Wilhelmina International, Inc.
Form 10-K
March 29, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)
ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year ended December 31, 2011

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period from ________ to ________

Commission File Number 0-28536

WILHELMINA INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	74-2781950 (IRS Employer Identification Number)
200 Crescent Court, Suite 1400, Dallas, Texas (Address of principal executive offices)	75201 (Zip Code)

(214) 661-7488
(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act: None

Securities Registered Pursuant to Section 12(g) of the Act:
Common Stock, Par Value $0.01 Per Share
Series A Junior Participating Preferred Stock Purchase Rights
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ¨ Yes ý No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ¨ Yes ý No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ý Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ý Yes ¨ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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

Large Accelerated Filer ¨	Accelerated Filer ¨
Non-Accelerated Filer ¨	Smaller Reporting Company ý

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

The aggregate market value of the registrant's outstanding Common Stock held by non-affiliates of the registrant computed by reference to the price at which the Common Stock was last sold as of the last business day of the registrant's most recently completed second fiscal quarter was $8,503,012.

As of March 29, 2012, the registrant had 129,440,752 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Items 10, 11, 12, 13 and 14 of Part III of this Form 10-K incorporate by reference portions of an amendment to this Form 10-K or portions of a definitive proxy statement of the registrant for its Annual Meeting of Shareholders for the fiscal year ended December 31, 2011 to be held on a date to be determined, which in either case will be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year ended December 31, 2011.

WILHELMINA INTERNATIONAL, INC. AND SUBSIDIARIES

Annual Report on Form 10-K

For the Year Ended December 31, 2011

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PART I

ITEM 1. BUSINESS

FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K contains certain “forward-looking” statements as such term is defined in Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Private Securities Litigation Reform Act of 1995 and information relating to Wilhelmina International, Inc.(the “Company”) and its subsidiaries that are based on the beliefs of the Company’s management as well as information currently available to the Company’s management. When used in this report, the words “anticipate,” “believe,” “estimate,” “expect” and “intend” and words or phrases of similar import, as they relate to the Company or its subsidiaries or Company management, are intended to identify forward-looking statements. Such forward-looking statements include, in particular, projections about the Company’s future results, statements about its plans, strategies, business prospects, changes and trends in its business and the markets in which it operates. Additionally, statements concerning future matters such as gross billing levels, revenue levels, expense levels, and other statements regarding matters that are not historical are forward-looking statements. Management cautions that these forward-looking statements relate to future events or the Company’s future financial performance and are subject to business, economic, and other risks and uncertainties, both known and unknown, that may cause actual results, levels of activity, performance, or achievements of its business or its industry to be materially different from those expressed or implied by any forward-looking statements. Based upon changing conditions, should any one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended. The Company does not undertake any obligation to publicly update these forward-looking statements. As a result, you should not place undue reliance on these forward-looking statements.

DESCRIPTION OF THE WILHELMINA BUSINESS

Overview

The Company’s primary business is fashion model management, which is headquartered in New York City. The Company’s predecessor was founded in 1967 by Wilhelmina Cooper, a renowned fashion model, and is one of the oldest and largest fashion model management companies in the world. Since its founding, it has grown to include operations located in Los Angeles and Miami, as well as a growing network of licensees comprising leading modeling agencies in various local markets across the U.S. as well as in Panama and Thailand. The Company provides traditional, full-service fashion model and talent management services, specializing in the representation and management of models, entertainers, artists, athletes and other talent to various customers and clients, including retailers, designers, advertising agencies and catalog companies.

Organization and Operating Divisions

The Company is comprised of operating companies and divisions focused on the fashion model and talent management business, as well as business areas complimentary to the fashion model and talent management business such as licensing and television. These companies include:

- Wilhelmina International, Ltd. (“Wilhelmina International”)

- Wilhelmina – Miami, Inc. ("Wilhelmina Miami")
- Wilhelmina Artist Management LLC ("WAM")
- Wilhelmina Licensing LLC ("Wilhelmina Licensing"), and
- Wilhelmina Film & TV Productions LLC ("Wilhelmina TV" and together with Wilhelmina International, Wilhelmina Miami, WAM and Wilhelmina Licensing, the "Wilhelmina Companies", and together with the Company, "Wilhelmina")

Wilhelmina International (based in New York City), Wilhelmina West, Inc. (based in Los Angeles and a wholly owned subsidiary of Wilhelmina International) and Wilhelmina Miami are the Company's core fashion model management companies. WAM is a talent management company that seeks to secure endorsement and spokesperson work for various high-profile talents from the worlds of sports, music and entertainment. Wilhelmina Licensing oversees the licensing of the "Wilhelmina" name, mainly to local modeling agencies across the U.S. Wilhelmina TV participates in the development of certain reality television shows such as "The Agency" (2007) and "She's Got the Look" that seek to capitalize on the "Wilhelmina" brand.

The LW1 division, based in Los Angeles, offers models the opportunity to be showcased on TV and film through its membership in the Screen Actors Guild. Wilhelmina also owns a non-consolidated 50% interest in Wilhelmina Kids & Creative Management LLC, a New York City-based modeling agency that specializes in representing child models, from newborns to children 14 years of age.

Wilhelmina divides its businesses into the following operating divisions: Fashion Model Management; Artist Management; Licensing; and Film and Television.

Fashion Model Management Business

Wilhelmina is focused on providing fashion modeling and talent product-endorsement services to clients such as ad agencies, branded consumer goods companies, fashion designers, magazines, retailers and department stores, product catalogs and Internet sites.

The fashion model management industry can be divided into many subcategories, including advertising campaigns as well as catalog, runway and editorial work. Advertising work involves modeling for advertisements featuring consumer products such as cosmetics, clothing and other items, to be placed in magazines and newspapers, on billboards and with other types of media. Catalog work involves modeling for promotional catalogs that are produced throughout the year. Runway work involves modeling at fashion shows, which primarily take place in Paris, Milan, London and New York City. Editorial work involves modeling for the cover and editorial sections of magazines.

Clients pay talent for their appearance in photo shoots for magazine features, print advertising, direct mail marketing, product catalogs and Internet sites, as well as for their appearance in runway shows to present new designer collections, fit modeling, and on-location presentations and event appearances. In addition, talent may also appear in film and TV commercials.

Wilhelmina develops and diversifies its talent portfolio through a combination of ongoing local, regional or international scouting and talent-search efforts to source new talent, and cooperates with other agencies that represent talent.

Within its fashion model management business, Wilhelmina has two primary sources of revenue: commissions paid by models as a percentage of their gross earnings and a separate service charge, paid by clients in addition to the booking fees, calculated as a percentage of the models' booking fees. Wilhelmina believes that its commission rates and service charge are comparable to those of its principal competitors.

Wilhelmina's fashion model management operations are organized into divisions called "boards," each of which specializes by the type of models it represents. Wilhelmina's boards are generally described in the table below.

Board Name	Location	Target Market
Women	NYC, LA, Miami	High-end female fashion models
Men	NYC, LA, Miami	High-end male fashion models
W Men	NYC	Established male fashion models
Select Women	NYC	Established female fashion models
Curve	NYC	Full-figured female fashion models
Runway and S2	NYC, LA, Miami	Catwalk and designer client services
Lifestyle	NYC, LA, Miami	Commercial print bookings
Fitness	NYC	Fit or athletic models
Kids*	NYC	Child models

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* Through partial ownership of Wilhelmina Kids & Creative Management LLC

Each board is headed by a director who is in charge of the agents assigned to such board. The agents of each board act both as bookers (includes promoting models, negotiating fees and contracting work) and as talent scouts/managers (includes providing models with career guidance and helping them better market themselves). Although agents individually develop professional relationships with models, models are represented by a board collectively, and not by a specific agent. Wilhelmina's organization into boards thereby enables Wilhelmina to provide clients with services tailored to their particular needs, to allow models to benefit from agents' specialized experience in their particular markets, and to limit Wilhelmina's dependency on any specialty market or agent.

Most senior agents are employed pursuant to employment agreements that include noncompetition provisions such as a prohibition from working with Wilhelmina's models and clients for a certain period of time after the end of the agent's employment with Wilhelmina.

Wilhelmina typically signs its models to three-year exclusive contracts, which it actively enforces.

Wilhelmina Artist Management Business

WAM has two primary sources of revenue: commissions paid by talent as a percentage of their gross earnings and royalties or a service charge paid by clients. During 2011 WAM's roster of talent included superstars such as Fergie, Gloria Estefan, Nicole Scherzinger, Natasha Bedingfield, Olivia Palermo, Estelle and many others for whom Wilhelmina seeks to secure fashion campaigns, endorsements and marketing opportunities. WAM has secured commercial endorsements, fashion campaigns and sponsorships for its talent with clients such as Calvin Klein, Avon, Brown Shoe, Coca-Cola, SAP, General Motors, Cover Girl, Dessert Beauty, Donna Karan, Hershey's, Hugo Boss, L'Oreal, Mattel, Nautica, Nestle, Nike, Proctor & Gamble Company and Pizza Hut.

Although Wilhelmina's fashion model management business remains its primary business, WAM plays an increasingly important role at Wilhelmina. The visibility of WAM's talent and clients help enhance the profile and penetration of the "Wilhelmina" brand with prospective models, other talent and clients, in turn providing Wilhelmina's fashion model management business and other complimentary businesses with significant new opportunities.

Licensing

Wilhelmina Licensing collects third-party licensing fees in connection with the licensing of the "Wilhelmina" name. Third-party licensees include several leading fashion model agencies in local markets across the U.S. as well as in Panama and Thailand .

Film and Television

The film and television business consists of television syndication royalties and production series contracts. In 2005, the Wilhelmina Companies produced the television show "The Agency" for the VH1 television network. In 2007, the Wilhelmina Companies entered into an agreement with the TV Land television network to develop a television series entitled "She's Got the Look", which concluded its third season in 2010.

Competition

The fashion model management business is highly competitive. New York City, Los Angeles and Miami, as well as Paris, Milan, Sao Paulo and London, are considered the most important markets for the fashion talent management industry. Most of the leading international firms are headquartered in New York City, which is considered to be the "capital" of the global fashion industry. Wilhelmina's principal competitors include the larger fashion model management businesses in the U.S., including DNA Model Management, Elite Model Management, Ford Models, Inc., IMG Models, Marilyn Model Agency, NEXT Model Management and Women Model Management. Apart from Wilhelmina and Paris-based and publicly-listed Elite SA, all other fashion talent management firms are privately-held.

