SAR, China and engaged in air-conditioning contracting and consulting businesses, to Mr. Alex Au, a resident of Hong Kong SAR, China. Consideration for the 36% interest of PacPower was HK\$3,600 (or US\$466), to be paid within 90 days after signing of the agreement. The Company's interest in PacPower decreased from 51% to 15% after the transaction.

5) SALE OF GUANGZHOU 3G ("GZ3G")

As part of our strategy to move away from telecom VAS, on April 30, 2007 our wholly-owned subsidiary, PacificNet Strategic Investment Holdings Limited, entered into a stock purchase and sale agreement with Heyspace International Limited to sell its 51% interest in Guangzhou 3G's parent company, Pacific 3G Information & Technology Co. Limited. The purchase price is \$6,000,000 payable in installments over a six month period or earlier if Heyspace completes its initial public offering prior to October 31, 2007.

F-33

---

6) SALE OF CONVERTIBLE DEBENTURES BY OUR SUBSIDIARY PACIFICNET GAMES LIMITED

On February 9, 2007, the Company through its subsidiary, PacificNet Games Limited (PacGames) entered into a definitive agreement for a \$5 million financing in the form of a convertible secured note from Pope Asset Management, LLC (Pope), an institutional investor. Proceeds from the financing will be used to provide PacGames with additional working capital to expand its gaming technology operations, to make further synergistic acquisitions in China and for general corporate purposes.

The \$5 million financing, evidenced by a convertible secured note issued by PacGames to Pope, matures on February 6, 2010, and may be converted into 26% to 32% ownership interest in PacGames based on reaching certain net income milestones during fiscal year 2007. The interest rate on the convertible debenture will initially be set at 8%, and shall increase to 15% if the note is not converted prior to maturity.

7) SALE OF BEIJING LINKHEAD TECHNOLOGIES COMPANY LIMITED ("Linkhead")

Due to bleak industry prospects, board of directors of Linkhead had resolved a special board resolution in January 2007 to direct management to engage in active search for willing buyers to acquire or prepare to enter into liquidation process. Accordingly, Linkhead has been classified as Asset Held for Disposition in 2006. Approximately \$4 million of goodwill carried for Linkhead has been charged to impairment by the Company at the year end of 2006.

8) ACQUISITION OF GUANGDONG POLY BLUE EXPRESS COMMUNICATIONS CO.LTD. ("Guangdong Poly")

On Sep 5, 2007, we have entered into an agreement to acquire 51% equity interest in Guangdong Poly Blue Express Communications Co., Ltd. (Guangdong Poly). The acquisition is expected to enable PacificNet, through its operating subsidiaries in China, to participate in China's rapidly growing state-sponsored legalized gaming and electronic lottery operations. Guangdong Poly is a leading operator approved by China's Welfare Lottery Center to develop and operate real-time electronic paperless lottery services in China, in accordance to the rules and regulations set by China's Welfare Lottery Center. The Company expects this acquisition to be accretive to 2008 earnings.

According to the agreement, PacificNet Technology (Shenzhen) Limited and PacificNet Games Limited will acquire 34% and 17% of Guangdong Poly Blue Express Communications Co., Ltd, respectively. The investment in Guangdong Poly is structured dependent on the achievement of certain profit milestones. The investment by PacificNet is subject to the successful completion of customary due diligence and final documentation. The financial terms of the deal were not disclosed.

9) ADDITIONAL ACQUISITION OF TAKE1 TECHNOLOGIES IN Q1 2007

On January 05, 2007, we entered into an agreement for PacificNet to exercise the option to acquire an additional 31% interest in Take1 Technologies Limited ("Take1") (formerly known as "CHEER ERA LIMITED"). The completion date for the new Securities Subscription Agreement was March 5, 2007, with a consideration of \$721,887 (paid entirely with shares of PacificNet: 149,459 PACT Shares, valued at \$4.83 per share). As a result, PacificNet has become the majority and controlling shareholder of Take1 with our ownership percentage increased from 20% to 51%. Take1 is a leading designer, developer and manufacturer of gaming, multimedia entertainment and communication kiosk products including casino-use electronic gaming tables, photo and video entertainment kiosks, digital camera photo development stations, multimedia messaging services (MMS) and mobile content download stations for mobile phones, and other coin-operated peripherals and consumables. Take1 Technologies is based in Hong Kong and markets and distributes its products around the world including the USA, Canada, Mexico, Europe, China, and Southeast Asia.

