

ALBERTO CULVER CO
Form PRE 14A
November 21, 2003

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

Alberto-Culver Company

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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1) Amount Previously Paid:

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ALBERTO-CULVER COMPANY

Melrose Park, Illinois

December 12, 2003

TO THE STOCKHOLDERS:

The annual meeting of stockholders will be held at the principal office of the Company in Melrose Park, Illinois, on Thursday, January 22, 2004, at 10:00 a.m.

You are cordially invited to attend this meeting in person. The principal business at the meeting will be to (i) elect five directors, (ii) re-approve the Management Incentive Plan, as amended, (iii) amend Article 4 of the Company's Amended and Restated Certificate of Incorporation (the Certificate) to eliminate provisions that are no longer applicable as a result of the conversion on November 5, 2003 of all of the Company's issued Class A common stock into Class B common stock on a one-share-for-one-share basis (the Conversion), eliminate the 150,000,000 authorized shares of Class A common stock, and change the designation of the Class B common stock to Common Stock and (iv) to amend Article 4 of the Certificate to increase the authorized Class B common stock from 150,000,000 shares to 300,000,000 shares.

At your earliest convenience, please sign and return the enclosed proxy card to assure that your shares will be represented at the meeting.

Sincerely,

Leonard H. Lavin

Chairman

NOTICE OF MEETING

The annual meeting of stockholders of Alberto-Culver Company (the Company) will be held on Thursday, January 22, 2004, at 10:00 a.m. Chicago time, at the principal office of the Company, 2525 Armitage Avenue, Melrose Park, Illinois 60160 for the following purposes:

1. To elect five directors.
2. To re-approve the Management Incentive Plan, as amended.
3. To amend Article 4 of the Company s Amended and Restated Certificate (the Certificate) to eliminate provisions that are no longer applicable as a result of the conversion of the Class A common stock into shares of Class B common stock on a one-share-for-one-share basis, eliminate the 150,000,000 authorized shares of Class A common stock and change the designation of the Class B common stock to Common Stock.
4. To amend Article 4 of the Certificate to increase the authorized Class B common stock from 150,000,000 shares to 300,000,000 shares.
5. To transact such other business as may properly come before the meeting.

The board of directors has fixed the close of business on December 1, 2003 as the record date for determination of the stockholders entitled to notice of and to vote at the meeting.

Bernice E. Lavin

Secretary

December 12, 2003

ALBERTO-CULVER COMPANY

PROXY STATEMENT

**2525 Armitage Avenue
Melrose Park, Illinois 60160**

December 12, 2003

Solicitation of Proxies

The board of directors of Alberto-Culver Company (the Company) solicits your proxy for use at the annual meeting of stockholders to be held on January 22, 2004 and at any adjournment thereof.

On December 1, 2003, the record date for the meeting, the Company had _____ shares of Class B common stock outstanding. This Proxy Statement and form of proxy are being mailed to stockholders on or about December 12, 2003. Pursuant to the conversion of all of the issued shares of Class A common stock into Class B common stock on a one-share-for-one-share basis which was effective on November 5, 2003 (the Conversion), there are no longer shares of Class A common stock outstanding. Unless the context herein otherwise requires, references to shares, common stock or Class B common stock shall refer to the Company's Class B common stock.

Each holder of record at the close of business on the record date is entitled to one vote for each Class B share then held. Any person submitting a proxy has the right to revoke it at any time before it is voted, in person at the meeting, by written notice to the Secretary of the Company or by delivery of a later-dated proxy.

The election of directors is decided by a plurality of the votes cast by holders of all shares entitled to vote in the election. Accordingly, withheld votes and broker non-votes will not affect the outcome of the election of directors.

A majority of the votes entitled to be cast thereon by holders of shares of common stock present in person or by proxy at the meeting is required to re-approve the Management Incentive Plan, as amended. Although abstentions and broker non-votes will be treated as present at the meeting for purposes of determining a quorum, abstentions will have the effect of a vote against the re-approval of the Management Incentive Plan, as amended, and broker non-votes will have no effect on the re-approval of the Management Incentive Plan, as amended.

A majority of the outstanding votes of the Company entitled to be cast thereon is required to approve each of the proposed amendments to Article 4 of the Company's Amended and Restated Certificate of Incorporation (the Certificate). Accordingly, withheld votes, broker non-votes and abstentions will have the effect of a vote against the approval of the proposed amendments to the Certificate.

Election of Directors

Unless otherwise instructed, proxies will be voted for the election as directors of the five persons listed as nominees for a term of three years. All of the nominees are currently serving as directors. Should any of the nominees become unable to accept nomination or election (which the Company has no reason to expect), it is the intention of the persons named in the enclosed proxy to vote for a substitute in each case or the board of directors may make an appropriate reduction in the number of directors to be elected.

Nominees for Terms Expiring at the Annual Meeting in 2007 (Class I)

A. G. Atwater, Jr., age 60, has served as a director of the Company since 1995. In June 2002, Mr. Atwater retired as President and Chief Executive Officer of Amurof Confections, a specialty confections manufacturer and a wholly-owned associated company of the Wm. Wrigley Jr. Company, in which position he served for more than the past five years.

Sam J. Susser, age 64, has served as a director of the Company since January 2001 and as Chairman of the Board of SSP Partners, an operator of convenience stores under the brand name Circle K, since 1995.

William W. Wirtz, age 74, has served as a director of the Company since 1978 and as President and a director of Wirtz Corporation, a diversified operations and investment company, for more than the past five years.

John A. Miller, age 50, has served as a director of the Company since July 2002 and as the President of North American Corporation of Illinois, a multi-divisional supplier and solutions provider specializing in industrial paper products, specialty packaging and other commercial consumables for more than the past five years. Mr. Miller is also a director of Atlantic Premium Brands, Ltd. and Sylvan Learning Systems, Inc.

James G. Brocksmith, Jr., age 62, has served as a director of the Company since October 2002 and as an independent business consultant for more than the past five years. From 1990 to 1996, Mr. Brocksmith was the Deputy Chairman and Chief Operating Officer for the U.S. Operations of KPMG Peat Marwick LLP, a predecessor of KPMG LLP. Mr. Brocksmith is also a director of AAR Corp., Nationwide Financial Services, Inc., Sempra Energy and Worthington Industries, Inc.

The board of directors recommends that the stockholders vote FOR the election of each of these nominees for director.

Directors Whose Terms Expire at the Annual Meeting in 2005 (Class II)

Howard B. Bernick, age 51, has served as a director of the Company since 1986, as President of the Company since 1988 and as Chief Executive Officer of the Company since 1994. Mr. Bernick is also a director of the Wm. Wrigley Jr. Company. Mr. Bernick is the husband of Carol L. Bernick and the son-in-law of Leonard H. Lavin and Bernice E. Lavin.

King Harris, age 60, has served as a director of the Company since July 2002 and as the Chairman of Harris Holdings, Inc., a private investment firm, since 2000. From 1987 through 2000, he served as the President and Chief Executive Officer of Pittway Corporation (now the Automation and Control Products Business of Honeywell International). Mr. Harris is the Chairman of the Board of AptarGroup, Inc. and Vice Chairman of the Board of Penton Media, Inc.

Bernice E. Lavin, age 78, has served as a director and Secretary and Treasurer of the Company since 1955 and as Vice Chairman since 1994. Mrs. Lavin is the wife of Leonard H. Lavin, the mother of Carol L. Bernick and the mother-in-law of Howard B. Bernick.

Allan B. Muchin, age 67, has served as a director of the Company since 1995, and as a senior partner of Katten Muchin Zavis Roseman, a Chicago-based law firm (KMZR), for more than the past five years. Mr. Muchin served as Chairman, Co-Managing Partner, Board member and Executive Committee member of KMZR for more than the past five years until December 2001 and currently serves as Chairman Emeritus.

Directors Whose Terms Expire at the Annual Meeting in 2006 (Class III)

Carol L. Bernick, age 51, has served as a director of the Company since 1984, as Assistant Secretary of the Company since 1990, as Vice Chairman of the Company since 1998, as President of Alberto-Culver Consumer Products Worldwide, a division of the Company, since June 2002, as President of Alberto-Culver North America from 1998 to June 2002 and as President of Alberto-Culver USA, Inc., a wholly-owned subsidiary of the Company since 1999. Mrs. Bernick is the wife of Howard B. Bernick and the daughter of Leonard H. Lavin and Bernice E. Lavin.

Jim Edgar, age 57, has served as a director of the Company since October 2002 and as a Distinguished Fellow at the University of Illinois Institute of Government and Public Affairs where he is a teacher and lecturer since 1999. Mr. Edgar served as the Governor of Illinois from 1991 through 1999. Mr. Edgar is also a director of Horizon Group Properties, Inc., Scudder Mutual Funds, Yobet.com, Inc. and John B. Sanfilippo & Son, Inc.

Leonard H. Lavin, age 84, the founder of the Company, has served as a director and Chairman of the Company since 1955. Mr. Lavin is the husband of Bernice E. Lavin, the father of Carol L. Bernick and the father-in-law of Howard B. Bernick.

Robert H. Rock, D.B.A., age 53, has served as a director of the Company since 1995 and as the President of MLR Holdings, LLC, an investment company with holdings in publishing and information businesses, for more than the past five years. Mr. Rock has also served as Chairman of Metroweek Corporation, a publisher of weekly newspapers and specialty publications, for more than the past five years. Mr. Rock is also a director of PQ Corporation, Quaker Chemical Corporation, Advanta Corp. and Penn Mutual Life Insurance Company.

Share Ownership of Directors and Executive Officers

The table below contains information as of November 17, 2003, concerning the number of shares of Class B common stock beneficially owned by each director, each person named in the Summary Compensation Table (named executive officers) and by all directors and executive officers as a group.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership of Class B Common Stock (1)	Percent of Class
A. G. Atwater, Jr.	11,129(2)	(3)
Carol L. Bernick	3,846,135(4)	6.42%
Howard B. Bernick	898,469(5)	1.50%
James G. Brocksmith, Jr.	1,875(6)	(3)
Jim Edgar	1,875(6)	(3)
King Harris	6,875(6)	(3)
Bernice E. Lavin	3,238,897(7)	5.40%
Leonard H. Lavin	3,326,186(8)	5.55%
John A. Miller	6,375(6)	(3)
Allan B. Muchin	18,125(9)	(3)
Robert H. Rock	16,325(10)	(3)
Sam J. Susser	6,395(11)	(3)
William W. Wirtz	597,625(12)	1.00%
William J. Cernugel	71,783(13)	(3)
Michael H. Renzulli	625,099(14)	1.04%
All Directors and Executive Officers as a Group (17 persons, including the above)	12,736,142(15)	21.19%

- (1) Such ownership is direct, with sole voting and investment power, except as indicated in subsequent footnotes. Unless otherwise specifically provided, each person disclaims beneficial ownership of any shares indicated as owned indirectly (*i.e.*, as trustee or co-trustee of a trust or as an officer of a foundation).
- (2) Includes 625 shares subject to stock options exercisable currently or within 60 days.

- (3) Less than 1.0% of the outstanding shares.
- (4) Includes 17,500 shares subject to employee stock options exercisable currently or within 60 days. Also includes 1,026,982 shares held as trustee of a trust for the benefit of Mrs. Bernick's sister; 1,262,331 shares held as co-trustee of a trust for the benefit of herself and her children; 106,624 shares held as trustee of trusts for the benefit of certain of Mr. and Mrs. Bernick's family members; 1,421,319 shares held as trustee or co-trustee of trusts for the benefit of Mrs. Bernick; 2,924 shares held as general partner of a partnership, in her capacity as trustee of a trust for her benefit, to which she shares voting power with Mr. Lavin and Mrs. Lavin; and 8,455 shares held as a participant in the Alberto-Culver Company Employees Profit Sharing Plan (the Profit Sharing Plan). Does not include 101,400 shares held by the Bernick Family Foundation of which Mrs. Bernick is a director and the President; 100,200 shares held as co-trustee with Mrs. Lavin of a trust for the benefit of Mrs. Bernick; 2,863,289 shares held as co-trustee of a trust with Mr. and Mrs. Lavin for the benefit of Mrs. Lavin; 2,650,808 shares held as co-trustee of a trust with Mr. and Mrs. Lavin for the benefit of Mr. Lavin; and 675,378 shares owned by the Lavin Family Foundation of which Mrs. Bernick is a director and an officer. In addition, does not include shares reported as owned by Mr. Bernick, Mr. Lavin or Mrs. Lavin.
- (5) Includes 38,750 shares subject to employee stock options exercisable currently or within 60 days. Also includes 11,699 shares held as a participant in the Profit Sharing Plan; 18,500 shares held as co-trustee of a trust for the benefit of certain of Mr. and Mrs. Bernick's family members, for which Mr. Bernick shares voting and investment power; and 101,400 shares held by the Bernick Family Foundation of which Mr. Bernick is a director and an officer and shares voting and investment power with Mrs. Bernick. Does not include shares reported as owned by Mrs. Bernick, Mr. Lavin or Mrs. Lavin.
- (6) Includes 1,875 shares subject to stock options exercisable currently or within 60 days.
- (7) Includes 275,408 shares held as trustee of trusts for the benefit of Mr. and Mrs. Lavin's grandchildren; 100,200 shares held as co-trustee with Mrs. Bernick of a trust for the benefit of Mrs. Bernick, for which Mrs. Lavin shares voting and investment power with Mrs. Bernick; and 2,863,289 shares held as co-trustee of a trust with Mr. Lavin and Mrs. Bernick for the benefit of Mrs. Lavin, for which Mrs. Lavin shares voting power with respect to all of these shares with Mr. Lavin and Mrs. Bernick, shares investment power with respect to 1,402,751 of these shares with Mr. Lavin and Mrs. Bernick and has no investment power with respect to 1,460,538 of these shares. Does not include 2,650,808 shares held as co-trustee of a trust with Mr. Lavin and Mrs. Bernick for the benefit of Mr. Lavin; and 675,378 shares owned by the Lavin Family Foundation of which Mrs. Lavin is a director and an officer. In addition, does not include shares reported as owned by Mr. Lavin, Mr. Bernick or Mrs. Bernick.
- (8) Includes 675,378 shares owned by the Lavin Family Foundation of which Mr. Lavin is a director and the President and shares voting and investment power with Mrs. Lavin and Mrs.