Competition also includes foreign agencies and smaller U.S. agencies in local markets that recruit local talent and cater to local market needs. Several of the larger fashion talent firms operate offices in multiple cities and countries, or alternatively have chosen to partner with local or foreign agencies to attempt to harness synergies without increasing overhead.

The Company believes that its sources of revenue (mainly generated from commissions and service charges) are comparable to those of its principal competitors. Therefore, for the Company to obtain a competitive advantage, it must develop and maintain a deep pool of talent and deliver high quality service to its clients. The Company believes that through its scouting efforts, search contests, licensing network, advertising and TV shows, it is able to recruit a deeper pool of talent relative to its competitors. These recruitment tools coupled with the broad range of fashion boards available to the Company's talent, enables the Company to develop talent and generate a broader range of revenues relative to its principal competitors. While a broad range of talent and boards provides a certain level of stability to the business, certain talent may be more inclined to work with a boutique agency which tailors to their specific needs.

Also, over its 46 years of existence, Wilhelmina has created long standing client relationships and a number of business activities related to the fashion model management business that provide exposure to diverse markets and demographics. The Company has also developed a professional workforce with years of talent management experience.

Clients and Customers

As of December 31, 2011, Wilhelmina had approximately 1,400 active models. Wilhelmina's active models include Alexandra Richards, Coco Rocha, Gabriela Salvado, Jennifer Rose, Mark Vanderloo, Ben Hill, Gabriel Aubry, Clement Chabernaud, Andreas Segura, Noah Mills, Josh Wald and RJ Rogenski.

Wilhelmina serves approximately 2,000 external clients. Wilhelmina's customer base is highly diversified, with no one customer accounting for more than 5% of overall gross revenues. The top 100 customers of Wilhelmina together accounted for no more than approximately 62% of overall gross revenues during 2011.

Governmental Regulations

Certain jurisdictions in which Wilhelmina operates, such as California and Florida, require that companies maintain a Talent Agency License in order to engage in the "talent agency" business. The talent agency business is generally considered the business of procuring engagements or any employment or placement of a talent, where the talent performs in his or her artistic capacity. Where required, the Wilhelmina Companies operating in these jurisdictions maintain Talent Agency Licenses issued by those jurisdictions. In addition, certain Wilhelmina subsidiaries also maintain required SAG licenses issued by the Screen Actors' Guild.

EMPLOYEES

As of December 31, 2011, the Company had 81 employees, 58 of whom were located in New York City, ten of whom were located at Wilhelmina's Miami office in Florida, ten of whom were located at Wilhelmina's Los Angeles, California office and three of whom were located at the corporate headquarters in Dallas, Texas.

TRADEMARKS AND LICENSING

The "Wilhelmina" brand is essential to the success and competitive position of the Company. Wilhelmina's trademark is vital to the licensing business because licensees pay for the right to use the trademark. The Company has invested significant resources in the "Wilhelmina" brands in order to obtain the public recognition that these brands currently have. The Wilhelmina Companies rely upon trademark laws, license agreements and nondisclosure agreements to protect the "Wilhelmina" brand name used in their business. Trademarks registered in the U.S. have a duration of ten years and are generally subject to an indefinite number of renewals for a like period on appropriate application.

HISTORICAL OVERVIEW

Wilhelmina Acquisition

On August 25, 2008, the Company and Wilhelmina Acquisition Corp., a New York corporation and wholly owned subsidiary of the Company ("Wilhelmina Acquisition"), entered into an agreement (the "Acquisition Agreement") with Dieter Esch ("Esch"), Lorex Investments AG, a Swiss corporation ("Lorex"), Brad Krassner ("Krassner"), Krassner Family Investments Limited Partnership, a Nevada limited partnership ("Krassner L.P." and together with Esch, Lorex and Krassner, the "Control Sellers"), the Wilhelmina Companies, Sean Patterson, an executive with the Wilhelmina Companies ("Patterson"), and the shareholders of Wilhelmina Miami (the "Miami Holders" and together with the Control Sellers and Patterson, the "Sellers"). Pursuant to the Acquisition Agreement, which closed February 13, 2009, the Company acquired the Wilhelmina Companies subject to the terms and conditions thereof (the "Wilhelmina Transaction"). The Acquisition Agreement provided for (i) the merger of Wilhelmina Acquisition with and into Wilhelmina International in a stock-for-stock transaction, as a result of which Wilhelmina International became a wholly owned subsidiary of the Company (the "Merger") and (ii) the Company purchased the outstanding equity interests of the other Wilhelmina Companies for cash.

At the closing of the Wilhelmina Transaction, on February 13, 2009, the Company paid an aggregate purchase price of approximately $22,432,000 in connection therewith, of which approximately $16,432,000 was paid for the outstanding equity interests of the Wilhelmina Companies and $6,000,000 in cash repaid the outstanding balance of a note held by a Control Seller. The purchase price included $7,609,336 (63,411,131 shares) of the Company's common stock, par value $0.01 per share ("Common Stock"), valued at $0.12 per share (representing the closing price of the Common Stock on February 13, 2009) that was issued in connection with the merger of Wilhelmina Acquisition with and into Wilhelmina International. Approximately $8,823,000 of the remaining cash was paid to acquire the equity interests of the remaining Wilhelmina Companies.

The purchase price was subject to certain post-closing adjustments, which were to be effected against a total of 19,229,746 shares of Common Stock (valued at approximately $2,307,000 on February 13, 2009) (the "Restricted Shares") that were held in escrow pursuant to the Acquisition Agreement. The Restricted Shares held in escrow were intended to support earn-out offsets and indemnification obligations of the Sellers. The Control Sellers were required to leave in escrow, through 2011, any stock "earned" following resolution of "core" adjustment, up to a total value of $1,000,000. Losses at WAM and Wilhelmina Miami, respectively, could be offset against any positive earn-out with respect to the other company. Losses in excess of earn-out amounts could also result in the repurchase of the remaining shares of Common Stock held in escrow for a nominal amount. Working capital deficiencies could also reduce positive earn-out amounts.

After the closing, the parties became engaged in a dispute relating to a purchase price adjustment being sought by the Company in connection with the Wilhelmina Transaction and other related matters. On October 18, 2010, the Company, together with Newcastle Partners, L.P. ("Newcastle") and the Control Sellers entered into a Global Settlement Agreement (the "Settlement Agreement"). Under the Settlement Agreement, (i) a total of 18,811,686 Restricted Shares were released to the Control Sellers, (ii) all the Company's future earn-out obligations relating to the operating results of WAM under the Acquisition Agreement were cancelled and (iii) (A) approximately 39% (representing the amount that would otherwise be paid to Krassner L.P.) of the first $2 million of the Company's earn-out obligations relating to the operating results of Wilhelmina Miami under the Acquisition Agreement (the "Miami Earnout") was cancelled and (B) approximately 69% (representing the amounts that would otherwise be paid in the aggregate to Krassner L.P. and Lorex) of any such Miami Earnout obligation over $2 million was cancelled. With respect to any portion of the Miami Earnout that may become payable, the Company further agreed not to assert any setoff thereto in respect of (1) any negative closing net asset adjustment determined under the Acquisition Agreement or (2) any divisional loss in respect of WAM. The Company also reimbursed certain documented legal fees of the Control Sellers in the amount of $300,000, which amount was recorded as settlement expense in the accompanying consolidated statement of operations for the year ended December 31, 2010.

Pursuant to the Settlement Agreement, the parties agreed to dismiss the litigation then pending in the U.S. District Court, Southern District of New York concerning the Restricted Shares. The parties also agreed to customary mutual releases and further agreed to withdraw their respective indemnification claims under the Acquisition Agreement, except that the Company preserved indemnification rights with respect to certain specified matters.

With respect to corporate governance matters, the Settlement Agreement required that (i) Newcastle and the Control Sellers concurrently enter into an amendment to that certain Mutual Support Agreement dated August 25, 2008, which amendment provides for the addition of two (2) independent directors to the Company’s Board of Directors, subject to a pre-determined selection process, and (ii) within six months following the execution of the Settlement Agreement, the Board was required to evaluate and consider updates and/or clarifications to the Company’s Bylaws, with such updates to address (a) the advance notice procedures for nominations and stockholder proposals, (b) the Company’s fiscal year and (c) such other matters as the Board determined. The Company also agreed to enter into an amendment to its Rights Agreement to, among other things, rescind the designation of the Control Sellers as Acquiring Persons thereunder.

Newcastle Financing Agreement

Concurrently with the execution of the Acquisition Agreement, the Company entered into a purchase agreement (the “Equity Financing Agreement”) with Newcastle Partners, L.P., a Texas limited partnership (“Newcastle”), which at that time owned 19,380,768 shares or approximately 36% of the outstanding Common Stock, for the purpose of obtaining financing to complete the transactions contemplated by the Acquisition Agreement. Pursuant to the Equity Financing Agreement, upon the closing of the Wilhelmina Transaction, the Company sold to Newcastle $3,000,000 (12,145,749 shares) of Common Stock at $0.247 per share, or approximately (but slightly higher than) the per share price applicable to the Common Stock issuable under the Acquisition Agreement. As a result, Newcastle now owns 34,064,466 shares of Common Stock, or approximately 26% of the Company’s outstanding Common Stock. In addition, under the Equity Financing Agreement, Newcastle committed to purchase, at the Company’s election at any time or times prior to six months following the closing, up to an additional $2,000,000 (8,097,166 shares) of Common Stock on the same terms. The Company’s election right expired on August 13, 2009. Upon the closing of the Equity Financing Agreement, Newcastle obtained certain demand and piggyback registration rights with respect to the Common Stock it holds, including the Common Stock issued under the Equity Financing Agreement. The registration rights agreement contains certain indemnification provisions for the benefit of the Company and Newcastle, as well as certain other customary provisions.

PRE-WILHELMINA

The Company was incorporated in the State of Delaware in 1996.

Until the Company’s acquisition of the Wilhelmina Companies in February 2009, during the prior three years, the Company was in a transition period during which it sought to redeploy its assets to enhance shareholder value by evaluating potential acquisition and merger candidates. During this transition period, the Company’s sole operating business represented an investment in ACP Investments, L.P. (d/b/a Ascendant Capital Partners) (“Ascendant”). Ascendant is a Berwyn, Pennsylvania based alternative asset management company whose funds have investments in long/short equity funds and which distributes its registered funds primarily through various financial intermediaries and related channels. The Company has not recorded any revenues in connection with its investment in Ascendant since July 2006.

ITEM 1A. RISK FACTORS

Not Applicable.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not Applicable.