**10) PACIFICNET INC., V/S IROQUOIS MASTER FUND, LTD.**

On October 3, 2007 Iroquois Master Fund, Ltd. filed a complaint in the Supreme Court of the State of New York against PacificNet Inc., complaining against non-payment of mandatory default amount on convertible debentures of \$3,000,000 and \$420,000.

As of October 2, 2007, the outstanding principal amount of the \$3,000,000 debenture is \$2,045,452 and accrued but unpaid interest amount is \$30,682.

The mandatory default amount due to Iroquois Master Fund, Ltd. pursuant to amended debenture (as amended in February 2007) is \$2,698,974 on \$3,000,000 convertible debenture.

As of October 2, 2007, the outstanding principal amount of the \$420,000 debenture is \$420,000 and accrued but unpaid interest amount is \$6,300.

The mandatory default amount due to Iroquois Master Fund, Ltd. is \$554,190 on \$420,000 convertible debenture.

Iroquois Master Fund, Ltd. also demanded for the reimbursement of its attorney fees and other costs and expenses incurred together with costs and disbursements of this action and such other and further relief as to the court seems just and proper.

F-34

---

## 17. LEGAL PROCEEDINGS

### 1. Legal Proceeding and Judgment Against Guangzhou Yueshen Taiyang Network Science and Technology Limited, Ms. Li Yan Kuan, and Mr. Wu Yi Wen

On August 12, 2006, we commenced a law suit in the High Court of the Hong Kong Special Administrative Region ("HKSAR") against Guangzhou Yueshen Taiyang Network Science and Technology Limited, Ms. Li Yan Kuan, (PRC ID: 440112195706120967, Residential Address: Room G6-305, West Garden, FuLiHuanShi, HuanShi West Road, LiWan District, Guangzhou, Guangdong, China) and Mr. Wu Yi Wen, (PRC ID: 440106196412220919, Residential Address: Room 906, Number 15, SiHeng Road Number 2, TianHe YuanChun, Guangzhou, Guangdong, China) for failure to pay amounts owed under a promissory note. On May 15, 2005, we loaned RMB2,000,000 ("Debt Sum") to Yueshen to cover operating costs, evidenced by a promissory note due on November 15, 2005. Ms. Kuan and Mr. Wen guaranteed repayment of the note by Yueshen. The Debt Sum together with the agreed interest rate calculated at 6% per annum was due on November 15, 2005.

On March 28, 2007, the High Court of HKSAR had adjudged that the three defendants should pay us the Debt Sum together with interest sum at the rate of 6% per annum from May 15, 2005 to March 28, 2007, and additional interest charged at the rate of 5% per annum for the Debt Sum and accrued interest within 90 days overdue and thereafter at the judgment rate until payment and fixed costs of HK\$3,405.

### 2. Lawsuit between PacificNet Power Limited and Johnson Controls Hong Kong Limited (JCHKL), a subsidiary of Johnson Controls Inc. (NYSE:JCI) ([www.jci.com](http://www.jci.com))

On January 19, 2007, Johnson Controls Hong Kong Limited filed a claim against PacificNet Power Limited (a 51% owned subsidiary of PacificNet) in the High Court of the Hong Kong Special Administrative Region seeking HK\$4,800,000 as payment for services rendered to replace 3 sets of trane water-cooled chillers, together with energy saving performance (the "Chiller System"), at the Fortress Tower in Hong Kong.

In connection with the claim, PacificNet Power reviewed a letter from its client, China Weal Property Management Ltd., dated January 22, 2007 stating that the construction work by JCHKL had not been completed as of the date of the letter, and that certain violations itemized in a letter issued by the Hong Kong Environment Protection Department (EPD) (Noise Abatement Notice No. N806030) addressed to JCHKL with respect to acoustic problems with JCHKL's equipment had not been abated. Further, JCHKL was to pay penalties between HK\$100,000 and HK\$200,000 assessed by the JCHKL for failing to fix the noise problem on the roof of Fortress Tower.

The board of directors of PacificNet Power Limited has reviewed the case with its client, China Weal Property Management Ltd., and our Hong Kong legal counsel and it is our belief that the project work undertaken JCHKL is defective in numerous aspects, as evidenced by the letter from government letter issued by EPD. As a result, we believe the construction work was not been completed by JCHKL, and therefore, JCHKL is not entitled to payment for its services.