- Bernick; and 2,650,808 shares held as co-trustee of a trust with Mrs. Lavin and Mrs. Bernick for the benefit of Mr. Lavin, for which Mr. Lavin shares voting power with respect to all of these shares with Mrs. Lavin and Mrs. Bernick, shares investment power with respect to 1,190,270 of these shares with Mrs. Lavin and Mrs. Bernick and has no investment power with respect to 1,460,538 of these shares. Does not include 2,863,289 shares held as co-trustee of a trust with Mrs. Lavin and Mrs. Bernick for the benefit of Mrs. Lavin. In addition, does not include shares reported as owned by Mrs. Lavin, Mr. Bernick or Mrs. Bernick.
- (9) Includes 2,500 shares held in trust for the benefit of Mr. Muchin's family and 15,625 shares subject to stock options exercisable currently or within 60 days.
 - (10) Includes 14,310 shares subject to stock options exercisable currently or within 60 days and 700 shares held jointly with Mr. Rock's wife.
 - (11) Includes 4,375 shares subject to options exercisable currently or within 60 days.
 - (12) Includes 582,000 shares owned by Wirtz Corporation, of which Mr. Wirtz is President and a director.
 - (13) Includes 4,750 shares subject to employee stock options exercisable currently or within 60 days, 3,750 shares issued under the Alberto-Culver Company 1994 Restricted Stock Plan (Restricted Stock) that have not vested, and 15,393 shares held as a participant in the Profit Sharing Plan.
 - (14) Includes 17,500 shares subject to employee stock options exercisable currently or within 60 days and 23,238 shares held as a participant in the Profit Sharing Plan.
 - (15) Includes 175,435 shares subject to stock options exercisable currently or within 60 days; 60,160 shares held as participants in the Profit Sharing Plan; and 7,545 shares held as participants in the Alberto-Culver 401(k) Savings Plan. Such persons have shared voting power as to 6,422,710 shares and shared investment power as to 3,498,710 shares. In addition, includes 6,375 shares of Restricted Stock that have not vested. Holders of Restricted Stock have sole voting rights but no dispositive rights with respect to those shares that have not vested.

Meetings and Committees of the Board of Directors

The board of directors of the Company held five meetings during fiscal year 2003. Except for Allan B. Muchin who attended 73% of the meetings, no director attended fewer than three-fourths of the aggregate number of meetings of the board of directors and of the committees of the board of directors described below on which he or she served during the fiscal year. There are four standing committees of the board of directors.

The audit committee, which is composed of Sam J. Susser, Chairman, A. G. Atwater, Jr., James G. Brocksmith, Jr., King Harris, John A. Miller and Allan B. Muchin, all of whom are independent for purposes of the New York Stock Exchange's listing standards applicable on the date hereof, held ten meetings during fiscal year 2003. The board of directors has determined that each of Messrs. Brocksmith and Susser qualifies as an Audit Committee Financial Expert, as such term is defined in Item 401(h) of Regulation S-K, and is independent for purposes of the Securities Exchange Act of 1934. The audit committee assists the board of directors in fulfilling its oversight responsibilities for (i) the integrity of the Company's financial statements, (ii) the Company's compliance with legal and regulatory requirements, (iii) the independent auditor's qualifications and independence and (iv) the performance of the Company's internal audit function and independent auditors. The board of directors has adopted a written charter for the audit committee, a copy of which is attached hereto as Annex A.

The executive committee, which is composed of Leonard H. Lavin, Chairman, Carol L. Bernick, Howard B. Bernick, Bernice E. Lavin, John A. Miller and William W. Wirtz, held no meetings during fiscal year 2003. The executive committee has many of the powers of the board of directors and can act when the board of directors is not in session.

The compensation committee, which is composed of Robert H. Rock, Chairman, A. G. Atwater, Jr., James G. Brocksmith, Jr., Jim Edgar, and Sam J. Susser, held six meetings during fiscal year 2003. The compensation committee reviews executive performance and compensation and administers benefit plans pursuant to which executive officers receive stock options, incentive awards, retirement income and other compensation awards.

The nominating committee, which is composed of Leonard H. Lavin, Chairman, Carol L. Bernick, Jim Edgar, King Harris and Robert H. Rock, held no meetings during fiscal year 2003. The function of the nominating committee is to evaluate and recommend persons to fill vacancies or newly created positions on the board of directors and to submit the names of those persons so recommended to the full board of directors for approval. Stockholders may submit recommendations for nominations for election to the board of directors. Additional information regarding the stockholder recommendation procedure will be provided upon written request to the Secretary of the Company. Stockholder nominations of directors are subject to the notice requirements described under "Other Business" below.

Executive Compensation

The table below summarizes certain information with respect to compensation paid by the Company or its subsidiaries to the Chief Executive Officer and the four other most highly compensated executive officers of the Company for the past three fiscal years.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation			
		Salary (\$)	Bonus (\$)	Awards		Payouts	All Other Compensation (\$)
				Restricted Stock Awards (1) (\$)	Securities Underlying Options (#)	LTIP Payouts (2) (\$)	
Leonard H. Lavin, Chairman	2003		\$ 1,524,000	0	0	\$ 1,800,000	\$ 40,609(3)
		\$ 1,225,000					
	2002	1,225,000	1,561,000	0	0	1,800,000	262,092
	2001	1,218,756	1,598,000	0	0	1,741,200	244,583
Howard B. Bernick, President and Chief Executive Officer	2003	\$ 1,525,000	\$ 1,897,000 1,847,000	0	155,000	\$ 2,175,000	\$ 22,500(4)
	2002	1,450,000	1,901,000	0	224,000	2,025,000	18,727
	2001	1,450,000		0	224,000	1,958,850	16,448
Carol L. Bernick, Vice Chairman, Assistant Secretary and President Alberto-Culver Consumer Products Worldwide	2003	\$ 962,500	\$ 1,116,000	0	70,000	\$ 960,000	\$ 22,500(4)
	2002	850,000	1,036,000	0	90,000	840,000	18,727
	2001	837,500	934,000	0	90,000	609,420	16,448
William J. Cernugel, Senior Vice President and Chief Financial Officer	2003	\$ 352,500	\$ 347,000 375,000	0	19,000	\$ 255,000	\$ 25,315(5)
	2002	324,750	282,000	\$ 162,250	26,000	195,000 130,590	21,121
	2001	306,750		0	26,000		18,806
Michael H. Renzulli, President, Sally Beauty	2003	\$ 983,750	\$ 898,000 1,085,000	0	70,000	\$ 990,000	\$ 30,240(6)
	2002	920,000	1,142,000	0	90,000	900,000	25,909

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Company, Inc.	2001	862,500	0	90,000	609,420	21,956
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- (1) On September 30, 2003, Mr. Cernugel held 3,750 shares of restricted stock with a market value of \$215,213. Dividends are paid on shares of restricted stock.
- (2) Represents long-term incentive plan (LTIP) payments under the 1994 Shareholder Value Incentive Plan (the SVIP). For the three-year performance period ended September 30, 2003, the total shareholder return on the Company s Class A common stock (the Company s TSR) was 136.95% placing it in the 97th percentile of the Standard & Poor s 500 Index with a corresponding payout per unit of \$3,000 under the SVIP. For the three-year performance period ended September 30, 2002, the Company s TSR was 133.95% placing it in the 98th percentile of the Standard & Poor s 500 Index with a corresponding payout per unit of \$3,000 under the SVIP. For the three-year performance period ended September 30, 2001, the Company s TSR was 62.75%, placing it in the 89th percentile of the Standard & Poor s 500 Index with a corresponding payout per unit of \$2,902 under the SVIP.
- (3) The amount includes \$22,249 of imputed income from life insurance; a Company contribution to the Profit Sharing Plan of \$14,360; and \$4,000 of matching contributions to the Alberto-Culver 401(k) Savings Plan.

- (4) For Mr. and Mrs. Bernick, the amount for each includes \$4,140 of imputed income from life insurance; a Company contribution to the Profit Sharing Plan of \$14,360; and \$4,000 of matching contributions to the Alberto-Culver 401(k) Savings Plan.
- (5) The amount includes \$6,955 of imputed income from life insurance; a Company contribution to the Profit Sharing Plan of \$14,360; and \$4,000 of matching contributions to the Alberto-Culver 401(k) Savings Plan.
- (6) The amount includes \$11,880 of imputed income from life insurance; a Company contribution to the Profit Sharing Plan of \$14,360; and \$4,000 of matching contributions to the Alberto-Culver 401(k) Savings Plan.

Director Compensation

Each non-employee director receives an annual retainer of \$35,000. Non-employee directors receive \$1,500 for (i) each meeting of the board of directors attended and (ii) each meeting of the audit, executive, compensation and nominating committees attended; and \$750 for each conference call audit committee meeting attended. The chairman of the audit committee and the chairman of the compensation committee receive an additional annual retainer of \$3,500. Effective October 1, 2003, the annual retainer for each non-employee director was increased to \$40,000 and the additional annual retainer for the chairmen of the audit committee and compensation committee was increased to \$7,500. Fees for attending meetings remain the same. Employee directors receive no additional compensation for serving on the board of directors or its committees.

In addition, each non-employee director participates in the 2003 Stock Option Plan For Non-Employee Directors (the 2003 Director Plan). Under the 2003 Director Plan, each non-employee director receives an automatic grant of a non-qualified option (i) upon his or her initial election to the board of directors (Initial Grant) and (ii) as of the day of each regularly scheduled annual meeting of the stockholders of the Company (Subsequent Grant). Pursuant to the terms of the 2003 Director Plan, the Initial Grant is for an option to purchase 7,500 shares of common stock and each Subsequent Grant is for an option to purchase 2,500 shares of common stock. The exercise price of options granted under the 2003 Director Plan is the fair market value of a share of common stock on the date options are granted. Options are granted for a ten-year term and become exercisable in four equal annual installments commencing one year after the date of grant. No director who has received an Initial Grant shall be entitled to receive a Subsequent Grant in the same fiscal year. Outstanding options still exist under the 1994 Stock Option Plan For Non-Employee Directors (the 1994 Director Plan). No more options may be granted under the 1994 Director Plan without the approval of stockholders.

Non-employee directors also participate in the Deferred Compensation Plan for Non-Employee Directors (the DCP). Under the DCP, each non-employee director may elect to defer his or her annual retainer and meeting fees (Director Fees), receive shares of common stock on a quarterly basis equal to the Director Fees payable during such period or receive cash payable under the regular payment system. With respect to deferrals, non-employee directors may defer their Director Fees in a Company common stock fund or in other investment funds. Director Fees may be deferred at the election of each non-employee director until (i) one month after such director's service on the board of directors ends or (ii) any date selected by such board member.

Stock Option Grants

The table below sets forth certain information with respect to options granted to the named executive officers during the fiscal year ended September 30, 2003. All of these options were granted on January 23, 2003.