ITEM 2. PROPERTIES

The Company's corporate headquarters are currently located at 200 Crescent Court, Suite 1400, Dallas, Texas 75201, which are also the offices of Newcastle Capital Management, L.P. ("NCM"). NCM is the general partner of Newcastle. The Company occupies a portion of NCM's space on a month-to-month basis at $2,500 per month, pursuant to a services agreement entered into between the parties on October 1, 2006.

The following table summarizes information with respect to the material facilities of the Company for leased office space and model apartments:

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Description of Property	Area (sq. feet)	Lease Expiration
Office for New York-based operations – New York, NY	12,671	February 28, 2021
Office for California-based operations – Los Angeles, CA	3,605	June 30, 2016
Office for Miami-based operations – Miami, FL	2,100	October 1, 2012
Three model apartments – New York, NY	6,000	August 30, 2012
One model apartment – Los Angeles, CA	1,500	December 31, 2012
Four model apartments – Miami, FL	1,500	October 1, 2012

The Company believes there is sufficient office space available at favorable leasing terms both to replace existing office space and to satisfy any additional needs the Company may have as a result of future expansion.

ITEM 3. LEGAL PROCEEDINGS

The Company is engaged in various legal proceedings that are routine in nature and incidental to its business. None of these proceedings, either individually or in the aggregate, are believed, in the Company's opinion, to have a material adverse effect on its consolidated financial position or its results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

The Company's Common Stock is currently quoted on the OTC QX Marketplace (the "OTCQX") under the symbol "WHLM.OB." Prior to February 19, 2009, the Common Stock was quoted on the OTC Bulletin Board under the symbol "NCEH.OB." The table below sets forth the high and low bid prices for the Common Stock from January 1, 2010 through December 31, 2011. These price quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not necessarily represent actual transactions, and are based on information from published financial sources:

	High	Low
Year Ended December 31, 2010:		
1st Quarter	$0.15	$0.09
2nd Quarter	$0.13	$0.09
3rd Quarter	$0.13	$0.10
4th Quarter	$0.16	$0.10

Year Ended December 31, 2011:	High	Low
1st Quarter	$0.23	$0.14
2nd Quarter	$0.27	$0.20
3rd Quarter	$0.24	$0.20
4th Quarter	$0.22	$0.14

Shareholders

As of March 29, 2012, there were 129,440,752 shares of Common Stock outstanding, held by 500 holders of record. The last reported sales price of the Common Stock was $0.18 per share on March 28, 2012.

Dividend Policy

The Company has not declared or paid any cash dividends on its Common Stock during the past two completed fiscal years. The Company has a credit facility (the "Amegy Credit Agreement") with Amegy Bank National Association ("Amegy") which contains a covenant which could limit its ability to pay dividends on the Common Stock.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion of the Company's financial condition and results of operations comparing the calendar years ended December 31, 2011 and 2010. You should read this section in conjunction with the Company's Consolidated Financial Statements and the Notes thereto that are incorporated herein by reference and the other financial information included herein and the notes thereto.

OVERVIEW

The Company's primary business is fashion model management, which is headquartered in New York City. The Company's predecessor was founded in 1967 by Wilhelmina Cooper, a renowned fashion model, and is one of the oldest, best known and largest fashion model management companies in the world. Since its founding, it has grown to include operations located in Los Angeles and Miami, as well as a growing network of licensees comprising leading modeling agencies in various local markets across the U.S. as well as in Panama and Thailand. The Company provides traditional, full-service fashion model and talent management services, specializing in the representation and management of models, entertainers, artists, athletes and other talent to various customers and clients, including retailers, designers, advertising agencies and catalog companies.

Wilhelmina has strong brand recognition that enables it to attract and retain top talent to service a broad universe of quality media and retail clients.

The business of talent management firms, such as Wilhelmina, depends heavily on the state of the advertising industry, as demand for talent is driven by Internet, print and TV advertising campaigns for consumer goods and retail clients. The Company continues to focus on cutting costs and recruiting top agents when available and scouting and developing new talent. As a result, during 2011, Wilhelmina

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realized growth in its gross billings partly due to its deeper bench of agents and new talent and also partly due to improvement in its clients' willingness to spend on the related services it provides.

Although Wilhelmina has a large and diverse client base, as discussed below, it is not immune to global economic conditions. Wilhelmina closely monitors economic conditions, client spending and other factors and continually looks for ways to reduce costs, manage working capital and conserve cash. There can be no assurance as to the effects on Wilhelmina of future economic circumstances, client spending patterns, client credit worthiness and other developments and whether, or to what extent, Wilhelmina's efforts to respond to them will be effective.

Trends and Opportunities

The Company expects that the combination of Wilhelmina's main operating base in New York City, the industry's capital, with the depth and breadth of its talent pool and client roster and its diversification across various talent management segments, together with its geographical reach should make Wilhelmina's operations more resilient to industry changes and economic swings than those of many of the smaller firms operating in the industry. Similarly, in the segments where Wilhelmina competes with other leading full service agencies, Wilhelmina competed successfully in 2011. Accordingly, the Company believes that the current economic climate will create new growth opportunities for strong industry leaders such as Wilhelmina.

Wilhelmina has seen an increasingly strong influx of talent, at both the new and seasoned talent levels, and believes it is increasingly attractive as an employer for successful agents across the industry as evidenced by the quality of agents expressing an interest in joining Wilhelmina. Similarly, new business and branding opportunities directly or indirectly relating to the fashion industry are being brought to Wilhelmina's attention. In order to take advantage of these opportunities and support its continued growth, Wilhelmina will need to continue to successfully allocate resources and staffing in a way that enhances its ability to respond to these new opportunities.

With total advertising expenditures on major media (newspapers, magazines, television, cinema, outdoor and Internet) amounting to approximately $161 billion in 2010 and $165 billion 2011, North America is by far the world's largest advertising market. For the fashion talent management industry, including Wilhelmina, advertising expenditures on magazines, television, Internet and outdoor are of particular relevance.

Due to the increasing ubiquity of the Internet as a standard business tool, the Wilhelmina Companies have increasingly sought to harness the opportunities of the Internet and other digital media to improve their communications with clients and to facilitate the effective exchange of fashion model and talent information. The Company continues to make significant investments in technology in pursuit of gains in efficiency and better communications with customers. At the same time, the Internet presents challenges for the Wilhelmina Companies, including (i) the cannibalization of traditional print advertising business and (ii) pricing pressures with respect to photo shoots and client engagements.

Strategy

Management's strategy is to increase value to shareholders through the following initiatives:

- expanding the women's high end fashion board;
- continuing to invest in the WAM business;

- strategic acquisitions;
- licensing the "Wilhelmina" name to leading, local model management agencies;
- exploring the use of the "Wilhelmina" brand in connection with consumer products, cosmetics and other beauty products;
- partnering on television shows and promoting model search contests.

Wilhelmina Acquisition

On February 13, 2009, the Company closed the Wilhelmina Transaction and acquired the Wilhelmina Companies as discussed in further detail in Item 1 of this Form 10-K. As of the closing of the Wilhelmina Transaction, the business of Wilhelmina represents the Company's primary operating business. Prior to closing of the Wilhelmina Transaction, the Company's interest in Ascendant, acquired on October 5, 2005, represented the Company's sole operating business.

Ascendant

On October 5, 2005, the Company acquired an interest in the revenues generated by ACP Ascendant , a Berwyn, Pennsylvania based alternative asset management company whose funds have investments in long/short equity funds and which distributes its registered funds primarily through various financial intermediaries and related channels. Ascendant had assets under management of approximately $74,900,000 and $59,100,000 as of December 31, 2011 and December 31, 2010, respectively.

During 2009, the Company determined that the present value of expected cash flows from the Ascendant revenue interest was nominal and therefore the revenue interest is carried at $0 in the accompanying balance sheet at December 31, 2011 and 2010.

RESULTS OF OPERATIONS OF THE COMPANY FOR THE YEAR ENDED DECEMBER 31, 2011 COMPARED TO THE YEAR ENDED DECEMBER 31, 2010

The key financial indicators that the Company reviews to monitor the business are gross billings, revenues, model costs, operating expenses and cash flows.

The Company analyzes revenue by reviewing the mix of revenues generated by the different "boards" (each a specific division of the fashion model management operations which specializes by the type of model it represents (Women, Men, Select, S2, Runway, Curve, Lifestyle, Kids, etc.)) of the business, revenues by geographic locations and revenues from significant clients. Wilhelmina has three primary sources of revenue: revenues from principal relationships whereby the gross amount billed to the client is recorded as revenue, when the revenues are earned and collectability is reasonably assured; revenues from agent relationships whereby the commissions paid by models as a percentage of their gross earnings are recorded as revenue when earned and collectability is reasonably assured; and separate service charges, paid by clients in addition to the booking fees, which are calculated as a percentage of the models' booking fees and are recorded as revenues when earned and collectability is reasonably assured. See Critical Accounting Policies - Revenue Recognition. Gross billings are an important business metric that ultimately drive revenues, profits and cash flows.

Because Wilhelmina provides professional services, salary and service costs represent the largest part of the Company's operating expenses. Salary and service costs are comprised of payroll and related costs and travel costs required to deliver the Company's services and to enable new business development activities.

Gross Billings

Gross billings for the year ended December 31, 2011 increased approximately $6,521,000, or 12.4%, to approximately $59,005,000, compared to approximately $52,484,000 for the year ended December 31, 2010. Generally, gross billings increased due to the Company's clients spending more on advertising and the Company having the desired talent available to its clients. During the year ended December 31, 2011, the Wilhelmina Companies experienced a significant increase in gross billings across the core modeling business, which was partially offset by a year over year decrease in gross billings in the WAM business. Gross billings of the WAM division represented approximately 10% of total gross billings for the year ended December 31, 2011, compared to approximately 12% for the year ended December 31, 2010. During the year ended December 31, 2011, gross billings of the various boards of the core modeling business experienced positive growth ranging from 3% to 92%, and two boards experienced negative growth of 2%, compared to the year ended December 31, 2010.

Revenues

During the year ended December 31, 2011, revenues increased approximately $6,547,000, or 13.3%, to approximately $55,466,000, compared to approximately $48,919,000 during the year ended December 31, 2010. This increase in revenues is attributable to increases in gross billings for the core modeling business and recognition of revenues previously deferred.

In addition, revenues during the year ended December 31, 2011 increased at a rate greater than the rate of increase in gross billings over the year ended December 31, 2010 as a result of a larger percentage of total revenues being derived from relationships which required the reporting of revenues gross (as a principal) versus net (as an agent).