On February 7, 2007, we instructed our Hong Kong legal counsel to issue a Defense and Counterclaim to JCHKL to counter-claim that (i) JCHKL's construction work has not complied with the applicable rules and regulations of various government authorities in Hong Kong; (ii) the Chiller System provided by JCHKL was defective and merchantable unfit and JCHKL has failed and/or refused to rectify such defective works; and (iii) JCHKL shall return the work deposit in the amount of HK\$1,500,000 to PacificNet Power Limited and shall compensate and keep PacificNet Power Limited indemnified against all the loss and damages suffered as a result of any claims from the China Weal Property Management Ltd, the employer and the potential tenants of Fortress Tower.



The case is under review by Hong Kong High Court and we have not received any judgment from the High Court of the Hong Kong Special Administrative Region as of date of this report. We are currently proceeding with discovery and counter-claims, and we intend to vigorously defend ourselves against the allegations. We are unable to predict the outcome of these actions, or a reasonable estimate of the range of possible loss, if any.

**3. Lawsuit between PacificNet Power Limited and Johnson Controls Hong Kong Limited (JCHKL), a subsidiary of Johnson Controls Inc. (NYSE:JCI) ([www.jci.com](http://www.jci.com))**

On or about December, 2005, Johnson Controls Hong Kong Limited approached PacificNet Power Limited (a 51% owned subsidiary of PacificNet) and made a representation that they had submitted a tender to “The Incorporated Owners of Nan Fung Centre, Tsuen Wan (“the Employer”) for the “construction and replacement works of existing air-cooled chiller plant by new water-cooled chiller plant for Tsuen Wan Nan Fung Centre and energy saving performance contract” (“the Construction and Replacement Works Contract”). JCHKL invited and induced PacificNet Power Limited to act as the main contractor for the Contract and it would then act as a sub-contractor.

PacificNet Power also expressly made known to JCHKL that the said construction and replacement works and the guaranteed energy saving should meet all the tender requirements if PacificNet Power accepted the invitation to act as the main contractor for the Contract, and PacificNet Power further said that if there should be any quality defects with the system and/ or the construction work, the Employer and/ or their prospective tenants would claim against JCHKL and JCHKL should compensate.

F-35

---

PacificNet Power however received some correspondences and complaints from the Employer and/ or their representatives about the poor and/ or sub-standard works done by JCHKL. PacificNet Power, after separate investigation, discovered the poor workmanship and sub-standard works done by JCHKL. Accordingly, the Employer and/ or their representatives have delayed the monthly installments payment to PacificNet Power.

On April 23, 2007, we instructed our lawyers issued a letter to the Defendant requesting and demanding them, being the sub-contractor of the Construction and Replacement Works Contract, to take immediate rectification action within seven days from the date of the said letter to (i) rectify and complete all outstanding defective works of the Construction and Replacement Works Contract; (ii) replace the water-cooled chiller plant and/or equipments which are not conformed with the requirements of the tender documents previously submitted by the Defendant to the Employer; and (iii) improve the poor performance of energy saving of the new water-cooled chiller plant so that it would conform with their guarantee made on 21 December, 2005 to PKL and the employer.

Despite the said letter, JCHKL had failed and/ or refused to rectify and complete all outstanding works and/ or replace the defective system. And therefore PacificNet Power claims against JCHKL for: (i) refund HK\$6,414,300.00, being the Contract Price paid by PacificNet Power to JCHKL; (ii) costs and expenses incurred by Power to rectify all defective works of the Contract; (iii) all damage and loss suffered by PacificNet Power, and further and other relief.

On July 25, 2007, JCHKL issued a Defense and Counterclaim to PacificNet Power to counter-claim that: (i) a concrete base was discovered after the existing dismantled radiators was not indicated in tender drawings nor could it be revealed by site visit; (ii) JCHKL could not have carried out the works under the Contract without first demolishing the said concrete base; (iii) by a letter from JCHKL to PacificNet Power dated 22 May, 2007, PacificNet Power was informed additional works had been carried out by JCHKL; (iv) a sum of HK\$30,000 is still due and owing by PacificNet Power to JCHKL.

The case is now proceeding to the stage of fixing a date for trial in the High Court of Hong Kong. We are unable to predict the outcome of these actions, or a reasonable estimate of the range of possible loss, if any.