OPTION GRANTS IN LAST FISCAL YEAR

Name	INDIVIDUAL GRANTS		Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (2)			
	Number of Securities Underlying Options Granted (1) (#)	Percent of Total Options Granted to Employees in Fiscal Year	Exercise Price (\$/sh)	Expiration Date	5%(\$)	10%(\$)
Leonard H. Lavin	0	0			0	0
Howard B. Bernick	155,000	12.7%	\$ 51.34	09/30/2012	\$ 5,004,555	\$ 12,682,524
Carol L. Bernick	70,000	5.7%	\$ 51.34	09/30/2012	\$ 2,260,122	\$ 5,727,592
William J. Cernugel	19,000	1.6%	\$ 51.34	09/30/2012	\$ 613,462	\$ 1,554,632
Michael H. Renzulli	70,000	5.7%	\$ 51.34	09/30/2012	\$ 2,260,122	\$ 5,727,592

- (1) Options are granted under the Employee Stock Option Plan of 2003 (the 2003 ACSOP) which permits the compensation committee to grant non-qualified options to purchase shares of common stock. All options granted have a maximum term of ten years from the date of grant and an exercise price per share equal to the fair market value of a share of common stock on the date of grant. Generally, options become exercisable on a cumulative basis in annual increments of one-fourth of the optioned shares, commencing one year after the date of grant. For the options granted January 23, 2003, one-fourth of the options became exercisable on September 30, 2003, with the remaining options becoming exercisable in annual increments of one-fourth of the option shares each September 30th thereafter. The compensation committee may accelerate the exercisability of any options subject to such terms and conditions as it deems necessary and appropriate. In the event of a change in control, as defined in the 2003 ACSOP and summarized below under Employment Contracts, Termination of Employment and Change in Control Arrangements, all stock option awards will be immediately vested and all outstanding stock option awards will, depending on the type of consideration given to stockholders in connection with the change in control, either become options to purchase shares of the acquiring corporation or be canceled and option holders will receive a cash payment in lieu of the exercise of such option awards.
- (2) The dollar amounts in these columns assume that the market price per share of common stock appreciates in value from the date of grant to the expiration date of the option at the annualized rates indicated. These rates are set by the Securities and Exchange Commission and are not intended to forecast possible future appreciation, if any, of the price of common stock.

Stock Option Exercises and Fiscal Year-End Option Values

The table below sets forth certain information with respect to the exercise of options during the fiscal year ended September 30, 2003 by the named executive officers and the fiscal year-end value of unexercised in-the-money options held by such officers.

**AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR
AND FISCAL YEAR-END OPTION VALUES**

Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Securities		Value of Unexercised In-The-Money Options at Fiscal Year-End (2)
			Underlying Unexercised Options at Fiscal Year-End (#)	Unexercised In-The-Money Options at Fiscal Year-End (\$)	Options at Fiscal Year-End (2)
			Exercisable/ Unexercisable	Exercisable/ Unexercisable	
Leonard H. Lavin (1)	0				
Operating expense:					
Cost of sales	233,300		13,968	666,933	36,922
Research and development	456,992		559,345	1,447,522	1,357,231
Selling and marketing	398,854		444,291	1,365,650	958,285
General and administrative	1,028,784		1,455,106	3,497,680	2,783,465
Depreciation and amortization	58,143		76,137	172,349	160,760
Total operating expense	2,176,073		2,548,847	7,150,134	5,296,663
Loss from operations	(2,063,421)		(2,470,286)	(6,847,783)	(4,967,023)
Other income (expense):					
Interest income	22,771		40,065	49,304	53,966
Interest expense	(10,353)		(7,224)	(136,465)	(678,390)
Total other income (expense)	12,418		32,841	(87,161)	(624,424)
Loss before income taxes	(2,051,003)		(2,437,445)	(6,934,944)	(5,591,447)
Income tax benefit		—		—	—
Net loss	(2,051,003)		(2,437,445)	(6,934,944)	(5,591,447)

Preferred dividends and deemed dividends	—	—	(976,000)	(190,000)
Distributions on Series B redeemable convertible preferred units	—	(133,160)	(225,773)	(175,091)
Net loss applicable to common stockholders	\$ (2,051,003)	\$ (2,570,605)	\$ (8,136,717)	\$ (5,956,538)
Basic and diluted loss per common share	\$ (0.04)	\$ (0.07)	\$ (0.19)	\$ (0.15)
Weighted average common and common equivalent shares used to calculate loss per share:				
Basic and diluted	48,738,122	38,986,114	43,114,327	38,986,114

See accompanying Notes to Condensed Consolidated Financial Statements.

a VINCI MEDIA CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
AND COMPREHENSIVE LOSS
(UNAUDITED)

	Common Stock		Additional Paid-in Capital	LLC Series A Convertible Preferred Units	LLC Common Units	Accumulated Deficit	Accumulated Other Comprehensive Loss	Members' / Stockholders' Equity (Deficit)
	Shares	Amount						
Balance, January 1, 2008		—\$	—\$	—\$ 474,229	\$ 4,211,737	\$(11,587,017)	\$	—\$ (6,901,051)
Retroactive effect of shares issued in reverse merger dated June 6, 2008	38,986,114	389,861	(389,861)	—	—	—	—	—
Conversion of Series A preferred units to common units	—	—	—	(474,229)	474,229	—	—	—
Conversion of Series B preferred units to common units	—	—	—	—	6,603,182	—	—	6,603,182
Incentive common units issued upon conversion of Series B preferred units	—	—	—	—	976,000	(976,000)	—	—
Common units issued upon exercise of warrants	—	—	—	—	460,625	—	—	460,625
Employee equity-based	—	—	213,328	—	125,101	—	—	338,429

compensation									
Non-employee equity based instruments	—	—	37,642	—	—	—	—	—	37,642
Distributions on Series B redeemable convertible preferred units	—	—	—	—	—	(225,773)	—	(225,773)	
Conversion of common units to common stock in connection with the reverse merger	—	—	12,850,874	—	(12,850,874)	—	—	—	
Outstanding shares of Registrant at time of reverse merger dated June 6, 2008	9,742,633	97,426	9,712,968	—	—	—	—	—	9,810,394
Common stock issued upon exercise of options	9,798	98	3,952	—	—	—	—	—	4,050
Unrealized loss on marketable securities available for sale	—	—	—	—	—	—	(91,981)	(91,981)	
Net loss	—	—	—	—	—	(6,934,944)	—	(6,934,944)	
Balance, September 30, 2008	48,738,545	\$ 487,385	\$ 22,428,903	\$ —	—	—	—	—	\$ 3,100,573

See accompanying Notes to Condensed Consolidated Financial Statements.

aVINCI MEDIA CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended September 30,	
	2008	2007
Cash flows from operating activities:		
Net loss	\$ (6,934,944)	\$ (5,591,447)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	333,176	277,839
Accretion of debt discount	—	338,594
Equity-based compensation	338,429	434,579
Non-employee equity-based instruments	37,642	—
(Gain) loss on disposal of equipment	(38)	1,063
Decrease (increase) in:		
Accounts receivable	177,959	(83,522)
Unbilled accounts receivable	—	418,490
Inventory	(21,010)	(18,081)
Prepaid expenses and other assets	(117,572)	(7,629)
Deferred costs	105,468	—
Deposits and other current assets	37,278	140,818
Increase (decrease) in:		
Accounts payable	(30,053)	(84,986)
Accrued liabilities	(187,851)	98,615
Deferred rent	(24,552)	77,634
Deferred revenue	(86,001)	128,096
Net cash used in operating activities	(6,372,069)	(3,869,937)
Cash flows from investing activities:		
Purchase of property and equipment	(44,887)	(472,971)
Purchase of intangible assets	(26,354)	(14,308)
Net cash used by investing activities	(71,241)	(487,279)
Cash flows from financing activities:		
Proceeds from convertible debentures	—	1,535,000
Payment of loan costs	—	(117,080)
Proceeds from related party notes payable	—	20,000
Payment on members notes	—	(285,783)
Proceeds from issuance of Series B preferred units	—	4,675,000
Net cash received in reverse merger	7,091,062	—
Proceeds from notes payable	1,500,000	—
Proceeds from exercise of warrants	460,625	—
Proceeds from exercise of stock options	4,050	—
Payment of accrued dividends	(534,024)	—
Principal payments under capital lease obligations	(91,879)	(10,732)
Net cash provided by financing activities	8,429,834	5,816,405
Net increase in cash and cash equivalents	1,986,524	1,459,189

Cash and cash equivalents at beginning of period	859,069	168,692
Cash and cash equivalents at end of period	\$ 2,845,593	\$ 1,627,881
Cash paid for income taxes	\$ —	\$ —
Cash paid for interest	\$ 32,630	\$ 19,586

See accompanying Notes to Condensed Consolidated Financial Statements.

aVINCI MEDIA CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued
(UNAUDITED)

Supplemental schedule of non-cash investing and financing activities:

During the nine months ended September 30, 2008:

- The Company issued 1,525,000 common units to Amerivon Holdings, Inc. to induce the conversion of preferred units to common units immediately prior to the closing of the transaction between Secure Alliance Holdings Corporation (SAH) and Sequoia Media Group (Sequoia). These inducement units were recorded as a preferential dividend, thus increasing the accumulated deficit and increasing the loss applicable to common stockholders by \$976,000.
 - The Company acquired \$19,429 of office equipment through capital lease agreements.
 - The Company incurred an unrealized loss on marketable securities available-for-sale of \$91,981.
 - The Company converted \$474,229 of Series A preferred units to common units.
 - The Company converted \$6,603,182 of Series B preferred units to common units.
- The Company converted \$12,850,874 of common units to common stock in connection with the reverse merger.
 - The Company acquired the following balance sheet items as a result of the reverse merger transaction:
 - o Cash - \$7,091,062
 - o Marketable securities available-for-sale - \$303,300
 - o Prepaid expenses and other assets - \$52,561
 - o Note receivable - \$2,500,000 (eliminated against note payable owed to SAH)
 - o Interest receivable - \$103,835 (eliminated against interest payable to SAH)
 - o Accounts payable - \$30,899
 - o Accrued expenses - \$209,465

During the nine months ended September 30, 2007:

- The Company issued 3,566,667 Series B redeemable convertible preferred units in exchange for a subscription receivable of \$2,675,000.
- The Company converted notes payable of \$1,558,178 into 2,318,318 Series B redeemable convertible preferred units.
- The Company converted \$2,602,668 of debentures payable and related accrued interest into 7,523,355 common units.
- The Company recorded debt discount associated with convertible debentures payable of \$8,129 as well as beneficial conversion feature of \$171,875 both of which were converted to Series B redeemable convertible preferred units.

- The Company accrued distributions payable on Series B redeemable preferred units of \$175,091.
- The Company acquired \$193,048 of fulfillment equipment and office furniture through capital lease agreements.
- The Company recorded a deemed distribution of \$190,000 due to the accretion of issuance costs related to the Series B offering.

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aVINCI MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Description of Organization and Summary of Significant Accounting Policies

Organization and Nature of Operations

aVinci Media Corporation (the Company), is the result of a merger transaction between Sequoia Media Group, LC (Sequoia), a Utah limited liability company, and Secure Alliance Holdings Corporation (SAH), a publicly held company. The Company is a Delaware corporation that develops and sells an engaging way for anyone to tell their “Story” with personal digital expressions. The Company’s products simplify and automate the process of creating professional-quality multi-media productions using personal photos and videos.

Sequoia was originally formed as a Utah limited liability company on March 15, 2003. On June 6, 2008, as discussed below in Note 2, Sequoia completed a merger transaction with SAH, a publicly held company. Because the owners of Sequoia obtained approximately 80% of the common stock of SAH through the merger transaction, the merger has been accounted for as a reverse merger. The historical financial statements reflect the operations of Sequoia through the date of the reverse merger and those of the combined entity from the date of the reverse merger through the end of the period. In connection with the reverse merger transaction, SAH changed its name to aVinci Media Corporation.

Basis of Presentation

The accompanying condensed consolidated financial statements are presented in accordance with U.S. generally accepted accounting principles (US GAAP).

Unaudited Information

In the opinion of management, the accompanying unaudited condensed consolidated financial statements as of September 30, 2008 and December 31, 2007 and for the three and nine months ended September 30, 2008 and 2007 reflect all adjustments (consisting only of normal recurring items) necessary to present fairly the financial information set forth therein. Certain information and note disclosures normally included in financial statements prepared in accordance with US GAAP have been condensed or omitted pursuant to SEC rules and regulations, although the Company believes that the following disclosures, when read in conjunction with the annual financial statements and the notes included in the Company’s registration statement filed on November 3, 2008, are adequate to make the information presented not misleading. Results for the three and nine-month periods ended September 30, 2008 are not necessarily indicative of the results to be expected for the year ended December 31, 2008.

Concentration of Credit Risk and Significant Customer

The Company maintains its cash in bank demand deposit accounts, which at times may exceed the federally insured limit or may be maintained in non-insured institutions. The Company has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk with respect to cash.

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of accounts receivable. In the normal course of business, the Company provides credit terms to its customers and requires no collateral.

Four customers accounted for 47%, 20%, 15%, and 11% of total revenue during the nine months ended September 30, 2008. One customer accounted for almost all of the revenue for the nine months ended September 30, 2007. As of September 30, 2008, two customers accounted for 61% and 34% of accounts receivable.