Typically, relationships in the core modeling business are determined to be principal relationships and therefore require the reporting of revenues on a gross basis. Relationships in the WAM business are usually determined to be agent relationships, which require the reporting of revenues on a net basis.

License Fees and Other Income

The Company has an agreement with an unconsolidated affiliate to provide management and administrative services, as well as sharing of space. For each of the years ended December 31, 2011 and December 31, 2010, management fee and rental income from the unconsolidated affiliate amounted to approximately $110,000.

License fees consist primarily of franchise revenues from independently owned model agencies that use the Wilhelmina trademark name and various services provided to them by the Wilhelmina Companies. During the year ended December 31, 2011, license fees totaled approximately $171,000, compared to $192,000 for the year ended December 31, 2010.

The Company has entered into product licensing agreements with clients. Under these agreements, the Company earns commissions and service charges and participates in sharing of royalties with talent it represents. During the year ended December 31, 2011, revenue from these licensing agreements totaled approximately $880,000, compared to $780,000 for the year ended December 31, 2010.

Other income includes the following: fees derived from participants in the Company's model search contests and television syndication royalties and a production series contract. In 2005, the Wilhelmina Companies produced the television show "The Agency" and in 2007 the Wilhelmina Companies entered into an agreement with a television network to develop a television series titled "She's Got the Look", which, in 2010, completed its third season on the network channel TV Land Prime. The television series documented the lives of women competing in a modeling competition. The Company provided the television series with the talent and the "Wilhelmina" brand image, and agreed to a modeling contract with the winner of the competition, in consideration of a fee per episode produced, plus certain fees, as defined.

Model Costs

Model costs consist of costs associated with relationships with models where the key indicators suggest that the Company acts as a principal. Therefore, the Company records the gross amount billed to the client as revenue when the revenues are earned and collectability is reasonably assured, and the related costs incurred to the model as model cost. During the year ended December 31, 2011, model costs increased approximately $4,714,000, or 14.4%, to approximately $37,552,000, compared to approximately $32,838,000 during the year ended December 31, 2010. Increases in model costs are a direct result of an increase in the utilization of models by the customers of the Company and an increase in average billing rates for models. During the year ended December 31, 2011, model costs as a percentage of revenues were approximately 67.7%, compared to 67.1% during the year ended December 31, 2010. Margins declined slightly from the prior year period mostly as a result of a larger percentage of total revenues being derived from relationships, which required the reporting of revenues gross (as a principal) versus net (as an agent).

Operating Expenses

Operating expenses consist of costs that support the operations of the Company, including payroll, rent, overhead, insurance, travel, professional fees, amortization and depreciation, asset impairment charges and corporate overhead. During the year ended December 31, 2011, operating expenses increased approximately $866,000, or 5.9%, to approximately $15,400,000, compared to approximately $14,596,000 during the year ended December 31, 2010. The increase in operating expenses is attributable to increases in salaries and service costs partially offset by a decrease in office and general expenses and amortization.

Salaries and Service Costs

Salaries and service costs consist of payroll and related costs and travel costs required to deliver the Company's services to its customers and models. During the year ended December 31, 2011, salaries and service costs increased approximately $1,190,000, or 14.3%, to approximately $9,502,000, compared to approximately $8,312,000 during the year ended December 31, 2010. Salaries and service costs were 17.1% of revenues for the year ended December 31, 2011, compared to 17.0% for the year ended December 31, 2010. The Company has consistently leveraged its employees to meet the increased demands from customers for Wilhelmina talent in 2011.

The Company experienced increased travel costs in connection with delivering services to its customers and models due to increased gross billings and also in pursuit of generating new revenues. The Company also incurred additional incentive compensation for the year ended December 31, 2011, as compared to the year ended December 31, 2010, due to the achievement of performance targets by certain employees.

Office and General Expenses

Office and general expenses consist of office and equipment rents, advertising and promotion, insurance expenses, administration and technology cost. These costs are less directly linked to changes in the Company's revenues than are salaries and service costs. During the year ended December 31, 2011, office and general expenses decreased approximately $63,000, or 2.1%, to approximately $2,912,000, compared to approximately $2,975,000 during the year ended December 31, 2010. Office and general expenses decreased due to a decrease in costs associated with advertising, promotion and contest related activities.

The amount of office and general expenses represented 5.3% of revenues for the year ended December 31, 2011, compared to 6.1% for the year ended December 31, 2010. The majority of fixed asset purchases for the year ended December 31, 2011 related to leasehold improvements and furniture for the new Los Angeles office.

Amortization and Depreciation

Depreciation and amortization expense is incurred with respect to certain assets, including computer hardware, software, office equipment, furniture, and other intangibles. During the year ended December 31, 2011, depreciation and amortization expense totaled $1,642,000 (of which $1,540,000 relates to amortization of intangibles acquired in connection with the Wilhelmina Transaction), compared to $1,919,000 during the year ended December 31, 2010 (of which $1,855,000 relates to amortization of intangibles acquired in connection with the Wilhelmina Transaction). Fixed asset purchases totaled approximately $354,000 and $105,000 during the year ended December 31, 2011 and December 31, 2010, respectively. The majority of fixed asset purchaser during 2011 related to leasehold improvements and furniture for the Los Angeles office.

Corporate Overhead

Corporate overhead expenses include public company costs, director and executive officer compensation, compensation and consulting fees to Esch, directors' and officers' insurance, legal, audit and professional fees, corporate office rent and travel. During the year ended December 31, 2011, corporate overhead approximated $1,406,000, compared to $1,390,000 for the year ended December 31, 2010. The increase in corporate overhead for the year ended December 31, 2011 compared to the year ended December 31, 2010 is mostly attributable to increases in directors fees and stock exchange fees partially offset by decreases in accounting and tax fees.

Miami Earn-Out Adjustment and Settlement Expenses

In connection with the Settlement Agreement reached October 18, 2010, (A) approximately 39% (representing the amount that would otherwise be paid to Krassner L.P.) of the first $2 million of the Miami Earnout was cancelled and (B) approximately 69% (representing the amounts that would otherwise be paid in the aggregate to Krassner L.P. and Lorex) of any such Miami Earnout obligation over $2 million was cancelled.

The Miami Earnout, payable in accordance with the Acquisition Agreement and Settlement Agreement, was to be calculated based on the three year average of audited Wilhelmina Miami EBITDA beginning January 1, 2009 and ending December 31, 2011, multiplied by 7.5, and payable in cash or stock. As of December 31, 2010, the fair value of the Miami Earnout was approximately $2,063,000, which management determined based on a number of factors. At December 31, 2011, management computed the actual amount to be paid on the Miami Earnout based on the financial results of the Miami division for the three years ended December 31, 2011 to be $2,174,000. As a result, for the year ended December 31, 2011, the Company recorded adjustments to the previously estimated fair value of $111,000, of which $36,000 was recorded in the quarter ended December 31, 2011.

Asset Impairment Charge

Each reporting period, the Company assesses whether events or circumstances have occurred which indicate that the carrying amount of an intangible asset exceeds its fair value. If the carrying amount of the intangible asset exceeds its fair value, an asset impairment charge will be recognized in an amount equal to that excess. No asset impairment charges were incurred during the year ended December 31, 2011 and December 31, 2010.

Interest Income

Interest income totaled approximately $6,000 and $4,000 for the years ended December 31, 2011 and 2010, respectively. The increase in interest income is the result of increased cash balances.

Interest Expense

Interest expense totaled approximately $28,000 for the year ended December 31, 2011, compared to approximately $64,000 for the year ended December 31, 2010. The decrease in interest expense for the year ended December 31, 2011, compared to the year ended December 31, 2010, is attributable to the principal repayment on the Esch Note partially offset by the borrowing of $500,000 under the Amegy Credit Agreement. See Liquidity and Capital Resources below for further discussion Note 4 of the accompanying financial statements for a discussion relating to the repayment of the Esch Note.

Income Tax Expense

During the year ended December 31, 2011, the Company's combined federal and state effective tax rate was approximately 19%. The Company's effective tax rate would be substantially higher if it were not for federal net operating loss carryforwards.

As of December 31, 2011, the Company had a federal income tax loss carryforward of approximately $7,400,000, which begins expiring in 2019. Realization of the Company's carryforwards is dependent on future taxable income and capital gains. A valuation allowance has been recorded to reflect the tax effect of the net loss carryforwards not used to offset a portion of the deferred tax liability resulting from the Wilhelmina Transaction. Ownership changes, as defined in the Internal Revenue Code, may limit the amount of net operating loss carryforwards that can be utilized annually to offset future taxable income. Subsequent ownership changes could further affect the limitation in future years.

Liquidity and Capital Resources

The Company's cash balance increased to $3,128,000 at December 31, 2011, from $1,732,000 at December 31, 2010. The increase is primarily attributable to cash flow from operations and borrowings under the Amegy credit facility somewhat offset by principal payments under the Esch Note totaling $600,000 and leasehold improvements costs associated with the new lease for office space located in Los Angeles, CA effective July 1, 2011. The Company's accounts receivable and due to models balances as of December 31, 2011 reflect significant increases when compared to the corresponding balances as of December 31, 2010. This increase is attributable to the growth in revenues and model cost during the year ended December 31, 2011 and also reflects accounts receivable and due to models balances of approximately $1,300,000 and $1,000,000, respectively, from two large customer contract payments which were received and paid shortly after December 31, 2011.

Currently, the Company's primary liquidity need is to fund the Miami Earnout payment of approximately $2,174,000, which is payable (subject to the provisions of the Acquisition Agreement) in April 2012. The Company expects to fund the earn-out obligation with cash on hand and borrowings under the Amegy credit facility (see below).

Amegy Credit Agreement

On April 29, 2011, the Company closed the Amegy Credit Agreement for a new $500,000 revolving credit facility with Amegy with a maturity date of February 28, 2012. Borrowings under the facility are to be used for working capital and other general business purposes of the Company. During the three months ended September 30, 2011, the Company drew $500,000 under the Amegy Credit Agreement.

On January 12, 2012, the Company executed and closed an amendment (the "Amegy Credit Agreement Amendment") to its revolving Amegy Credit Agreement.

Under the terms of the Amegy Credit Agreement Amendment, which is effective as of January 1, 2012, total availability under the revolving credit facility was increased to $1,500,000. In addition, the maturity date of the facility was extended to December 31, 2012.