## **18. RESTATEMENT**

On March 19, 2007 the predecessor auditor withdrew their opinion on our previously filed financial statements for the years ended December 31, 2005 and 2004 due to uncertainties around certain option grants during the said period. Independent investigation in this connection commissioned by our Audit Committee resulted in extra stock-based compensation charges of approximately \$0.3 million, \$1.2 million and \$0.1 million to each of the years ended December 31, 2005, 2004 and 2003, respectively.

In the course of the financial statements restatement for the year ended December 31, 2006, management has decreased total non-current assets by \$1 million worth of goodwill as a result of the re-audit restatement to the ending goodwill balances as at December 31, 2005. Further, management has also decreased total selling, general and administrative expenses by an aggregate of \$6.3 million. Said decrease comprises of extra goodwill impairment amounting to approximately \$3.7 million and \$2.6 million, respectively, already charged to the restated Selling, General and Administrative expenses for the years ended December 31, 2005 and 2004. An impairment of investment of \$1.2 million was also recorded for the year ended December 31, 2006 for an entity disposed in 2006.

Below is the detailed effect of the restatement (In thousands of US Dollars):

	2006 As reported	2006 As restated	2005 As reported	2005 As restated
<b>Consolidated Balance Sheets:</b>				
<b>ASSETS:</b>				
<b>Current assets</b>	\$ 17,041	\$ 17,041	\$ 31,130	\$ 28,784
<b>Non-current assets</b>	24,841	19,885	20,073	14,212
<b>Total assets</b>	\$ 41,882	\$ 36,926	\$ 51,203	\$ 42,996
<b>LIABILITIES</b>				
<b>Current liabilities</b>	\$ 17,376	\$ 17,376	\$ 10,620	\$ 11,675
<b>Non-current liabilities</b>	2,704	2,704	84	84
<b>Total liabilities</b>	20,080	20,080	10,704	11,759
<b>Minority interest</b>	6,874	2,869	8,714	8,033
<b>STOCKHOLDERS' EQUITY</b>				
Common stock	1	1	1	1
Treasury stock	(257)	(272)	(119)	(134)
Additional paid-in capital	63,124	65,757	57,690	61,979
Cumulative other comprehensive income (loss)	220	(42)	247	(15)
Accumulated deficit	(47,739)	(51,090)	(25,990)	(38,627)
Stock subscription receivable	(421)	(377)	(44)	-
<b>TOTAL STOCKHOLDERS' EQUITY</b>	14,928	13,977	31,785	23,204
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	\$ 41,882	\$ 36,926	\$ 51,203	\$ 42,996
<b>Consolidated Statements of Operations:</b>				
<b>Net revenue</b>	\$ 42,738	\$ 42,738	\$ 44,341	\$ 31,086
<b>Cost of sales</b>	(36,217)	(36,217)	(33,439)	(20,678)
<b>Gross profit</b>	6,521	6,521	10,902	10,408
Selling, General and Administrative expenses	(5,810)	(11,126)	(6,333)	(10,419)
Stock-based compensation expenses	(242)	(242)	-	(282)
Income/(loss) from operations	(13,988)	(7,533)	4,569	(4,333)
Income/(loss) before income taxes, minority interest and discontinued operations	(19,106)	(12,661)	5,645	(3,596)
Income/(loss) before discontinued operations	(18,999)	(12,554)	2,498	(5,145)
Net income available to common stockholders	\$ 20,093	\$ (12,415)	\$ 2,489	\$ (5,145)
Earnings/(loss) per common share:				
Basic	\$ (1.78)	\$ (1.08)	\$ 0.25	\$ (0.51)
Diluted	\$ (1.78)	\$ (1.08)	\$ 0.23	\$ (0.51)
Shares used in computing earnings per share:				
Basic	11,258,547	11,538,664	10,154,271	10,156,809
Diluted	11,964,587	11,538,664	10,701,211	10,156,809
<b>Consolidated Statements of Cash Flows</b>				
Net income (loss)	\$ 20,093	\$ (12,415)	\$ 2,489	\$ (5,145)
Stock-based compensation	242	242	-	282
Net cash provided by (used in) operating activities	(8,885)	(8,580)	9,250	11,843
Net cash used in investing activities	(1,297)	(2,922)	(6,199)	(9,799)
Net cash provided by (used in) financing activities	8,638	9,943	24	(946)

Edgar Filing: PFSWEB INC - Form SC 13G/A

Effect of exchange rate on cash & cash equivalent	(43)	(27)	(260)	7
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ (1,587)	\$ (1,586)	\$ 2,815	\$ 1,105

F-37