Net Loss per Common Share

Basic earnings (loss) per share (EPS) is calculated by dividing income (loss) available to common stockholders by the weighted-average number of common shares outstanding during the period. The weighted average shares used in the computation of EPS for the three and nine month periods ended September 30, 2008 and 2007 include the shares issued in connection with the reverse merger on June 6, 2008 (see Note 2). In accordance with US GAAP, these shares are retroactively reflected as having been issued at the beginning of each reporting period.

Diluted EPS is similar to Basic EPS except that the weighted-average number of common shares outstanding is increased using the treasury stock method to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued. Such potentially dilutive common shares include stock options and warrants. During 2007, potentially dilutive common units also included convertible preferred units, redeemable convertible preferred units and convertible notes and debentures. Shares having an antidilutive effect on periods presented are not included in the computation of dilutive EPS.

aVINCI MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The average number of shares of all stock options and warrants granted, all convertible preferred units, redeemable convertible preferred units and convertible debentures have been omitted from the computation of diluted net loss per common share because their inclusion would have been anti-dilutive for the three and nine-month periods ended September 30, 2008 and 2007.

As of September 30, 2008 and 2007, the Company had 8,338,913 and 15,959,795 potentially dilutive shares of common stock, respectively, not included in the computation of diluted net loss per common share because it would have decreased the net loss per common share. These options and warrants could be dilutive in the future.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash Equivalents

The Company considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are recorded at net realizable values and are due within 30 days from the invoice date. The Company maintains allowances for doubtful accounts, when necessary, for estimated losses resulting from the inability of customers to make required payments. These allowances are based on specific facts and circumstances pertaining to individual customers and historical experience. Provisions for losses on receivables are charged to operations. Receivables are charged off against the allowances when they are deemed uncollectible. As of September 30, 2008 and December 31, 2007, there were no allowances for doubtful accounts required against the Company's receivables.

Intangible Assets

Intangible assets consist of costs to acquire patents and licenses for use of certain music tracks. All of the Company's intangible assets have finite useful lives.

Intangible assets with finite useful lives are carried at cost, less accumulated amortization. Amortization is calculated using the straight-line method over estimated useful lives. Intangible assets subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable. As of September 30, 2008 and December 31, 2007, management determined that the carrying amounts of the Company's intangible assets were not impaired.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Property and equipment consists of computers, software and equipment, and furniture and fixtures. Depreciation and amortization are calculated using the straight-line method over the estimated economic useful lives of the assets or over the related lease terms (if shorter), which are three and five years, respectively.

Expenditures that materially increase values or capacities or extend useful lives of property and equipment are capitalized. Routine maintenance, repairs, and renewal costs are expensed as incurred. Gains or losses from the sale or retirement of property and equipment are recorded in the statements of operations.

The Company reviews its property and equipment for impairment when events or changes in circumstances indicate that the carrying amount may be impaired. If it is determined that the related undiscounted future cash flows are not sufficient to recover the carrying value, an impairment loss is recognized for the difference between carrying value and fair value of the asset.

As of September 30, 2008 and December 31, 2007, management determined the carrying amounts of the Company's property and equipment were not impaired.

aVINCI MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Revenue Recognition and Deferred Revenue

BigPlanet Contract

Prior to March 31, 2007, the Company generated the majority of its revenue from one customer, BigPlanet, a division of NuSkin International, Inc. The contract with BigPlanet included software development, software license, post-contract support (PCS), and training. Because the contract included the delivery of a software license, the Company accounted for the contract in accordance with Statement of Position (SOP) 97-2, Software Revenue Recognition, as modified by SOP 98-9, Modification of SOP 97-2 with Respect to Certain Transactions. SOP 97-2 applies to activities that represent licensing, selling, leasing, or other marketing of computer software.

Because the contract included services to provide significant production, modification, or customization of software, in accordance with SOP 97-2, the Company accounted for the contract based on the provisions of Accounting Research Bulletin (ARB) No. 45, Long-Term Construction-Type Contracts and the relevant guidance provided by SOP 81-1, Accounting for Performance of Construction-Type and Certain Production-Type Contracts. In accordance with these provisions, the Company determined to use the percentage-of-completion method of accounting to record the revenue for the entire contract. The Company utilized the ratio of total actual costs incurred to total estimated costs to determine the amount of revenue to be recognized at each reporting date.

As of December 31, 2007, this contract was completed and all revenue under this contract had been recognized. The Company has no further obligations under this contract.

Integrated Kiosk Revenue Contracts

Under the kiosk revenue model, the Company integrates its technology with a kiosk provided by a third party. The kiosk is placed in retail stores where the end consumers utilize the kiosk to load their digital images and make a variety of products. Under this revenue model, the Company enters into agreements with the retail stores. The agreements provide for the grant of a software license, installation of the software on the customer's kiosks, training, PCS, and order fulfillment. As compensation, the agreements provide for the Company to receive payment on a per unit basis for each order fulfilled. Because these contracts involve a significant software component, the Company accounts for its revenue generated under these contracts in accordance with the provisions of SOP 97-2 and SOP 98-9.

SOP 97-2 generally provides that until vendor specific objective evidence (VSOE) of fair value exists for the various components within the contract, that revenue is deferred until delivery of all elements except for PCS has occurred.

Because of the Company's limited sales history, it does not have VSOE for the different components that are included in the integrated kiosk revenue contracts. Therefore, all revenue associated with the grant of the license, installation, training, PCS, and product fulfillment is deferred until all elements are delivered except for PCS, at which time deferred revenue is recognized on a straight-line basis over the remaining term of the contract.

Retail Kit Revenue

The Company has developed a retail kit product that retailers and vendors can stock on their retail store shelves. The retail kit consists of a small box containing a CD of a simplified version of the Company's software and a product code. The end consumer pays for the product at the store and can then load the CD onto their personal computer and use the software and their personal digital images to create movies, photo books, and streaming media files. Once complete, the software assists the customer in uploading the file for remote fulfillment. The Company may provide the fulfillment services or such services may be provided by another fulfillment provider. There is no additional fee

for the fulfillment. The sale of retail kits does not include PCS. In accordance with SOP 97-2, revenue from the sale of the retail kits to the retail store is deferred until the fulfillment services have been provided and the completed product has been shipped to the consumer or until the Company's obligation to provide fulfillment has expired due to the passage of time.

Revenue from Third Party Internet Sites

The Company has agreed to provide the simplified version of its software to certain third party Internet sites that would allow a customer to download the software from the third party Internet site. The software loads and walks the customer through the process of selecting his or her digital images to be used in creating the product, typing any unique consumer information such as a customized title and subtitle, entering order information for shipping, taking the consumer's credit card information to process the payment transaction for products ordered via a secure Internet transaction, and uploading the order for remote fulfillment. In accordance with SOP 97-2, if the Company provides the fulfillment services, revenue is deferred until the order has been fulfilled and shipped to the consumer. If the fulfillment services are provided by another supplier, revenue is recognized at the time the credit card transaction is completed. There is no additional fee for the fulfillment. Sales from third party Internet sites do not include PCS.

aVINCI MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Revenue from the Company's Internet Site

As a companion to the retail kit product, the Company launched a web site that will allow consumers who upload orders using the retail kit software to order additional copies and additional products on the Company's web site. Revenue from such additional products is recognized upon shipment of the product.

Other Revenue Contracts

In one contract entered into during 2007, the Company sold fulfillment equipment, hardware and software installation, and software licenses. The Company deferred all revenues related to these contracts as there was no VSOE established for each separate component of the contract. During the quarter ended March 31, 2008, all elements of the contract were delivered except for PCS. In accordance with SOP 97-2, deferred revenue is being recognized over the remaining term of the contract on a straight-line basis.

The Company capitalized the direct cost of the equipment and is amortizing it as the related revenue is recognized.

Deferred Revenue

The Company records billings and cash received in excess of revenue earned as deferred revenue. The deferred revenue balance generally results from contractual commitments made by customers to pay amounts to the Company in advance of revenues earned. Revenue earned but not billed is classified as unbilled accounts receivable in the balance sheet. The Company bills customers as payments become due under the terms of the customer's contract. The Company considers current information and events regarding its customers and their contracts and establishes allowances for doubtful accounts when it is probable that it will not be able to collect amounts due under the terms of existing contracts.

Software Development Costs

Costs for the development of new software products and substantial enhancements to existing software products are expensed as incurred until technological feasibility has been established, at which time any additional costs are capitalized. The costs to develop software have not been capitalized as management has determined that its software development process is essentially completed concurrent with the establishment of technological feasibility.

Accounting for Equity Based Compensation

The Company accounts for equity-based compensation in accordance with Statement of Financial Accounting Standards (SFAS) No. 123(R) (revised 2004), Share-Based Payment which requires recognition of expense (generally over the vesting period) based on the estimated fair value of equity-based payments granted. The effect of accounting for equity-based awards under SFAS No. 123(R) for the three months ended September 30, 2008 and 2007, was to record equity based compensation of \$176,359, and \$410,150, respectively; and for the nine months ended September 30, 2008 and 2007 was to record equity based compensation of \$338,429, and \$434,579, respectively, of equity-based compensation expense in general and administrative expense.

The fair value of each share-based award was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions.

Expected dividend yield	—
Expected share price volatility	40% - 198%

Risk-free interest rate	3.16% - 7.50%
Expected life of options	2.5 years – 6.5 years

Another critical input in the Black-Scholes option pricing model is the current value of the common stock underlying the stock options. We use the current trading price as quoted on the OTC Pink Sheets to determine the value of our common stock. Prior to becoming a public company, aVinci Media, LC used cash sales of common and preferred units, conversions of debt instruments into common units, and the exchange ratio that was estimated to be used in the reverse merger transaction to determine the value of its common units.

aVINCI MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Income Taxes

For the three and nine months ended September 30, 2008 and 2007, no provisions for income taxes were required. We accrue income taxes under the provisions of SFAS No. 109, Accounting for Income Taxes. Prior to June 6, 2008, aVinci Media LC was a flow-through entity for income tax purposes and did not incur income tax liabilities.

At September 30, 2008, management has recognized a valuation allowance for the net deferred tax assets related to temporary differences and current operating losses. The valuation allowance was recorded in accordance with the provisions of SFAS No. 109, Accounting for Income Taxes, which requires that a valuation allowance be established when there is significant uncertainty as the realizability of the deferred tax assets. Based on a number of factors, the currently available, objective evidence indicates that it is more likely than not that the net deferred tax assets will not be realized.

In June 2008, following the merger transaction described in Note 2 below, we paid \$113,028 in federal income taxes for our September 30, 2007 federal income tax return filed in the name of Secure Alliance Holdings Corporation (SAH). Also in June 2008, we paid \$85,434 towards estimated Texas Franchise Tax in the name of SAH. Both of these items were accrued by SAH at the time of the merger transaction. In August 2008, we made a final payment of \$6,948 for SAH's September 30, 2007 federal income tax return. This income tax paid on behalf of SAH was included in the accounting for the reverse merger.

Recent Accounting Pronouncements

In March 2008, the Financial Accounting Standards Board (FASB) issued SFAS No. 161 (SFAS 161), "Disclosures about Derivative Instruments and Hedging Activities, an Amendment of FASB Statement No. 133." SFAS 161 amends and expands the disclosure requirements of Statement 133 with the intent to provide users of financial statements with an enhanced understanding of how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Company believes that the future requirements of SFAS 161 will not have a material effect on its consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159 (SFAS 159), The Fair Value Option for Financial Assets and Financial Liabilities. Under SFAS 159, companies may elect to measure certain financial instruments and certain other items at fair value. The standard requires that unrealized gains and losses on items for which the fair value option has been elected be reported in earnings. SFAS 159 is effective beginning in the first quarter of fiscal 2008. The adoption of the accounting pronouncement had no effect on the Company's consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007) (SFAS 141R), Business Combinations and SFAS No. 160 (SFAS 160), Noncontrolling Interests in Consolidated Financial Statements, an amendment of Accounting Research Bulletin No. 51. SFAS 141R will change how business acquisitions are accounted for and will impact financial statements both on the acquisition date and in subsequent periods. SFAS 160 will change the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of equity. SFAS 141R and SFAS 160 are effective for us beginning in the first quarter of fiscal 2010. Early adoption is not permitted. The adoption of SFAS 141R and SFAS 160 is not expected to have a material impact

on the Company's financial statements.

In September 2006, the FASB issued SFAS No. 157 (SFAS 157), Fair Value Measurements, which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. SFAS 157 does not require any new fair value measurements but rather eliminates inconsistencies in guidance found in various prior accounting pronouncements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. However, in February 2008, the FASB issued FSP FAS 157-2 which delays the effective date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). This FSP partially defers the effective date of Statement 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of this FSP. Effective for fiscal 2008, the Company will adopt SFAS 157 except as it applies to those nonfinancial assets and nonfinancial liabilities as noted in FSP FAS 157-2. The adoption of SFAS 157 is not expected to have a material impact on the Company's financial statements.