Generally, amounts outstanding under the Amegy Credit Agreement shall bear interest at the greater of (a) 5% per annum or (b) the prime rate (which means, for any day, the rate of interest quoted in The Wall Street Journal as the "Prime Rate") plus 2% per annum. Credit is available under the facility through December 31, 2012 and is limited to a borrowing base equal to 65% of the aggregate value of eligible accounts receivable (as defined in the Amegy Credit Agreement) of the Company.

Earn Out

The Miami Earnout, payable in accordance with the Acquisition Agreement and Settlement Agreement, was to be calculated based on the three year average of audited Wilhelmina Miami EBITDA beginning January 1, 2009 and ending December 31, 2011, multiplied by 7.5, and payable in cash or stock. As of December 31, 2010, the fair value of the Miami Earnout was approximately $2,063,000, which management determined based on a number of factors. At December 31, 2011, management computed the actual amount to be paid on the Miami Earnout based on the financial results of the Miami division for the three years ended December 31, 2011 to be $2,174,000. As a result, for the year ended

December 31, 2011, the Company recorded adjustments to the previously estimated fair value of $111,000, of which $36,000 was recorded in the quarter ended December 31, 2011.

Generally, the Company's needs for liquidity are for financing working capital associated with the expenses it incurs in performing services under its client contracts. The Company incurs significant operating expenses with payment terms shorter than its average collections on billings.

The Company's ability to replace its indebtedness, and to fund working capital and planned capital expenditures, will depend on its ability to generate cash in the future, which, to a certain extent, is subject to general economic, financial, competitive and other factors that are beyond its control. The Company has historically secured its working capital facility through accounts receivable balances and, therefore, the Company's ability to continue servicing debt is dependent upon the timely collection of those receivables. The Company believes its operations will provide working capital necessary to meet its needs.

Employee Termination

On February 24, 2012, the employment of Sean Patterson as President of Wilhelmina International was terminated for cause. Wilhelmina International is the principal operating subsidiary of the Company. Over the course of several weeks following the departure of Sean Patterson, five agents resigned from the Company to pursue other interests. As of March 29, 2012, the Company has hired four new agents to replace all of these positions. As of March 29, 2012, the termination of Sean Patterson has not had a material impact on the results of operations or financial position of the Company and, based on current trends in the business, the Company does not expect such termination to have a material impact in the future.

The Company is engaged in search activities for a new president/chief operating officer for Wilhelmina International. In the interim, the roles and responsibilities of Sean Patterson have been assumed by four senior agents along with the chief financial officer, general counsel and chief executive officer of the Company.

Subsequent to December 31, 2011, an option grant for 2,000,000 shares previously awarded to Sean Patterson terminated, as provided for in the option agreement, as a result of the termination of employment of Mr. Patterson.

Off-Balance Sheet Arrangements

At December 31, 2011 and 2010, the Company had $222,000 of restricted cash that serves as collateral for the full amount of an irrevocable standby letter of credit. The letter of credit serves as additional security under the lease extension relating to the Company's office space in New York City that expires in February 2021.

Effect of Inflation

Inflation has not been a material factor affecting the Company's business. General operating expenses, such as salaries, employee benefits, insurance and occupancy costs, are subject to normal inflationary pressures.

Critical Accounting Policies

Revenue Recognition

In compliance with generally accepted accounting principles ("GAAP") when reporting revenue gross as a principal versus net as an agent, the Company assesses whether it, the model or the talent is the primary obligor. The Company evaluates the terms of its model, talent and client agreements as part of this assessment. In addition, the Company gives appropriate consideration to other key indicators such as latitude in establishing price, discretion in model or talent selection and credit risk the Company undertakes. The Company operates broadly as a modeling agency and in those relationships with models and talent where the key indicators suggest the Company acts as a principal, the Company records the gross amount billed to the client as revenue when earned and collectability is reasonably assured and the related costs incurred to the model or talent as model or talent cost. In other model and talent relationships, where the Company believes the key indicators suggest it acts as an agent on behalf of the model or talent, the Company records revenue net of pass-through model or talent cost.

The Company also recognizes management fees as revenues for providing services to other modeling agencies as well as consulting income in connection with services provided to a television production network according to the terms of the contract. The Company recognizes royalty income when earned based on terms of the contractual agreement. Revenues received in advance are deferred and amortized using the straight-line method over periods pursuant to the related contract.

The Company also records fees from licensees when the revenues are earned and collectability is reasonably assured.

Advances to models for the cost of producing initial portfolios and other out-of-pocket costs are expensed to model costs as incurred. Any repayments of such costs are credited to model costs in the period received.

Goodwill and Intangible Assets

Goodwill and intangible assets consist primarily of goodwill and buyer relationships resulting from a business acquisition. Goodwill and intangible assets with indefinite lives are no longer subject to amortization, but rather to an annual assessment of impairment by applying a fair-value based test.

Management's assessments of the recoverability and impairment tests of goodwill and intangible assets involve critical accounting estimates. These estimates require significant management judgment, include inherent uncertainties and are often interdependent; therefore, they do not change in isolation. Factors that management must estimate include, among others, the economic life of the asset, sales volume, prices, inflation, cost of capital, marketing spending, tax rates and capital spending. These factors are even more difficult to predict when global financial markets are highly volatile. When performing impairment tests, the Company estimates the fair values of the assets using management's best assumptions, which it believes would be consistent with what a hypothetical marketplace participant would use. Estimates and assumptions used in these tests are evaluated and updated as appropriate. The variability of these factors depends on a number of conditions, including uncertainty about future events,

and thus the accounting estimates may change from period to period. If other assumptions and estimates had been used when these tests were performed, impairment charges could have resulted.

Business Combinations

In a business combination, contingent consideration or earn outs will be recorded at their fair value at the acquisition date. Except in bargain purchase situations, contingent consideration typically will result in additional goodwill being recognized. Contingent consideration classified as an asset or liability will be adjusted to fair value at each reporting date through earnings until the contingency is resolved.

These estimates are subject to change upon the finalization of the valuation of certain assets and liabilities and may be adjusted.

At the date of the Wilhelmina Transaction, GAAP provided that acquisition transaction costs, such as certain investment banking fees, due diligence costs and attorney fees were to be recorded as a reduction of earnings in the period they are incurred. Prior to January 1, 2009, in accordance with GAAP existing at that time, the Company included acquisition transaction costs in the cost of the acquired business. On February 13, 2009, the Company closed the Wilhelmina Transaction, and therefore, recorded all previously capitalized acquisition transaction costs of approximately $849,000 as an expense for the year ended December 31, 2008. The Company incurred acquisition transaction costs of $0 and $673,000 for the years ended December 31, 2011 and 2010, respectively.

Management is required to address the initial recognition, measurement and subsequent accounting for assets and liabilities arising from contingencies in a business combination, and requires that such assets acquired or liabilities assumed be initially recognized at fair value at the acquisition date if fair value can be determined during the measurement period. If the acquisition date fair value cannot be determined, the asset acquired or liability assumed arising from a contingency is recognized only if certain criteria are met. A systematic and rational basis for subsequently measuring and accounting for the assets or liabilities is required to be developed depending on their nature.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company continually assesses the need for a tax valuation allowance based on all available information. As of December 31, 2011, and as a result of this assessment, the Company does not believe that its deferred tax assets are more likely than not to be realized. In addition, the Company continuously evaluates its tax contingencies.

Accounting for uncertainty in income taxes recognized in an enterprise's financial statements requires a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Also, consideration should be given to de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and

transition. There was no change to the net amount of assets and liabilities recognized in the consolidated balance sheets as a result of the Company's tax positions.

Basis of Presentation

The financial statements include the consolidated accounts of Wilhelmina and its wholly owned subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are accounted for at fair value, do not bear interest and are short-term in nature. The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability to collect on accounts receivable. Based on management's assessment, the Company provides for estimated uncollectible amounts through a charge to earnings and a credit to the valuation allowance. Balances that remain outstanding after the Company has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The Company generally does not require collateral.

New Accounting Pronouncements

Any new applicable accounting pronouncements have been listed in Note 2 of the Consolidated Financial Statements, which is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements of the Company and the related report of the Company's independent registered public accounting firm thereon, are included in this report at the page indicated.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors

Wilhelmina International, Inc.

We have audited the accompanying consolidated balance sheets of Wilhelmina International, Inc. (a Delaware corporation) and Subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of operations, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wilhelmina International, Inc. and Subsidiaries as of December 31, 2011 and 2010, and the consolidated results of their operations and their consolidated cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Burton McCumber & Cortez, L.L.P.

Brownsville, Texas
March 29, 2012

WILHELMINA INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
December 31,

(In thousands, except share data)

ASSETS

	2011	2010
Current assets:		
Cash and cash equivalents	$3,128	$1,732
Accounts receivable, net of allowance for doubtful accounts of $760 and $623	11,460	8,525
Indemnification receivable	428	726
Prepaid expenses and other current assets	251	211
Total current assets	15,267	11,194
Property and equipment, net of accumulated depreciation of $226 and $124	579	326
Trademarks and trade names with indefinite lives	8,467	8,467
Other intangibles with finite lives, net of accumulated amortization of $5,019 and $3,479	3,318	4,858
Goodwill	12,563	12,647
Restricted cash	222	222
Other assets	285	239
Total assets	$40,701	$37,953
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$3,528	$3,810
Due to models	9,564	7,374
Deferred revenue	295	778
Foreign withholding claim subject to indemnification	428	726
Amegy credit facility	500	-
Esch promissory note	-	600
Earn out liability	2,174	-
Total current liabilities	16,489	13,288
Long term liabilities		
Deferred revenue, net of current portion	245	265
Deferred income tax liability	1,800	1,800
Earn out-contingent liability	-	2,063
Total long-term liabilities	2,045	4,128
Commitments and contingencies	-	-
Shareholders' equity:		
Preferred stock, $0.01 par value, 10,000,000 shares authorized; none outstanding	-	-
Common stock, $0.01 par value, 250,000,000 shares authorized; 129,440,752 shares issued and outstanding in 2011 and 2010	1,294	1,294
Additional paid-in capital	85,133	85,072

Accumulated deficit	(64,260)	(65,829)
Total shareholders' equity	22,167	20,537
Total liabilities and shareholders' equity	$40,701	$37,953

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

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WILHELMINA INTERNATIONAL, INC. AND SUBSIDIARIES
Consolidated Statements of Operations

Years ended December 31,

(In thousands, except per share data)

