

Emerge Capital Corp.
Form 10QSB
November 20, 2006

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

FORM 10-QSB
(Mark One)

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

For the quarterly period ended September 30, 2006.
 TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE
EXCHANGE ACT

For the transition period from _____ to _____

Commission file number 0-28606

EMERGE CAPITAL CORP.
(Exact name of small business issuer as specified in its charter)

DELAWARE
(State or other jurisdiction of
Incorporation or organization)

22-3387630
(I.R.S. Employer
Identification No.)

109 North Post Oak Lane, Suite 422
Houston, TX 77024
(Address of principal executive offices, including area code)

713-621-2737
(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

The number of shares outstanding of our common stock at November 15, 2006 was 27,635,816.

Transitional Small Business Disclosure Format (check one): Yes No

EMERGE CAPITAL CORP.

FORM 10-QSB

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PART I - FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS**

EMERGE CAPITAL CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
September 30, 2006
(Unaudited)

ASSETS**CURRENT ASSETS**

Cash and cash equivalents	\$ 971,495
Restricted cash	98,452
Notes and accounts receivable - less reserve of \$160,189	543,355
Investment in marketable securities	421,449
Due from affiliate	21,038
Prepaid expense and deferred financing costs	329,161
Total current assets	2,384,950

NONCURRENT ASSETS

Investment in real estate partnership and other investments	4,218,838
Note receivable	900,000
Deferred debenture expense	29,150
Fixed assets, net	75,817
Total noncurrent assets	5,223,805

TOTAL ASSETS	\$ 7,608,755
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LIABILITIES AND SHAREHOLDERS' DEFICIT**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$ 391,662
Convertible debentures--net of \$254,126 discount	1,586,612
Notes payable	105,114
Unearned income	449,305
Series C Preferred stock including associated paid in capital; liquidation preference of \$381,000, redeemable at \$1,500 per share at Company option, cumulative dividends of \$120 per share per year, non-voting, par value \$.01, 1,000 shares authorized, 254 shares issued and outstanding	224,977
Derivative liability	4,438,164
Total current liabilities	7,195,834
Convertible debentures--net of \$2,013,995 discount	4,611,005
Note payable	196,434
Accrued interest payable	385,516
Total liabilities	12,388,789

COMMITMENTS AND CONTINGENCIES

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**EMERGE CAPITAL CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET**

September 30, 2006

(Unaudited)

(Continued)

SHAREHOLDERS' DEFICIT

Preferred Stock, par value \$.01, 2,000,000 shares authorized:	
Series A Convertible Preferred Stock, noncumulative, \$.01 par value; 400,000 shares authorized; none issued	-
Series B Convertible Preferred Stock, \$.01 par value; 100,000 shares authorized; 6,666 shares issued and outstanding; no liquidation or redemption value	67
Series D Convertible Preferred Stock, 100,000 shares authorized; 93,334 shares issued and outstanding; no liquidation or redemption value	933
Common stock, \$.001 par value; 900,000,000 shares authorized; 27,635,816 shares issued and outstanding	27,636
Additional paid-in capital	723,741
Retained deficit	(5,532,411)
Total shareholders' deficit	4,780,034
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	\$ 7,608,755

See accompanying Notes to Condensed Consolidated Financial Statements (unaudited)

EMERGE CAPITAL CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30,	
	2006	2005
REVENUE		
Discount income	-	38,379
Consulting revenue	223,194	15,000
Marketable securities loss	(29,716)	(111,156)
Fee income	65,500	-
Total revenue (gross loss)	258,978	(57,777)
General and administrative expenses (net of allocation to an affiliated entity--\$63,654 for 2006 and \$0 for 2005)	702,048	432,092
OPERATING LOSS	(443,070)	(489,869)
OTHER (INCOME) EXPENSE		
Net change in derivative liability	(192,830)	1,077,094
Minority interest	-	(250)
Merger expense	140,000	3,359,163
Interest expense - Preferred Series C stock	6,633	7,968
Other income - net	(17,614)	(65,520)
Total other (income) expense	(63,811)	4,378,455
Loss before income tax	(379,259)	(4,868,324)