Reclassifications

Certain amounts in the 2007 financial statements have been reclassified to confirm to the 2008 presentation.

aVINCI MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

2. Agreement and Plan of Merger

Effective December 6, 2007, SAH, a publicly held company, and Sequoia executed an Agreement and Plan of Merger, whereby SAH agreed to acquire 100% of the issued and outstanding equity units of Sequoia. Each issued and outstanding membership interest of Sequoia would be converted into the right to receive .87096285 post-split shares of the SAH's common stock, or approximately 80% of its post-reorganization outstanding common stock.

On June 6, 2008, the SAH and Sequoia closed the merger transaction described above. In connection with the merger transaction, the unit holders of Sequoia exchanged all of their units for shares of common stock of SAH. The number of shares of SAH stock received in the merger represents approximately 80% of the total outstanding shares of SAH. Because the unit holders of Sequoia obtained a majority ownership in SAH through the merger, the transaction has been accounted for as a reverse merger. Accordingly, the historical financial statements reflect the operations of Sequoia through June 6, 2008 and reflect the consolidated operations of SAH and Sequoia from June 6, 2008 through June 30, 2008. As a result of the merger, Sequoia received approximately \$7.1 million in cash to fund operations in addition to the \$2.5 million previously loaned to Sequoia by SAH.

In connection with the Agreement and Plan of Merger, Sequoia entered into a Loan and Security agreement and Secured Note with SAH on December 6, 2007 in order to ensure adequate funds through the closing date. The agreement provided for SAH to loan a total of up to \$2.5 million to Sequoia through the closing date. A total of \$1 million was received under the Secured Note on December 6, 2007. On January 15, 2008 and February 15, 2008, Sequoia received \$1,000,000 and \$500,000, respectively, under the Secured Note (see Note 5). In connection with the merger closing, the \$2.5 million notes payable were eliminated along with the related interest payable of approximately \$104,000.

3. Marketable Securities Available-for-Sale

The Company owns 2,022,000 shares of the common stock of Cashbox plc as a result of the merger transaction (see Note 2). The Company determined the market value of the shares and pursuant to SFAS No. 115, Accounting for Investments in Equity and Debt Securities, and classified these shares as available for sale. Pursuant to the SFAS No. 115 the unrealized change in fair value was excluded from earnings and recorded net of tax as other comprehensive loss.

As of September 30, 2008, the common stock of Cashbox plc was recorded at a fair value of \$211,319. Unrealized losses on these shares of common stock were \$91,981, which were included in stockholders' equity as of September 30, 2008.

4. Accrued Liabilities

Accrued liabilities consisted of the following:

September 30, 2008	December 31, 2007
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Bonuses payable	\$	416,520	\$	554,000
Payroll and payroll taxes payable		257,125		229,245
Other		67,906		40,527
Totals	\$	741,551	\$	823,772

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aVINCI MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

5. Notes Payable

In connection with the Agreement and Plan of Merger (see Note 2), Sequoia entered into a Loan and Security Agreement and Secured Note with SAH on December 6, 2007 in order to ensure adequate funds through the merger closing date. The agreement provided for SAH to loan a total of up to \$2.5 million to Sequoia through the merger closing date. A total of \$1 million was received under the Secured Note as of December 31, 2007. An additional \$1,500,000 was advanced during the three months ended March 31, 2008. The amounts advanced under the Secured Note were secured by all assets of Sequoia, accrued interest at 10% per annum and principal and interest were due and payable on December 31, 2008. As disclosed in Note 2, in connection with the merger on June 6, 2008, the balance of notes payable of \$2.5 million and the related accrued interest of approximately \$104,000 were eliminated.

6. Related Party Transactions

Consulting Agreement

During the three and nine months ended September 30, 2008, pursuant to an agreement executed during the year ended December 31, 2007, the Company recorded expense of \$0 and \$725,000, respectively, for consulting services from Amerivon Holdings, Inc. (Amerivon), the parent company of a significant shareholder. During the three and nine months ended September 30, 2008, the Company paid Amerivon \$695,000 and \$745,000, respectively, for this agreement.

On July 1, 2008 we entered into a new sales and consulting agreement with Amerivon that terminated the agreement referenced above that was executed during the year ended December 31, 2007. During the three and nine months ended September 30, 2008, the Company recorded expense of \$683 for consulting services under this new agreement. During the three and nine months ended September 30, 2008, the Company paid Amerivon \$485 for this agreement.

Distributions

The former Series B redeemable convertible preferred unit holders were entitled to a cumulative annual distribution of \$.06 per unit. During the nine months ended September 30, 2008 and 2007, the Company accrued \$225,773 and \$175,091, respectively, for distributions due on the Series B redeemable convertible preferred units held by Amerivon. The Company paid Amerivon \$447,783 for the accrued distributions in June 2008.

Warrant Exercise

On January 30, 2008, Amerivon exercised 1,504,680 warrants to purchase common units of Sequoia for cash received of \$414,625; and on June 5, 2008, Amerivon exercised 87,096 warrants to purchase common units of Sequoia for a total price of \$46,000. These exercises, along with Amerivon's conversion of convertible preferred units, increased Amerivon's ownership percentage to 45.4% of all common units prior to the merger on June 6, 2008.

Notes Payable and Series B Redeemable Convertible Preferred Units

On January 19, 2007 and again on February 14, 2007, the Company issued \$500,000 of convertible notes payable to Amerivon. These convertible notes payable accrued interest at 9% per annum, and had a maturity date of June 30, 2007. A beneficial conversion feature in the amount of \$171,875 was recognized, all of which was accreted to interest expense as of June 30, 2007.

In December 2006, the Company entered into various loans with members of the Company totaling \$265,783. These loans bore interest at 10% per annum and were payable on or before December 31, 2007. Loan origination fees of \$20,005 were recorded as an intangible asset to be amortized over the life of the loans. On January 5, 2007, an additional \$20,000 was loaned to the Company. In April and May 2007, total outstanding principal, accrued interest, and loan origination fees of \$285,783, \$10,376, and \$20,005, respectively, were paid and the associated asset was fully amortized.

7. Common and Preferred Units

Previous to the merger (see Note 2), as of December 31, 2007, the Company had authorized 90,000,000 common units and 20,000,000 preferred units, all with no par value. Previous to the merger, the Company had designated 3,746,485 preferred units as Series A and 12,000,000 preferred units as Series B.

Series A Convertible Preferred Units

During 2008, there were no Series A preferred units issued. As of December 31, 2007, there were 3,533,720 Series A preferred units outstanding. In connection with the merger disclosed in Note 2 all series A preferred units were converted to common units and exchanged for common shares of SAH.

Series B Redeemable Convertible Preferred Units

During 2008, there were no Series B preferred units issued. As of December 31, 2007, there were 8,804,984 units of Series B preferred units outstanding. In connection with the merger disclosed in Note 2 all series B preferred units were converted to common units and exchanged for common shares of SAH.

aVINCI MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Common Units

As of June 5, 2008 and December 31, 2007, there were 44,762,086 and 29,070,777 common units outstanding respectively. In connection with the merger disclosed in Note 2, all common units held were exchanged for common shares of SAH.

In accordance with an executed letter agreement with Amerivon Investments LLC, on June 5, 2008, immediately preceding the closing of the merger described in Note 2, the Company issued an additional 1,525,000 common units upon the voluntary conversion of all outstanding Series B preferred units owned by Amerivon Investments LLC.

8. Options and Warrants

Common Share Warrants

The following tables summarize information about common share warrants as of September 30, 2008 and December 31, 2007:

Exercise Price	Number of Warrants Outstanding	As of September 30, 2008		As of September 30, 2008	
		Outstanding	Weighted Average Remaining Contractual Life (Years)	Exercisable	Weighted Average Exercise Price
\$ 0.53	949,350	0.8	\$ 0.53	949,350	0.53
1.16	300,000	5.8	1.16	75,000	1.16
\$.53 – 1.16	1,249,350	2.0	\$ 0.68	1,024,350	0.57

aVINCI MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

As of December 31, 2007			
Outstanding and Exercisable			
Exercise Price	Number of Warrants Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
\$ 0.28	1,504,680	0.1	\$ 0.28
0.53	1,036,446	1.5	0.53
\$.28 -.53	2,541,126	0.7	\$ 0.38

During the nine months ended September 30, 2008, 87,096 warrants with an exercise price of \$0.53 were exercised for a total of \$46,000. In January 2008, the Company received proceeds of \$414,625 upon the exercise of 1,504,680 warrants at an exercise price of \$0.28. For the nine months ended September 30, 2008, a total of 1,591,776 warrants were exercised. All common unit warrants outstanding as of the date of the merger (see Note 2) were converted into warrants to purchase the common stock of SAH.

Common Share Options

The following tables summarize information about common share options:

September 30, 2008		
	Number of shares	Weighted-Average Exercise Price
Outstanding at beginning of period	6,605,161	\$ 0.64
Granted	617,559	0.93
Exercised	(9,798)	0.41
Cancelled	(123,459)	0.70
Outstanding at end of period	7,089,563	0.67
Exercisable at period end	3,050,637	0.60
Weighted average fair value of options granted during the period		
	\$ 0.93	

As of September 30, 2008

Exercise Price	Number of Options Outstanding	Outstanding Weighted Average Remaining Contractual	Weighted Average Exercise Price	Number of Options Exercisable	Exercisable Weighted Average Exercise Price	Weighted Average Remaining Contractual
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Life (Years)				Life (Years)					
\$	0.18	1,306,444	3.8	\$	0.18	653,222	\$	0.18	3.3
	0.28	444,191	2.6		0.28	379,413		0.28	2.6
	0.41	235,160	2.9		0.41	177,459		0.41	2.9
	0.71	3,536,109	4.4		0.71	1,444,710		0.71	4.3
	0.93	617,659	9.9		0.93	—		0.93	—
	1.24	950,000	2.5		1.24	395,833		1.24	2.5
\$.18 - 1.24	7,089,563	4.4	\$	0.67	3,050,637	\$	0.60	3.5

As of September 30, 2008, options outstanding had an aggregate intrinsic value of \$2,649,736.

As of September 30, 2008, there was approximately \$1,363,137 of total unrecognized equity-based compensation cost related to option grants that will be recognized over a weighted average period of 1.93 years. All common unit options outstanding as of the date of the merger (see Note 2) were converted into options to purchase the common stock of SAH.

aVINCI MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

9. Commitments and Contingencies

Litigation

On December 17, 2007, Robert L. Bishop, who worked with the Company in a limited capacity in 2004 and is a current member of a limited liability company that owns an equity interest in the Company, filed a legal claim alleging a right to unpaid wages and/or commissions (with no amount specified) and Company equity. The complaint was served on the Company on January 7, 2008. The Company timely filed an Answer denying Mr. Bishop's claims and counterclaiming interference by Mr. Bishop with the Company's capital raising efforts. The Company intends to vigorously defend against Mr. Bishop's claims and pursue its counterclaim.

Operating Leases

The Company has operating leases for office space and co-location services with terms expiring in 2009, 2010, and 2012. Future minimum lease payments are approximately as follows:

Years Ending December 31,	Amount
2008	\$ 79,200
2009	309,100
2010	139,400
2011	5,400
2012	3,600
Total	\$ 536,700

Rental expense under operating leases for the nine months ended September 30, 2008 and 2007 totaled \$157,481 and \$279,804, respectively.

Purchase Commitments

On November 29, 2007, the Company entered into an agreement which includes a noncancelable purchase commitment for minimum guaranteed royalties in the amount of \$97,000. This amount is due November 15, 2008.

Warranty Obligations

The Company provides a 90-day warranty on certain manufactured products. As of September 30, 2008 and December 31, 2007, these obligations were not significant. The Company does not expect these obligations to become significant in the future and no related liability has been accrued as of September 30, 2008 and December 31, 2007.

10. Fair Value

SFAS No. 157 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. SFAS No. 157 describes three levels of inputs that aVinci uses to measure fair value:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

- Level 2: Level 1 inputs for assets or liabilities that are not actively traded. Also consists of an observable market price for a similar asset or liability. This includes the use of “matrix pricing” used to value debt securities absent the exclusive use of quoted prices.
- Level 3: Consists of unobservable inputs that are used to measure fair value when observable market inputs are not available. This could include the use of internally developed models, financial forecasting, etc.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability between market participants at the balance sheet date. When possible, the Company looks to active and observable markets to price identical assets or liabilities. When identical assets and liabilities are not traded in active markets, the Company looks to observable market data for similar assets and liabilities. However, when certain assets and liabilities are not traded in observable markets aVinci must use other valuation methods to develop a fair value.