	2011	2010
Revenues		
Revenues	$54,119	$47,428
License fees and other income	1,347	1,491
Total revenues	55,466	48,919
Model costs	37,552	32,838
Revenues net of model costs	17,914	16,081
Operating expenses		
Salaries and service costs	9,502	8,312
Office and general expenses	2,912	2,975
Amortization and depreciation	1,642	1,919
Corporate overhead	1,406	1,390
Total operating expenses	15,462	14,596
Operating income	2,452	1,485
Other income (expense):		
Miami earn-out fair value adjustment	(111)	249
Equity Earnings in Wilhelmina Kids & Creative Mgmt, LLC	25	46
Settlement expense	-	(300)
Interest income	6	4
Interest expense	(28)	(64)
Total other expense	(108)	(65)
Income before provision for income taxes	2,344	1,420
Provision for income taxes		
Current	(775)	(436)
Deferred	-	-
	(775)	(436)
Net income applicable to common stockholders	$1,569	$984
Basic and diluted income per common share	$0.01	$0.01
Weighted average common shares outstanding	129,441	129,441

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

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WILHELMINA INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the Years Ended December 31, 2011 and 2010

(In thousands)

	Common Stock				
	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Total
Balances at December 31, 2009	129,441	$ 1,294	$ 85,072	$ (66,813)	$ 19,553
Net income applicable to common shareholders	-	-	-	984	984
Balances at December 31, 2010	129,441	1,294	85,072	(65,829)	20,537
Share based payment expense	-	-	61	-	61
Net income applicable to common shareholders	-	-	-	1,569	1,569
Balances at December 31, 2011	129,441	$ 1,294	$ 85,133	$ (64,260)	$ 22,167

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

WILHELMINA INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,

(in thousands)

	2011	2010
Cash flows from operating activities:		
Net income	$1,569	$984
Adjustments to reconcile net income to net cash provided by operating activities:		
Bad debt expense	66	116
Amortization and depreciation	1,642	1,919
Miami earn-out fair value adjustment	111	(249)
Share based payment expense	61	-
Changes in operating assets and liabilities:		
(Increase) in accounts receivable	(3,002)	(2,263)
(Increase) in prepaid expenses and other current assets	(89)	(191)
Indemnification receivable	298	(726)
Increase in due to models	2,189	103
(Decrease) increase in accounts payable and accrued liabilities	(194)	1,086
Foreign withholding claim subject to indemnification	(298)	726
(Decrease) in other liabilities	(503)	(356)
Net cash provided by operating activities	1,850	1,149
Cash flows from investing activities:		
Purchase of property and equipment	(354)	(105)
Net cash used in investing activities	(354)	(105)
Cash flows from financing activities		
Proceeds from Amegy credit facility	500	-
Repayment of line of credit	-	(250)
Repayment of Esch promissory note	(600)	(1,150)
Payments of debt	-	(41)
Net cash used in financing activities	(100)	(1,441)
Net increase (decrease) in cash and cash equivalents	1,396	(397)
Cash and cash equivalents, beginning of period	1,732	2,129
Cash and cash equivalents, end of period	$3,128	$1,732
Supplemental disclosures of cash flow information		
Cash paid for interest	$28	$66
Cash paid for income taxes	$632	$161

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

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WILHELMINA INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2011 and 2010

Note 1. Business Activity

Overview

Wilhelmina International, Inc.'s ("Wilhelmina" or the "Company") primary business is fashion model management, which is headquartered in New York City. The Company's predecessor was founded in 1967 by Wilhelmina Cooper, a renowned fashion model, and is one of the oldest and largest fashion model management companies in the world. Since its founding, Wilhelmina has grown to include operations located in Los Angeles and Miami, as well as a growing network of licensees comprising leading modeling agencies in various local markets across the U.S. as well as in Panama and Thailand. Wilhelmina provides traditional, full-service fashion model and talent management services, specializing in the representation and management of models, entertainers, artists, athletes and other talent to various customers and clients, including retailers, designers, advertising agencies and catalog companies.

Wilhelmina Transaction

On August 25, 2008, the Company and Wilhelmina Acquisition Corp., a New York corporation and wholly owned subsidiary of the Company ("Wilhelmina Acquisition"), entered into an agreement (the "Acquisition Agreement") with Dieter Esch ("Esch"), Lorex Investments AG, a Swiss corporation ("Lorex"), Brad Krassner ("Krassner"), Krassner Family Investments Limited Partnership, a Nevada limited partnership ("Krassner L.P." and together with Esch, Lorex and Krassner, the "Control Sellers"), Wilhelmina International, Ltd., a New York corporation ("Wilhelmina International"), Wilhelmina – Miami, Inc., a Florida corporation ("Wilhelmina Miami"), Wilhelmina Artist Management LLC, a New York limited liability company ("WAM"), Wilhelmina Licensing LLC, a Delaware limited liability company ("Wilhelmina Licensing"), Wilhelmina Film & TV Productions LLC, a New York limited liability company ("Wilhelmina TV" and together with Wilhelmina International, Wilhelmina Miami, WAM and Wilhelmina Licensing, the "Wilhelmina Companies"), Sean Patterson, an executive with the Wilhelmina Companies ("Patterson"), and the shareholders of Wilhelmina Miami (the "Miami Holders" and together with the Control Sellers and Patterson, the "Sellers"). Pursuant to the Acquisition Agreement, which closed February 13, 2009, the Company acquired the Wilhelmina Companies subject to the terms and conditions thereof (the "Wilhelmina Transaction"). The Acquisition Agreement provided for (i) the merger of Wilhelmina Acquisition with and into Wilhelmina International in a stock-for-stock transaction, as a result of which Wilhelmina International became a wholly owned subsidiary of the Company and (ii) the Company's purchase of the outstanding equity interests of the other Wilhelmina Companies for cash.

Pre-Wilhelmina

Wilhelmina, formerly known as New Century Equity Holdings Corp. ("NCEH") and Billing Concepts Corp., was incorporated in the state of Delaware in 1996.

Until the closing of the Wilhelmina Transaction in February 2009, the Company was in a transition period during which it sought to redeploy its assets to enhance shareholder value by evaluating potential acquisition and merger candidates. During this transition period, the Company's sole operating business was represented by an investment in ACP Investments, L.P. (d/b/a Ascendant Capital Partners) ("Ascendant"). Ascendant is a Berwyn, Pennsylvania based alternative asset management company whose funds have investments in long/short equity funds and which distributes its registered funds primarily through various financial intermediaries and related channels.

Note 2. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

The financial statements include the consolidated accounts of Wilhelmina and its wholly owned subsidiaries. Wilhelmina also owns a non-consolidated 50% interest in Wilhelmina Kids & Creative Management LLC which is accounted for under the equity method of accounting. All significant inter-company accounts and transactions have been eliminated in the consolidation.

Reclassifications

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

New Accounting Pronouncement

In January 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2010-06, "Improving Disclosures about Fair Value Measurements" ("ASU 2010-06"). ASU 2010-06 amends Accounting Standards Codification ("ASC") 820, "Fair Value Measurements" ("ASC 820"), to require additional disclosures regarding fair value measurements. One of the areas concerned is related to the inclusion of information about purchases, sales, issuances and settlements of recurring Level 3 measurements. Such disclosure requirements will be effective for annual reporting periods beginning after December 15, 2010.

In February 2010, the FASB issued ASU 2010-09, "Subsequent Events: Amendments to Certain Recognition and Disclosure Requirements" ("ASU 2010-09"), which amends ASC 855, "Subsequent Events" ("ASC 855"). The update provides that Securities and Exchange Commission ("SEC") filers, as defined in ASU 2010-09, are no longer required to disclose the date through which subsequent events have been evaluated in originally issued and revised financial statements. The update also requires SEC filers to evaluate subsequent events through the date the financial statements are issued rather than the date the financial statements are available to be issued. The Company adopted ASU 2010-09 upon issuance. This update had no material impact on the financial position, results of operations or cash flows of the Company.

In 2011, the FASB issued Accounting Standards Update 2011-05, Presentation of Comprehensive Income (the "ASU"), which amended guidance for the presentation of comprehensive income. The amended guidance requires an entity to present components of net income and other comprehensive income in one continuous statement, referred to as the statement of comprehensive incomes, or in two separate, but consecutive statements. The current option to report other comprehensive incomes and its components in the statement of stockholders' equity will be eliminated. Although the new guidance changes the presentation of comprehensive income, there are no changes to the components that are recognized in net income or other comprehensive income under existing guidance. The ASU is effective for us in the first quarter 2012 and retrospective application will be required. The Company does not expect this ASU to change our financial statement presentation, and also, will not impact our net income, financial position, or cash flows.

In September 2011, the FASB issued an amendment to ASC 350, Intangibles—Goodwill and Other (ASC 350), which simplifies how entities test goodwill for impairment. Previous guidance under ASC 350 required an entity to test goodwill for impairment using a two-step process on at least an annual basis. First, the fair value of a reporting unit was calculated and compared to its carrying amount, including goodwill. Second, if the fair value of a reporting unit was less than its carrying amount, the amount of impairment loss, if any, was required to be measured. Under the amendments in this update, an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads the entity to determine that it is more likely than not that its fair value is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines that it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, then the two-step impairment test is unnecessary. If the entity concludes otherwise, then it is required to test goodwill for impairment under the two-step process as described under ASC 350. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning January 1, 2012, and early adoption is permitted. The Company has elected to adopt this amendment for the year ended December 31, 2011. The adoption of the provisions of ASC 350 did not have a material impact on the Company's consolidated financial position or results of operations.

FASB "Accounting Standards Codification™" (the "Codification")

The Codification is the single source of authoritative generally accepted accounting principles ("GAAP") recognized by the FASB, to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. Rules and interpretive releases of the SEC, under authority of federal securities laws, are also sources of authoritative GAAP for SEC registrants. The Codification became effective for interim and annual periods ending after September 15, 2009 and superseded all previously existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification is non-authoritative. All of the Company's references to GAAP now use the specific Codification Topic or Section rather than prior accounting and reporting standards. The Codification did not change existing GAAP and, therefore, did not affect the Company's financial position or results of operations.