The following table presents financial assets and liabilities measured on a recurring basis:

Description	Balance at September 30, 2008	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available-for-sale securities	\$ 211,319	\$ 211,319	—	—

aVINCI MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Some of the information in this filing contains forward-looking statements that involve substantial risks and uncertainties. You can identify these statements by forward-looking words such as "may," "will," "expect," "anticipate," "believe," "estimate" and "continue," or similar words. You should read statements that contain these words carefully because they:

- discuss our future expectations;
- contain projections of our future results of operations or of our financial condition;
and
- state other "forward-looking" information.

We believe it is important to communicate our expectations. However, there may be events in the future that we are not able to accurately predict or over which we have no control. Our actual results and the timing of certain events could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under "Risk Factors," "Business" and elsewhere in this prospectus.

Overview

Through our subsidiary, aVinci Media, LC, we deploy a software technology that employs "Automated Multimedia Object Models," its patent-pending way of turning consumer captured images, video, and audio into complete digital files in the form of full-motion movies, DVD's, photo books, posters and streaming media files. We make software technology that it packages in various forms available to mass retailers, specialty retailers, Internet portals and web sites that allow end consumers to use an automated process to create products such as DVD productions, photo books, posters, calendars, and other print media products from consumer photographs, digital pictures, video, and other media. Under our business model, our customers are retailers and other vendors. We enable our customers to sell our products to the end consumer who remain customers of the vendor. Only a small percentage of our business will be generated from the ultimate consumer. Through 2007, aVinci Media, LC generated revenues through the sales of DVD products created using its technology. During 2008, aVinci Media, LC intends to deploy its technology to create photo books and posters.

We will continue to utilize the current revenue model of entering into agreements and receiving a fee for each product made using our technology. Our revenue model generally includes a per product fee. With all product deployments, except with respect to our retail kit product, we receive a fee from our retailer customer each time an end customer makes a product utilizing our technology. From the fees received, we pay the fees associated with licensed media and technology. If we are performing product fulfillment, we also pay the costs of goods associated with the production of the product. If our customer utilizes in-store fulfillment, its end consumer pays the cost of goods associated with production.

aVinci Media, LC signed its first agreement in 2004 under which it supplied its software technology to BigPlanet, a company that markets, sells, and fulfilled personal DVD products for its customers. Through 2006 all of aVinci's

revenues were generated through BigPlanet. Under the terms of this agreement, BigPlanet was required to make minimum annual guaranteed payments to aVinci in the amount of \$1 million to be paid in 12 equal monthly installments. The BigPlanet agreement included software development, software license, post-contract support and training. As a result of the agreement terms, aVinci Media, LC determined to use the percentage-of-completion method of accounting to record the revenue for the entire contract. aVinci Media, LC utilized the ratio of total actual costs incurred to total estimated costs incurred related to BigPlanet to determine the proportional amount of revenue to be recognized at each reporting date. The BigPlanet agreement expired on its terms at the end of 2007. During the last months of the agreement term, BigPlanet reassessed and repositioned its photo offering and determined it would not actively pursue photo archiving which generated the sale of DVD movies as an ancillary product offering using the our technology. Accordingly the agreement was not renewed based upon BigPlanet's business strategy. Revenues from BigPlanet now generate less than \$2,000 per month.

During 2006, aVinci Media, LC signed an additional agreement to provide its technology in Meijer stores. The technology began being deployed in Meijer stores in April 2008 and has begun generating revenues in each store where the technology has been deployed. Full deployment in all 180 Meijer stores occurred in May 2008.

In 2007, aVinci Media, LC signed an agreement with Fujicolor to deploy its technology on Fujicolor kiosks located in domestic Wal-Mart stores. aVinci Media, LC has begun generating limited revenues through Wal-Mart and anticipates generating additional revenues through its Wal-Mart deployment during 2008.

Future Model

We plan to continue with a strategy of focusing on mass retailers to offer our products on kiosks, online and through software take-home kits. We believe we can capitalize on consumers trending away from traditional print output for images by offering DVD photo archiving, DVD photo movies, photobook and poster print products.

On October 23, 2008, we announced that we will begin offering our aVinci® Studio Photo DVD kits in approximately 6,300 Walgreens stores across the U.S. The Walgreens product launch is scheduled for mid-November 2008, in time for the holiday gifting season. The kits, which retail for under \$25, include a finished professional quality DVD production that is mailed directly to the end customer. A new feature to aVinci's software allows customers to preview and order matching photo books and/or posters with "one-click."

Although we currently manufacture DVDs for certain customers in our Draper, Utah facility and use services of local third-party vendors to produce print DVD covers and inserts and to assemble and ship final products (e.g., through a services agreement, we began using Qualex Inc. to manufacture DVD and print product orders for certain customers), we hope to begin offering our products through an in-store DVD burning model.

Negotiations and testing are ongoing with several large retailers to provide our product by the end of 2008 through an in-store DVD burning model in addition to its current deployment platforms of kiosk, online and retail software kit. We can provide no assurances that our current negotiations will result in any further agreements.

On October 2, 2008, we announced an agreement with Preclick to distribute our photo movie software along with Preclick's Walmart Digital Photo Manager software on millions of photo CD discs distributed by Walmart each year. Preclick is the default photo manager software distributed with all CD lab orders fulfilled by Walmart Photo Centers. Beginning in November 2008, aVinci Studio software will come preinstalled on all CDs distributed by Walmart with the Preclick Digital Photo Manager.

We showcase our products on aVinciStudio.com. We do not plan to actively promote sales via this website as we want end users to purchase products through our customers.

Basis of Presentation

Net Revenues. We currently generate revenues from our customers as they use our technology to create DVD products and from providing software through retail and online outlets that allow end consumers access to the technology to generate product orders which we produce and ship. Customers then pay a fee on orders produced. Our ongoing revenue agreements are generally multiple element contracts that may include software licenses, installation and set-up, training and post contract customer support (PCS). For some of the agreements, we produce DVDs for the end customer. For other agreements, we provide blank DVD materials and the customer produces DVDs for the end customer. For other contracts, we do not provide any materials and our customer fulfills the orders for the end consumer. Vendor specific objective evidence of fair value (VSOE) does not exist for any of the elements of these contracts. Therefore, revenue under the majority of these contracts is deferred until all elements of the contract have

been delivered except for PCS. At that time, the revenue is recognized over the remaining term of the contract on a straight-line basis. Beginning in 2008, we will allow customers to place orders via our website and pay using credit cards. Revenues for orders placed online will be recognized upon shipment of the product.

In the past, we also generated revenue from a licensing agreement with BigPlanet. Under the BigPlanet Agreement, a minimum guaranteed royalty of \$1 million per year was required. The BigPlanet agreement expired on its terms at the end of 2007. During the last months of the agreement term, BigPlanet reassessed and repositioned its photo offering and determined it would not actively pursue photo archiving which generated the sale of DVD movies as an ancillary product offering.

As we expand our product offerings through additional customers, we believe our business and revenues will be subject to seasonal fluctuations prevalent in the photo industry. A substantial portion of our revenues (estimated at between 20-40%) will likely occur during the holiday season in the fourth quarter of the calendar year. we expect to experience lower net revenues during the first, second and third quarters than we experiences in the fourth quarter. This trend follows the typical photo and retail industry patterns.

We have begun tracking key metrics to understand and project revenues and costs in the future, which include the following:

Average Order Size. Average order size includes the number of products per order and the net revenues for a given period of time divided by the total number of customer orders recorded during that same period. As we expand our product offerings, we expect to increase the average order size in terms of products ordered and revenue generated per order.

Total Number of Orders. For each customer, we monitor the total number of orders for a given period, which provides an indicator of revenue trends for such customer. Orders are typically processed and shipped within three business days after a customer order is received.

We believe the analysis of these metrics provides us with important information on our overall revenue trends and operating results. Fluctuations in these metrics are not unusual and no single factor is determinative of its net revenues and operating results.

Cost of Revenues. Our cost of revenues consist of direct materials including DVDs, DVD cases, picture sheet inserts, third-party printing, assembly and packaging costs, payroll and related expenses for direct labor, shipping charges, packaging supplies, distribution and fulfillment activities, rent for production facilities and depreciation of production equipment. Cost of revenues also includes payroll and related expenses for personnel engaged in customer service. In addition, cost of revenues includes any third-party software or patents licensed, as well as the amortization of capitalized website development costs.

Operating Expenses. Operating expenses consist of sales and marketing, research and development and general and administrative expenses. We anticipate that each of the following categories of operating expenses will increase in absolute dollar amounts.

Research and development expense consists of personnel and related costs for employees and contractors engaged in the development and ongoing maintenance of our deployment of its products or various delivery platforms including online, web and shrinkwrap deployments. Research and development expense also includes co-location and bandwidth costs.

Sales and marketing expense consists of costs incurred for marketing programs and personnel and related expenses for our customer acquisition, product marketing, business development and public relations activities.

General and administrative expense includes general corporate costs, including rent for the corporate offices, insurance, depreciation on information technology equipment and legal and accounting fees. In addition, general and administrative expense includes personnel expenses of employees involved in executive, finance, accounting, human resources, information technology and legal roles. Third-party payment processor and credit card fees will also be included in general and administrative expense in 2008. We also anticipate both an additional one-time cost and a continuing cost associated with public reporting requirements and compliance with the Sarbanes-Oxley Act of 2002, as well as additional costs such as investor relations and higher insurance premiums.

Interest Expense. Interest expense consists of interest costs recognized under capital lease obligations and for borrowed money.

Income Taxes. Prior to the Merger, aVinci Media, LC had been a limited liability company and not subject to entity taxation. Going forward, aVinci Media, LC anticipates making provision for income taxes depending on the statutory rate in the countries where it sells its products. Historically, aVinci Media, LC has only been subject to taxation in the United States. If aVinci Media, LC continues to sell its products to customers located within the United States, aVinci Media, LC anticipates that its long-term future effective tax rate will be between 38% and 45%, without taking into account the use of any of the net operating loss carry forwards. However, we anticipate that in the future we may further expand our sales of products to customers located outside of the United States, in which case it would become subject to taxation based on the foreign statutory rates in the countries where these sales took place and our effective tax rate could fluctuate accordingly.

Critical Accounting Policies and Estimates

Use of Estimates. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition and Deferred Revenue.

BigPlanet Contract: Prior to March 31, 2007, the Company generated the majority of its revenue from one customer, BigPlanet, a division of NuSkin International, Inc. The contract with BigPlanet included software development, software license, post-contract support (PCS), and training. Because the contract included the delivery of a software license, the Company accounted for the contract in accordance with Statement of Position (SOP) 97-2, Software Revenue Recognition, as modified by SOP 98-9, Modification of SOP 97-2 with Respect to Certain Transactions. SOP 97-2 applies to activities that represent licensing, selling, leasing, or other marketing of computer software.

Because the contract included services to provide significant production, modification, or customization of software, in accordance with SOP 97-2, the Company accounted for the contract based on the provisions of Accounting Research Bulletin (ARB) No. 45, Long-Term Construction-Type Contracts and the relevant guidance provided by SOP 81-1, Accounting for Performance of Construction-Type and Certain Production-Type Contracts. In accordance with these provisions, the Company determined to use the percentage-of-completion method of accounting to record the revenue for the entire contract. The Company utilized the ratio of total actual costs incurred to total estimated costs to determine the amount of revenue to be recognized at each reporting date.

As of December 31, 2007, this contract was completed and all revenue under this contract had been recognized. The Company has no further obligations under this contract.

Integrated Kiosk Revenue Contracts: Under the kiosk revenue model, the Company integrates its technology with a kiosk provided by a third party. The kiosk is placed in retail stores where the end consumers utilize the kiosk to load their digital images and make a variety of products. Under this revenue model, the Company enters into agreements with the retail stores. The agreements provide for the grant of a software license, installation of the software on the customer's kiosks, training, PCS, and order fulfillment. As compensation, the agreements provide for the Company to receive payment on a per unit basis for each order fulfilled. Because these contracts involve a significant software component, the Company accounts for its revenue generated under these contracts in accordance with the provisions of SOP 97-2 and SOP 98-9.

SOP 97-2 generally provides that until vendor specific objective evidence (VSOE) of fair value exists for the various components within the contract, that revenue is deferred until delivery of all elements except for PCS has occurred.

Because of the Company's limited sales history, it does not have VSOE for the different components that are included in the integrated kiosk revenue contracts. Therefore, all revenue associated with the grant of the license, installation,

training, PCS, and product fulfillment is deferred until all elements are delivered except for PCS, at which time deferred revenue is recognized on a straight-line basis over the remaining term of the contract.

Retail Kit Revenue: The Company has developed a retail kit product that retailers and vendors can stock on their retail store shelves. The retail kit consists of a small box containing a CD of a simplified version of the Company's software and a product code. The end consumer pays for the product at the store and can then load the CD onto their personal computer and use the software and their personal digital images to create movies, photo books, and streaming media files. Once complete, the software assists the customer in uploading the file for remote fulfillment. The Company may provide the fulfillment services or such services may be provided by another fulfillment provider. There is no additional fee for the fulfillment. The sale of retail kits does not include PCS. In accordance with SOP 97-2, revenue from the sale of the retail kits to the retail store is deferred until the fulfillment services have been provided and the completed product has been shipped to the consumer or until the Company's obligation to provide fulfillment has expired due to the passage of time.

Revenue from Third Party Internet Sites: The Company has agreed to provide the simplified version of its software to certain third party Internet sites that would allow a customer to download the software from the third party Internet site. The software loads and walks the customer through the process of selecting his or her digital images to be used in creating the product, typing any unique consumer information such as a customized title and subtitle, entering order information for shipping, taking the consumer's credit card information to process the payment transaction for products ordered via a secure Internet transaction, and uploading the order for remote fulfillment. In accordance with SOP 97-2, if the Company provides the fulfillment services, revenue is deferred until the order has been fulfilled and shipped to the consumer. If the fulfillment services are provided by another supplier, revenue is recognized at the time the credit card transaction is completed. There is no additional fee for the fulfillment. Sales from third party Internet sites do not include PCS.

Revenue from the Company's Internet Site: As a companion to the retail kit product, the Company launched a web site that will allow consumers who upload orders using the retail kit software to order additional copies and additional products on the Company's web site. Revenue from such additional products is recognized upon shipment of the product.

Other Revenue Contracts: In one contract entered into during 2007, the Company sold fulfillment equipment, hardware and software installation, and software licenses. The Company deferred all revenues related to these contracts as there was no VSOE established for each separate component of the contract. During the quarter ended March 31, 2008, all elements of the contract were delivered except for PCS. In accordance with SOP 97-2, deferred revenue is being recognized over the remaining term of the contract on a straight-line basis.

The Company capitalized the direct cost of the equipment and is amortizing it as the related revenue is recognized.

Deferred Revenue: The Company records billings and cash received in excess of revenue earned as deferred revenue. The deferred revenue balance generally results from contractual commitments made by customers to pay amounts to the Company in advance of revenues earned. Revenue earned but not billed is classified as unbilled accounts receivable in the balance sheet. The Company bills customers as payments become due under the terms of the customer's contract. The Company considers current information and events regarding its customers and their contracts and establishes allowances for doubtful accounts when it is probable that it will not be able to collect amounts due under the terms of existing contracts.

Accounting for Equity Based Compensation. We account for equity-based compensation in accordance with Statement of Financial Accounting Standards ("SFAS") No. 123(R) (revised 2004), Share-Based Payment which requires recognition of expense (generally over the vesting period) based on the estimated fair value of equity-based payments granted. The fair value of each share-based award is estimated on the date of grant using the Black-Scholes option pricing model.

Results of Operations

For the first nine months of 2008, we had revenues of \$302,351, an operating loss of \$6,847,783, a net loss of \$6,934,944, and a net loss applicable to common stockholders of \$8,136,717. This compares to revenues of \$329,640, an operating loss of \$4,967,023, a net loss of \$5,591,447, and a net loss applicable to common stockholders of \$5,956,538 for the same period in 2007.

The following table sets forth, for the periods indicated, the percentage relationship of selected items from our statements of operations to total revenues.

	Three Months Ended		Nine Months Ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Revenues	100%	100%	100%	100%
Operating expense:				
Cost of sales	207%	18%	220%	11%
Research and development	406%	712%	479%	412%
Selling and marketing	354%	565%	452%	291%
General and administrative	913%	1,852%	1,157%	844%
Depreciation and amortization	52%	97%	57%	49%
Total operating expense	1,932%	3,244%	2,365%	1,607%
Loss from operations	(1,832%)	(3,144%)	(2,265%)	(1,507%)
Other income (expense):				
Interest income	20%	51%	16%	17%
Interest expense	(9%)	(9%)	(45%)	(206%)
Total other income (expense)	(11%)	(42%)	(29%)	(189%)
Net loss	(1,821%)	(3,102%)	(2,294%)	(1,696%)
Preferred dividends and deemed dividends	—	—	(323%)	(58%)
Distributions on Series B redeemable convertible preferred units	—	(170%)	(74%)	(53%)
Net loss applicable to common stockholders	(1,821%)	(3,272%)	(2,691%)	(1,807%)

Revenues.

Total revenues increased \$34,091, or 43 percent, to \$112,652 for the three months ended September 30, 2008, as compared to \$78,561 for the same period in 2007. The increase in revenue during the three months ended September 30, 2008 over the same period in 2007 is primarily due to the increase in the number of customers from year to year. For the nine months ended September 30, 2008, total revenues decreased \$27,289, or 8% to \$302,351 as compared to \$329,640 for the same period in 2007. The decrease in revenue for the nine months ended is due to the expiration of aVinci's agreement with BigPlanet on December 31, 2007.

Four customers accounted for a total of 94 percent of aVinci's revenues for the three months ending September 30, 2008 (individually 47 percent, 19 percent, 15 percent, and 13 percent) compared to one customer accounting for 98 percent of the revenue for the same period in 2007. Four customers accounted for a total of 93 percent of aVinci's revenues for the nine months ending September 30, 2008 (individually 47 percent, 20 percent, 15 Percent and 11 percent) compared to one customer accounting for almost all of the revenue for the same period in 2007. No other single customer accounted for more than 10 percent of aVinci's total revenues for the three and nine months ended September 30, 2008 or the same periods in 2007.

Operating Expenses.

Cost of Goods Sold. Our cost of goods sold increased \$219,332 to \$233,300 for the three months ended September 30, 2008, compared to \$13,968 for the same period in 2007. For the nine months ended September 30, 2008, cost of goods sold increased \$630,011 to \$666,933 compared to \$36,922 for the same period in 2007. The increases in cost of goods sold are primarily due to the change in the type of work being performed in 2008 versus 2007. In 2007, we primarily supplied software technology to build DVD movies for a single customer – BigPlanet. In 2008, we have multiple customers and the cost of goods sold includes not only fulfillment costs, but also includes a portion of the cost of hardware to one customer that purchased fulfillment equipment. (Both the revenue and costs associated with this contract are being recognized over the life of the contract.) For the three and nine months ended September 30, 2008 cost of goods sold includes \$188,256 and \$547,361 respectively, in costs associated with fulfillment; and \$45,044 and \$119,572, respectively, for the cost of hardware

Research and Development. Our research and development expense decreased \$102,353, or 18%, to \$456,992 for the three months ended September 30, 2008, compared to \$559,345 for the same period in 2007. The decrease is primarily due to a decrease in the average headcount during this period from year to year. Additional research and development resources were needed during the quarter ending September 30, 2007 in preparation for the launching of our products at Wal-Mart. The decrease in headcount accounts for approximately \$65,000 of the decrease. For the nine months ended September 30, 2008, research and development increased \$90,291, or 7% to \$1,447,522 as compared to \$1,357,231, for the same period in 2007. The increase in research and development expenses for the nine month period is due to an increase in personnel and related costs of approximately \$122,000 for new employees and consultants involved with both the technology development for deployments and the ongoing maintenance of our products, with various retailers online and with various retailers in the form of hard good kits.

Selling and Marketing. Our selling and marketing expense decreased \$45,437, or 10%, to \$398,854 for the three months ended September 30, 2008, compared to \$444,291 for the same period in 2007. The decrease is due to marketing and advertising costs incurred during the quarter ended September 30, 2007 associated with the launch of our product at Wal-Mart. Marketing and advertising expenses decreased by almost \$79,000 from year to year. For the nine months ended September 30, 2008, selling and marketing increased \$407,365, or 43% to \$1,365,650 compared to \$958,285, for the same period in 2007. The increase is due to additional personnel and the related costs for new employees which increased approximately \$240,000; and the costs for consultants involved with increased marketing efforts directed at mass retailers, which increased approximately \$173,000.

General and Administrative. Our general and administrative expense decreased \$426,322, or 29%, to \$1,028,784 for the three months ended September 30, 2008, compared to \$1,455,106 for the same period in 2007. The decrease is due to a decrease of \$234,000 in stock-based compensation expense due to a large option grant to Amerivon Holdings, Inc. (Amerivon) on July 1, 2007. General and administrative expenses also decreased due to a \$90,000 decrease in the use of outside contractors used during 2007 to help launch our product at Wal-Mart, and due to a \$112,000 decrease in bonuses from year to year. For the nine months ended September 30, 2008, general and administrative expenses increased \$714,215, or 26% to \$3,497,680 compared to \$2,783,465, for the same period in 2007. The increase for the nine months ended September 30, 2008, is due to a \$537,000 increase in consulting and outside services as a result of the consulting agreement with Amerivon (see “Related Party Transactions” below, for more information on this consulting agreement). The increase for the nine months ended September 30, 2008 are also attributable to fees incurred as a result of the reverse merger transaction (see Note 2, in Notes to Condensed Consolidated Financial Statements); legal and accounting fees of approximately \$205,000; and directors and officers’ liability insurance of \$180,000.

Interest Expense. Our interest expense increased \$3,129, or 43%, to \$10,353 for the three months ended September 30, 2008, compared to \$7,224 for the same period in 2007. For the nine months ended September 30, 2008, interest expense decreased \$541,925 or 80% to \$136,465 compared to \$678,390 for the same period in 2007. The decrease is

due to the accretion of debt discount of \$338,594 and the conversion of convertible debt into equity in May 2007. To fund operations, aVinci Media LC undertook in the first quarter of 2006 a large private offering consisting of 12-month convertible debt, bearing interest at 10%. The offering was taken in its entirety by Amerivon Investments, LLC, who invested a total of \$830,000. In August of 2006, Amerivon invested an additional \$1,560,000 in a convertible debt offering, bearing interest at 9%.

In December 2006, aVinci Media LC entered into various short-term loans from its members totaling \$285,783 to fund operations until the funding transaction with Amerivon Investments, LLC closed. These loans bore interest at 10% per annum and were payable on or before December 31, 2007. In May 2007, these loans were repaid.

Income Tax Expense. For the three and nine months ended September 30, 2008 and 2007, no provisions for income taxes were required. We accrue income taxes under the provisions of Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes. Prior to June 6, 2008, aVinci Media LC was a flow-through entity for income tax purposes and did not incur income tax liabilities.

At September 30, 2008, management has recognized a valuation allowance for the net deferred tax assets related to temporary differences and current operating losses. The valuation allowance was recorded in accordance with the provisions of Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, which requires that a valuation allowance be established when there is significant uncertainty as the realizability of the deferred tax assets. Based on a number of factors, the currently available, objective evidence indicates that is more likely than not that the net deferred tax assets will not be realized.

In June 2008, following the merger transaction described in Note 2 of Notes to Condensed Consolidated Financial Statements, we paid \$113,028 in federal income taxes for our September 30, 2007 federal income tax return filed in the name of Secure Alliance Holdings Corporation. Also in June 2008, we paid \$85,434 towards estimated Texas Franchise Tax in the name of Secure Alliance Holdings Corporation. Both of these items were accrued for at the time of the merger transaction. In August 2008, we made a final payment of \$6,948 for Secure Alliance Holdings Corporation's September 30, 2007 federal income tax return.

Preferred Dividends and Deemed Dividends. We recorded a preferred dividend of \$976,000 for the nine months ended September 30, 2008, to reflect the conversion of Series B preferred units to common units immediately prior to the closing of the Merger with aVinci Media LC. The conversion included an additional 1,525,000 common units that were issued upon conversion in order to induce conversion. The inducement units were recorded as a preferential dividend, thus increasing the accumulated deficit and increasing the loss applicable to common stockholders. We recorded a deemed dividend of \$190,000 for the nine months ended September 30, 2007, due to the accretion of issuance costs related to the Series B offering.

Distributions on Series B redeemable convertible preferred units. The Series B redeemable convertible preferred unit holders were entitled to an annual distribution of \$0.06 per unit. The distributions on Series B redeemable convertible preferred units decreased \$133,160, or 100%, to \$0 for the three months ended September 30, 2008, compared to \$133,160 for the same period in 2007. For the nine months ended September 30, 2008, distributions on Series B redeemable convertible preferred units increased \$50,682, or 29% to \$225,773 compared to \$175,091, for the same period in 2007. The changes are due to the distribution accrual beginning in May 2007, and ending (due to the reverse merger) in June 2008.

Balance Sheet Items

The following were changes in our balance sheet accounts. Many of the changes were as a result of the Merger. See Note 2 of Notes to Condensed Consolidated Financial Statements for more information on the Merger.

Cash. Cash increased \$1,986,524, or 231%, to \$2,845,593 at September 30, 2008, from \$859,069 at December 31, 2007. The increase is due to the cash received in connection with the reverse merger.