Revenue Recognition

In compliance with GAAP, when reporting revenue gross as a principal versus net as an agent, the Company assesses whether the Company, the model or the talent is the primary obligor. The Company evaluates the terms of its model, talent and client agreements as part of this assessment. In addition, the Company gives appropriate consideration to other key indicators such as latitude in establishing price, discretion in model or talent selection and credit risk the Company undertakes. The Company operates broadly as a modeling agency and in those relationships with models and talents where the key indicators suggest the Company acts as a principal, the Company records the gross amount billed to the client as revenue, when the revenues are earned and collectability is reasonably assured, and the related costs incurred to the model or talent as model or talent cost. In other model and talent relationships, where the Company believes the key indicators suggest the Company acts as an agent on behalf of the model or talent, the Company records revenue, when the revenues are earned and collectability is reasonably assured, net of pass-through model or talent cost.

The Company also recognizes management fees as revenues for providing services to other modeling agencies as well as consulting income in connection with services provided to a television production network according to the terms of the contract. The Company recognizes royalty income when earned based on terms of the contractual agreement. Revenues received in advance are deferred and amortized using the straight-line method over periods pursuant to the related contract.

The Company also records fees from licensees when the revenues are earned and collectability is reasonably assured.

Advances to models for the cost of initial portfolios and other out-of-pocket costs, which are reimbursable only from collections from the Company's customers as a result of future work, are expensed to model costs as incurred. Any repayments of such costs are credited to model costs in the period received.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates that affect the amounts reported in the consolidated financial statements and the accompanying notes. Accounting estimates and assumptions are those that management considers to be the most critical to an understanding of the consolidated financial statements because they inherently involve significant judgments and uncertainties. All of these estimates reflect management's judgment about current economic and market conditions and their effects based on information available as of the date of these consolidated financial statements. If such conditions persist longer or deteriorate further than expected, it is reasonably possible that the judgments and estimates could change, which may result in future impairments of assets among other effects.

Cash Equivalents

The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are accounted for at fair value, do not bear interest and are short-term in nature. The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability to collect on accounts receivable. Based on management's assessment, the Company provides for estimated uncollectible amounts through a charge to earnings and a credit to the valuation allowance. Balances that remain outstanding after the Company has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The Company generally does not require collateral.

Concentrations of Credit Risk

The balance sheet items that potentially subject the Company to concentrations of credit risk are primarily cash and cash equivalents and accounts receivable. The Company maintains its cash balances in several different financial institutions in New York, Los Angeles and Miami. Balances in accounts other than "noninterest-bearing transaction accounts" are insured up to Federal Deposit Insurance Corporation ("FDIC") limits of $250,000 per institution. Noninterest-bearing transaction accounts have unlimited FDIC insurance coverage through December 31, 2012. At December 31, 2011, the Company did not have any cash balances in excess of FDIC insurance coverage. Concentrations of credit risk with accounts receivable are mitigated by the Company's large number of clients and their dispersion across different industries and geographical areas. The Company performs ongoing credit evaluations of its clients and maintains an allowance for doubtful accounts based upon the expected collectability of all accounts receivable.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization, based upon the estimated useful lives (ranging from 2 to 7 years) of the assets or terms of the leases, are computed by use of the straight-line method. Leasehold improvements are amortized based upon the shorter of the terms of the leases or asset lives. When property and equipment are retired or sold, the cost and accumulated depreciation and amortization are eliminated from the related accounts and gains or losses, if any, are reflected in the consolidated statement of operations.

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If it is determined that an impairment has occurred, the amount of the impairment is charged to operations.

Depreciation expense totaled $102,000 and $73,000 for the years ended December 31, 2011 and 2010, respectively.

Goodwill and Intangible Assets

Goodwill and intangible assets consist primarily of goodwill and buyer relationships resulting from the Wilhelmina Transaction and the revenue interest in Ascendant acquired in 2005. Goodwill and intangible assets with indefinite lives are no longer subject to amortization, but rather to an annual assessment of impairment by applying a fair-value based test. A significant amount of judgment is required in estimating fair value and performing goodwill impairment tests. Intangible assets with finite lives are amortized over useful lives ranging from 2 to 7 years.

The Company annually assesses whether the carrying value of its intangible assets exceeds its fair value and, if necessary, records an impairment loss equal to any such excess.

Each reporting period, the Company assesses whether events or circumstances have occurred which indicate that the carrying amount of an intangible asset exceeds its fair value. If the carrying amount of the intangible asset exceeds its fair value, an asset impairment charge will be recognized in an amount equal to that excess. No asset impairment charges were incurred during the years ended December 31, 2011 and 2010.

Deferred Cost and Revenue

The Company has deferred model cost paid in advance in connection with talent related contracts. Deferred revenue consists of royalties, commissions and service charges received in advance of being earned, pursuant to product licensing agreements and talent related contracts (see Note 7).

Advertising

The Company expenses all advertising costs as incurred. Advertising expense for the year ended December 31, 2011 approximated $165,000 compared to $206,000 for the year ended December 31, 2010.

Financial Instruments

The estimated fair value of the Company's financial instruments approximates their carrying value as reflected in the accompanying consolidated balance sheets due to (i) the short-term nature of financial instruments included in the current assets and liabilities or (ii) for non-short term financial instruments, the recording of such financial instruments at fair value.

Business Combinations

Effective January 1, 2009, the Company adopted the new provisions of ASC 805, “Business Combinations” (“ASC 805”), which address the recognition and measurement of (i) identifiable assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree, and (ii) goodwill acquired or gain from a bargain purchase. In addition, acquisition-related costs are accounted for as expenses in the period in which the costs are incurred and the services are received. These provisions were applied to the acquisition of the Wilhelmina Companies in the first quarter of 2009, which is discussed in Note 3.

In a business combination, contingent consideration or earn outs are recorded at fair value at the acquisition date. Except in bargain purchase situations, contingent consideration typically results in additional goodwill being recognized. Contingent consideration classified as an asset or liability will be adjusted to fair value at each reporting date through earnings until the contingency is resolved.

At the date of the Wilhelmina Transaction, GAAP provided that acquisition transaction costs, such as certain investment banking fees, due diligence costs and attorney fees were to be recorded as a reduction of earnings in the period they are incurred. Prior to January 1, 2009, in accordance with GAAP existing at that time, the Company included acquisition transaction costs in the cost of the acquired business. On February 13, 2009, the Company closed the Wilhelmina Transaction and, therefore, recorded all previously capitalized acquisition transaction costs of approximately $849,000 as an expense for the year ended December 31, 2008. The Company incurred acquisition transaction costs of $0 for the year ended December 31, 2011, compared to $673,000 for the year ended December 31, 2010.

Management is required to address the initial recognition, measurement and subsequent accounting for assets and liabilities arising from contingencies in a business combination, and requires that such assets acquired or liabilities assumed be initially recognized at fair value at the acquisition date if fair value can be determined during the measurement period. If the acquisition date fair value cannot be determined, the asset acquired or liability assumed arising from a contingency is recognized only if certain criteria are met. A systematic and rational basis for subsequently measuring and accounting for the assets or liabilities is required to be developed depending on their nature.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company continually assesses the need for a tax valuation allowance based on all available information. As of December 31, 2011, and as a result of this assessment, the Company does not believe that its deferred tax assets are more likely than not to be realized. In addition, the Company continuously evaluates its tax contingencies.

Accounting for uncertainty in income taxes recognized in an enterprise’s financial statements requires a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Also, consideration should be given to de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. There was no change to the net amount of assets and liabilities recognized in the consolidated balance sheets as a result of the Company’s tax positions.

Net Income Per Common Share

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For the years ended December 31, 2011 and 2010, diluted earnings per share ("EPS") equals basic EPS, as potentially dilutive common stock equivalents were anti-dilutive.

Stock-Based Compensation

The Company records compensation expense for all awards granted. After assessing alternative valuation models and amortization assumptions, the Company will continue using both the Black-Scholes valuation model and straight-line amortization of compensation expense over the requisite service period for each separately vesting portion of the grant. The Company will reconsider use of this model if additional information becomes available in the future that indicates another model would be more appropriate, or if grants issued in future periods have characteristics that cannot be reasonably estimated using this model. The Company utilizes stock-based awards as a form of compensation for employees, officers and directors.

During the year ended December 31, 2011, the Company adopted the 2011 Incentive Plan under which directors, officers, consultants, advisors and employees of the Company are eligible to receive stock option grants. The Company has reserved 6,000,000 shares of its Common Stock for issuance pursuant to the 2011 Incentive Plan. Under the 2011 Incentive Plan, options vest and expire pursuant to individual award agreements; however, the expiration date of unexercised options may not exceed ten years from the date of grant. During the three months ended June 30, 2011, the Company issued to a former employee an option grant for 2,000,000 shares of its Common Stock with an exercise price of $0.21, a five year vesting schedule (vesting in equal increments in years three, four and five) and a ten year term. In connection with this option grant, the Company recognized compensation expense of approximately $61,000 during the year ended December 31, 2011. Subsequent to December 31, 2011, this option grant was terminated, as provided for in the option agreement, as a result of the termination of employment of the option holder.

The Company did not award stock based compensation during the year ended December 31, 2010.

Fair Value Measurements

Effective January 1, 2008, the Company adopted the provisions of ASC 820, "Fair Value Measurements" ("ASC 820"), for financial assets and financial liabilities. ASC 820 defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosure about fair value measurements. ASC 820 applies to all financial instruments that are being measured and reported on a fair value basis. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy that prioritizes the inputs used in valuation methodologies into the following three levels:

- Level 1 Inputs-Unadjusted quoted prices in active markets for identical assets or liabilities.

- Level 2 Inputs-Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 Inputs-Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or other valuation techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Subsequent Events

The Company has evaluated subsequent events that occurred after December 31, 2011 through the filing of this Form 10-K. Any material subsequent events that occurred during this time have been properly recognized or disclosed in the Company's financial statements.

Note 3. Wilhelmina Acquisition

On August 25, 2008, in conjunction with the Company's strategy to redeploy its assets to enhance stockholder value, the Company entered into the Acquisition Agreement to acquire the Wilhelmina Companies. At the closing of the Wilhelmina Transaction on February 13, 2009, the Company paid an aggregate purchase price of approximately $22,432,000 in connection therewith, of which approximately $16,432,000 was paid for the outstanding equity interests of the Wilhelmina Companies and $6,000,000 in cash repaid the outstanding balance of a note held by a Control Seller. The purchase price included approximately $7,609,000 (63,411,131 shares) of the Company's common stock, par value $0.01 per share ("Common Stock"), valued at $0.12 per share (representing the closing price of the Common Stock on February 13, 2009) that was issued in connection with the merger of Wilhelmina Acquisition with and into Wilhelmina International. Approximately $8,823,000 was paid to acquire the equity interests of the remaining Wilhelmina Companies. Upon the closing of the Wilhelmina Transaction, the Control Sellers and Patterson obtained certain demand and piggyback registration rights pursuant to a registration rights agreement with respect to the Common Stock issued to them under the Acquisition Agreement. The registration rights agreement contains certain indemnification provisions for the benefit of the Company and the registration rights holders, as well as certain other customary provisions.