Marketable Securities-Available-for Sale. We own 2,022,000 shares of the common stock of Cashbox plc. As of September 30, 2008, the common stock in Cashbox plc was recorded at a fair value of \$211,319. Unrealized losses on

these shares of common stock, included in stockholders' equity, were \$91,981 as of September 30, 2008.

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Property and Equipment, net. Property and equipment decreased \$261,322, or 26%, to \$729,201 at September 30, 2008, from \$990,523 at December 31, 2007. The decrease is due to depreciation expense (\$326,000) exceeding fixed asset additions (\$67,000).

Distributions Payable. Distributions payable decreased \$308,251, or 100%, to \$0 at September 30, 2008, from \$308,251 at December 31, 2007. The decrease is a result of paying off all accrued distributions, and the elimination of the Series B convertible preferred units as a result of the reverse merger.

Notes Payable. Notes payable decreased \$1,000,000, or 100%, to \$0 at September 30, 2008, from \$1,000,000 at December 31, 2007. The decrease is due to the notes payable balance being eliminated as a result of the reverse merger. The amount has been reclassified to an intercompany account which has been eliminated in consolidation.

Equity Accounts. As a result of the reverse merger, Sequoia's Series A and B convertible preferred units and Common Units were exchanged for common stock.

Liquidity and Capital Resources.

Statements of Cash Flows	Unaudited	
	Nine Months Ended September 30, 2008	2007
Cash Flows from Operating Activities	\$ (6,372,069)	\$ (3,869,937)
Cash Flows from Investing Activities	(71,241)	(487,279)
Cash Flows from Financing Activities	8,429,834	5,816,405
Increase in cash and cash equivalents	1,986,524	1,459,189

Operating Activities. For the nine months ended September 30, 2008, net cash used in operating activities was \$(6,372,069) compared to \$(3,869,937) for the same period in 2007. The changes were due to higher operating expenses for the nine months ended September 30, 2008 for the pursuit of new customers and development of additional delivery methods for software technology which required substantial additional human, equipment and property resources.

Investing Activities. For the nine months ended September 30, 2008, aVinci's cash flows used in investing activities was \$(71,241) compared to \$(487,279) for the same period in 2007. The change was due to purchasing less property and equipment in the nine months ended September 30, 2008 than in the same period in 2007. During 2007 we purchased property and equipment to allow for the fulfillment of products for customers and anticipated customers.

Financing Activities. For the nine months ended September 30, 2008, financing activities provided a net \$8,429,834 of cash compared to \$5,816,405 for the same period in 2007. During the nine months ended September 30, 2008, we received approximately \$7.1 million in cash as a result of the reverse merger. During this period, aVinci Media LC received \$460,625 from Amerivon Investments, LLC from the pre-merger exercise of 1,827,606 warrants to purchase additional common units (converted to 1,591,776 shares after the merger), used \$534,024 for payment of accrued distributions, and used \$91,879 for principal payments under capital lease obligations. During the nine months ended September 30, 2007, aVinci Media LC received \$4.7 million from Amerivon Investments, LLC for the issuance of the Series B preferred units, and \$1.5 million from the issuance of the convertible debentures. Also during this period aVinci Media LC made payments of \$285,783 on loans to management, and \$117,080 in loan costs.

Previously, aVinci Media LC had elected to grow its business through the use of outside capital beyond what had been available from operations to capitalize on the growth in the digital imaging industry. During the first half of 2006 aVinci Media LC undertook a private equity offering consisting of 12-month convertible debt, bearing interest at 10%. The offering was taken in its entirety by Amerivon Investments, LLC, who invested a total of \$829,250. At the time of the investment, Amerivon Investments, LLC placed a member on aVinci Media LC's Board of Managers. In August of 2006, Amerivon Investments, LLC invested an additional \$1,564,000 in a convertible debt offering, bearing interest at 10%.

In anticipation of closing the Merger Agreement, Secure Alliance Holdings Corporation (SAH), entered into a Loan Agreement with aVinci Media LC whereby SAH agreed to extend to aVinci Media LC \$2.5 million to provide operating capital through the closing of the transaction. A total of \$1 million was loaned to aVinci Media LC during 2007, with an additional \$1.5 million being loaned in 2008. In connection with the closing of the Merger Agreement on June 6, 2008, aVinci Media LC received approximately \$7.1 million to fund operations in addition to the \$2.5 million previously loaned by SAH to aVinci Media LC. Upon closing of the Merger, the \$2.5 million notes payable by aVinci Media LC was eliminated. Management believes that the funds received in connection with the Merger will be sufficient to sustain operations at least through January 31, 2008. Based on the cash run rate of our current growth and operating plans, the current cash resources are anticipated to fund operations through April 2009. Additional cash of approximately \$2.2 million will be needed to fund operations through the end of 2009 based on our current plans. We may, however, choose to modify our growth and operating plans to the extent of available funding, if any. As disclosed in the risk factors, we are presently taking steps to raise additional funds to continue operations for the next 12 months and beyond.

Our plan is to pursue a private offering of debt, convertible debt or common stock to raise approximately \$1 million to \$1.5 million during the fourth quarter of 2008 to help fund operations through 2009. This capital raise will potentially be dilutive of current shareholders. Because our business is highly seasonal with as much as 40% of annual sales coming during the year-end holiday season, the total amount to be raised will be determined by estimating the total sales upon the close of the holiday season deployment date of November 15, 2008. We are currently working with several of our mass retailer customers to finalize several deployments by November 15, 2008; although, we can provide no assurances the deployments will occur. In the event additional outside capital cannot be raised, we plan to take action to cut operating expenses related to future product enhancements and deployments and continue only with expenses associated with servicing and selling the products deployed as of December 2008.

Related Party Transactions

Consulting Agreement. During the three and nine months ended September 30, 2008, pursuant to an agreement executed during the year ended December 31, 2007, we recorded expense of \$0 and \$725,000, respectively, for consulting services from Amerivon Holdings, Inc., the parent company of a significant shareholder. During the three and nine months ended September 30, 2008, we paid Amerivon Holdings, Inc. \$695,000 and \$745,000, respectively, for this agreement.

On July 1, 2008 we entered into a new sales and consulting agreement with Amerivon that terminated the agreement referenced above that was executed during the year ended December 31, 2007. During the three and nine months ended September 30, 2008, the company recorded expense of \$683 for consulting services under this new agreement. During the three and nine months ended September 30, 2008, the Company paid Amerivon \$485 for this agreement.

Distributions. The former Series B redeemable convertible preferred unit holders were entitled to a cumulative annual distribution of \$.06 per unit. During the nine months ended September 30, 2008 and 2007, \$202,696 and \$41,931, respectively, was accrued for distributions due on the Series B redeemable convertible preferred units held by Amerivon Investments, LLC. We paid Amerivon Investments, LLC \$447,783 for the accrued distributions in June 2008.

Warrant Exercise. On January 30, 2008, Amerivon Investments, LLC exercised 1,504,680 warrants to purchase common units for cash received of \$414,625; and on June 5, 2008, Amerivon Investments, LLC exercised 87,096 warrants to purchase common units for a total price of \$46,000. These exercises, along with Amerivon's conversion of convertible preferred units, increased Amerivon Investments, LLC ownership percentage to 45.4% of all common units prior to the merger on June 6, 2008.

Notes Payable and Series B Redeemable Convertible Preferred Units. On January 19, 2007 and again on February 14, 2007, Amerivon Investments, LLC was issued \$500,000 of convertible notes payable. These convertible notes payable accrued interest at 9% per annum, and had a maturity date of June 30, 2007. A beneficial conversion feature in the amount of \$171,875 was recognized, all of which was accreted to interest expense as of June 30, 2007.

In December 2006, aVinci Media LC entered into various loans from its members of the Company totaling \$285,783. These loans bore interest at 10% per annum and were payable on or before December 31, 2007. Loan origination fees of \$20,005 were recorded as an intangible asset to be amortized over the life of the loans. On January 5, 2007, an additional \$20,000 was loaned by the managers. In April and May 2007, total outstanding principal, accrued interest, and loan origination fees of \$285,783, \$10,376, and \$20,005, respectively, were paid and the associated asset was fully amortized.

New Accounting Pronouncements

In March 2008, the Financial Accounting Standards Board (FASB) issued SFAS No. 161 (SFAS 161), "Disclosures about Derivative Instruments and Hedging Activities, an Amendment of FASB Statement No. 133." SFAS 161 amends and expands the disclosure requirements of Statement 133 with the intent to provide users of financial statements with an enhanced understanding of how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Company believes that the future requirements of SFAS 161 will not have a material effect on its consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159 (SFAS 159), The Fair Value Option for Financial Assets and Financial Liabilities. Under SFAS 159, companies may elect to measure certain financial instruments and certain other items at fair value. The standard requires that unrealized gains and losses on items for which the fair value option has been elected be reported in earnings. SFAS 159 was effective beginning in the first quarter of fiscal 2008. The adoption of this accounting pronouncement did not have any effect on the Company's consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007) (SFAS 141R), Business Combinations and SFAS No. 160 (SFAS 160), Noncontrolling Interests in Consolidated Financial Statements, an amendment of Accounting Research Bulletin No. 51. SFAS 141R will change how business acquisitions are accounted for and will impact financial statements both on the acquisition date and in subsequent periods. SFAS 160 will change the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of equity. SFAS 141R and SFAS 160 are effective for us beginning in the first quarter of fiscal 2010. Early adoption is not permitted. The adoption of SFAS 141R and SFAS 160 is not expected to have a material impact on the Company's financial statements.

In September 2006, the FASB issued SFAS No. 157 (SFAS 157), Fair Value Measurements, which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. SFAS 157 does not require any new fair value measurements but rather eliminates inconsistencies in guidance found in various prior accounting pronouncements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. However, in February 2008, the FASB issued FSP FAS 157-2 which delays the effective date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). This FSP partially defers the effective date of Statement 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of this FSP. Effective for fiscal 2008, the Company will adopt SFAS 157 except as it applies to

those nonfinancial assets and nonfinancial liabilities as noted in FSP FAS 157-2. The adoption of SFAS 157 is not expected to have a material impact on the Company's financial statements.

Off-Balance Sheet Arrangements

aVinci does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital resources that is material to investors.

Contractual Obligations and Commitments

The following table sets forth certain contractual obligations as of September 30, 2008 in summary form:

Description	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
Long-term debt	\$ —	—	—	—	—
Capital lease obligations	305,004	166,162	133,842	—	—
Operating lease obligations	536,694	321,321	210,423	4,950	—
Notes payable	—	—	—	—	—
Purchase obligations	97,000	97,000	—	—	—
Other long-term liabilities under GAAP	—	—	—	—	—
Totals	\$ 938,698	584,483	349,265	4,950	—

As noted in Financing Activities above, under Liquidity and Capital Resources, \$2.5 million of the notes payable outstanding were eliminated upon the closing of the Merger between Secure Alliance Holdings and Sequoia Media Group.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act")) designed to provide reasonable assurance that the information required to be disclosed in our reports under the Exchange Act is processed, recorded, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial and Accounting Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), we carried out an evaluation, under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial and Accounting Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report. Based on this evaluation, Chett B. Paulsen, our Principal Executive Officer, and Edward B. Paulsen, our Principal Financial and Accounting Officer, concluded that these disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2008.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) or Rule 15d-15(d) under the Exchange Act that occurred during the quarter ended September 30, 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II-OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not aware of any material pending or threatened legal proceedings, other than ordinary routine litigation incidental to our business, involving our company or our property.

On December 17, 2007, Robert L. Bishop, who worked with the Company in a limited capacity in 2004 and is a current member of a limited liability company that owns an equity interest in the Company, filed a legal claim alleging a right to unpaid wages and/or commissions (with no amount specified) and Company equity. The complaint was served on the Company on January 7, 2008. The Company timely filed an Answer denying Mr. Bishop's claims and counterclaiming interference by Mr. Bishop with the Company's capital raising efforts. The Company intends to vigorously defend against Mr. Bishop's claims and pursue its counterclaim.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in the "Risk Factors" section of our amended Form S-1 as filed with the SEC on November 4, 2008.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

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

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

(a) Exhibits

Exhibit Number	Description of Exhibit
31.1	Certification of the Principal Executive Officer pursuant to Exchange Act Rule 13a-14(a)
31.2	Certification of the Principal Financial and Accounting Officer pursuant to Exchange Act Rule 13a-14(a)
32	Certification pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002

10.14 Quatex, Inc. and Sequoia Media Group, LC Services Agreement, dated September 1, 2007

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SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

aVinci Media Corporation

November 14, 2008

By: /s/ Chett B. Paulsen
Chett P. Paulsen
Principal Executive Officer

November 14, 2008

By: /s/ Edward B. Paulsen
Edward B. Paulsen
Principal Financial and Accounting
Officer