The purchase price was subject to certain post-closing adjustments, which were to be effected against a total of 19,229,746 shares of Common Stock (valued at approximately $2,307,000 on February 13, 2009) (the "Restricted Shares") that were held in escrow pursuant to the Acquisition Agreement. The Restricted Shares held in escrow were intended to support earn-out offsets and indemnification obligations of the Sellers. The Control Sellers were required to leave in escrow, through 2011, any stock "earned" following resolution of "core" adjustments, up to a total value of $1,000,000. Losses at WAM and Wilhelmina Miami, respectively, could be offset against any positive earn-out with respect to the other company. Losses in excess of earn-out amounts could also result in the repurchase of the remaining shares of Common Stock held in escrow for a nominal amount. Working capital deficiencies could also reduce positive earn-out amounts.

After the closing, the parties became engaged in a dispute relating to a purchase price adjustment being sought by the Company in connection with the Wilhelmina Transaction and other related matters.

On October 18, 2010, the Company, together with Newcastle Partners, L.P. ("Newcastle") and the Control Sellers entered into a Global Settlement Agreement (the "Settlement Agreement"). Under the Settlement Agreement, (i) a total of 18,811,686 Restricted Shares were released to the Control Sellers, (ii) all the Company's future earn-out obligations relating to the operating results of WAM under the Acquisition Agreement were cancelled and (iii) (A) approximately 39% (representing the amount that would otherwise be paid to Krassner L.P.) of the first $2 million of the Company's earn-out obligations relating to the operating results of Wilhelmina Miami under the Acquisition Agreement (the "Miami Earnout") was cancelled and (B) approximately 69% (representing the amounts that would otherwise be paid in the aggregate to Krassner L.P. and Lorex) of any such Miami Earnout obligation over $2 million was cancelled. With respect to any portion of the Miami Earnout that may become payable, the Company further agreed not to assert any setoff thereto in respect of (1) any negative closing net asset adjustment determined under the Acquisition Agreement or (2) any divisional loss in respect of WAM. The Company also reimbursed certain documented legal fees of the Control Sellers in the amount of $300,000, which amount was recorded as settlement expense in the consolidated statement of operations for the year ended December 31, 2010.

Pursuant to the Settlement Agreement, the parties agreed to dismiss the litigation then pending in the U.S. District Court, Southern District of New York concerning the Restricted Shares. The parties also agreed to customary mutual releases and further agreed to withdraw their respective indemnification claims under the Acquisition Agreement, except that the Company preserved indemnification rights with respect to certain specified matters.

With respect to corporate governance matters, the Settlement Agreement required that (i) Newcastle and the Control Sellers concurrently enter into an amendment to that certain Mutual Support Agreement dated August 25, 2008, which amendment provided for the addition of two (2) independent directors to the Company’s Board of Directors, subject to a pre-determined selection process, and (ii) within six months following the execution of the Settlement Agreement, the Board was required to evaluate and consider updates and/or clarifications to the Company’s Bylaws, with such updates to address (a) the advance notice procedures for nominations and stockholder proposals, (b) the Company’s fiscal year and (c) such other matters as the Board determined. The Company also agreed to enter into an amendment to its Rights Agreement to, among other things, rescind the designation of the Control Sellers as Acquiring Persons thereunder.

The Miami Earnout, payable in 2012, is calculated based on the three year average of audited Wilhelmina Miami EBITDA beginning January 1, 2009, multiplied by 7.5, payable in cash or stock (at the Control Sellers’ election). The fair value of the Miami Earnout was determined using the Company’s estimate (Level 3 inputs) that Wilhelmina Miami has a 75% probability of achieving the average EBITDA.

The Miami Earnout, payable in accordance with the Acquisition Agreement and Settlement Agreement, was to be calculated based on the three year average of audited Wilhelmina Miami EBITDA beginning January 1, 2009 and ending December 31, 2011, multiplied by 7.5, and payable in cash or stock. As of December 31, 2010, the fair value of the Miami Earnout was approximately $2,063,000, which management determined based on a number of factors. At December 31, 2011, management computed the actual amount to be paid on the Miami Earnout based on the financial results of the Miami division for the three years ended December 31, 2011 to be $2,174,000. As a result, for the year ended December 31, 2011, the Company recorded adjustments to the previously estimated fair value of $111,000, of which $36,000 was recorded in the quarter ended December 31, 2011.

Certain continuing indemnification obligations of the Control Sellers under the Acquisition Agreement are subject to offset against the Miami Earnout.

On February 13, 2009, in order to facilitate the closing of the Acquisition Agreement, the Company entered into that certain letter agreement with Esch (the “Esch Letter Agreement”), pursuant to which Esch agreed that $1,750,000 of the cash proceeds to be paid to him at the closing of the Acquisition Agreement would instead be held in escrow. Under the terms of the Esch Letter Agreement, all or a portion of such amount held in escrow was required to be used to satisfy Wilhelmina International’s indebtedness to Signature Bank, in connection with its then existing credit facility with Signature Bank, upon the occurrence of specified events including, but not limited to, written notification by Signature Bank to Wilhelmina International of the termination or acceleration of the credit facility. Any amount remaining was required to be released to Esch upon the replacement or extension of Wilhelmina International’s credit facility with Signature Bank, subject to certain requirements set forth in the Esch Letter Agreement. The Esch Letter Agreement also provided that in the event any portion of the proceeds was paid from escrow to Signature Bank, the Company would promptly issue to Esch, in replacement thereof, a promissory note in the principal amount of the amount paid to Signature Bank (see Note 4).

Concurrently with the execution of the Acquisition Agreement, the Company entered into a purchase agreement (the “Equity Financing Agreement”) with Newcastle, which at that time owned 19,380,768 shares, or approximately 36% of the outstanding Common Stock, for the purpose of obtaining financing to complete the transactions contemplated by the Acquisition Agreement. Pursuant to the Equity Financing Agreement, upon the closing of the Wilhelmina Transaction, the Company sold to Newcastle $3,000,000 (12,145,749 shares) of Common Stock at $0.247 per share, or approximately (but slightly higher than) the per share price applicable to the Common Stock issuable under the Acquisition Agreement. As a result, Newcastle now owns 34,064,466 shares of Common Stock, or approximately 24% of the Company’s outstanding Common Stock. Upon the closing of the Equity Financing Agreement, Newcastle obtained certain demand and piggyback registration rights with respect to the Common Stock it holds, including the Common Stock issued under the Equity Financing Agreement. The registration rights agreement contains certain indemnification provisions for the benefit of the Company and Newcastle, as well as certain other customary provisions.

The Wilhelmina Transaction was accounted for using the acquisition method required by Accounting Standards Codification 805, “Business Combinations.” The fair value methods used for identifiable intangible assets were based on Level 3 inputs making use of discounted cash flows using a weighted average cost of capital. The fair values of current assets and other assumed liabilities were based on the present value of contractual amounts.

Goodwill has been measured as the excess of the total consideration over the fair values of identifiable assets acquired and liabilities assumed.

The intangible assets acquired include intangible assets with indefinite lives, such as the Wilhelmina brand/trademarks and intangible assets with finite lives, such as customer relationships, model contracts, talent contracts, noncompetition agreements and license agreements, and the remainder of any intangible assets not meeting the above criteria has been allocated to goodwill. Some of these assets, such as goodwill and the Wilhelmina brand/trademarks, are non-amortizable. Other intangible assets, such as customer relationships, model contracts, talent contracts, noncompetition agreements and license agreements, are being amortized on a straight line basis over their estimated useful lives which range from 2 to 7 years.

In September 2006, the SEC issued Staff Accounting Bulletin No. 108 ("SAB 108"), which provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. SAB 108 requires the use of both the “iron curtain” and “rollover” approach in quantifying the materiality of misstatements. SAB 108 provides transitional guidance for the correction of errors in prior periods.

In accordance with the application of SAB 108, the Company evaluated the uncorrected financial statement misstatements that were previously considered immaterial under the “rollover” method using the dual methodology required by SAB 108. As a result of this dual methodology approach of SAB 108, the Company corrected the cumulative error in its accounting for liabilities related to foreign withholding of taxes for the quarter ended June 30, 2011, by relieving a liability of approximately $84,000 with a corresponding reduction of goodwill.

Note 4. Line of Credit, Note Payable and Esch Escrow

On December 31, 2009, the Company issued to Esch a promissory note in the principal amount of $1,750,000 (the “Esch Note”). The effective interest rate of the Esch Note was prime plus approximately 0.58%, or approximately 3.83%. Principal under the Esch Note was repaid in quarterly installments of $250,000 until December 31, 2010 when the unpaid principal and interest thereon were to have become due and payable. On December 7, 2010, the Company and Esch entered into an amendment (the “Esch Amendment”) to the Esch Note. Under the Esch Amendment, (1) the maturity date of the Esch Note was extended to June 30, 2011 (from December 31, 2010) and (2) commencing January 1, 2011, the interest rate on outstanding principal under the Esch Note increased to 9.0% per annum. In addition, $400,000 was paid on December 31, 2010 and March 31, 2011 and $200,000 was paid on June 30, 2011, pursuant to the Esch Amendment. The Esch Note has been paid in full.

On April 29, 2011, the Company closed a credit agreement (the “Credit Agreement”) for a new $500,000 revolving credit facility with Amegy Bank National Association (“Amegy”). Borrowings under the facility are to be used for working capital and other general business purposes of the Company.

During the three months ended September 30, 2011, the Company drew $500,000 under the Credit Agreement. Generally, amounts outstanding under the Credit Agreement shall bear interest at the greater of (a) 5% per annum or (b) the prime rate (which means, for any day, the rate of interest quoted in The Wall Street Journal as the “Prime Rate”) plus 2% per annum.

The Credit Agreement contains certain representations and warranties and affirmative and negative covenants. Amounts outstanding under the Credit Agreement may be accelerated and become immediately due and payable upon the occurrence of an event of default. All indebtedness and other obligations of the Company under the Credit Agreement are secured by all of the assets of the Company and its subsidiaries, provided, however, that the collateral does not include the intellectual property of the Company or the stock or equity interests in the Company’s subsidiaries.

Credit was available under the facility through February 28, 2012.

On January 12, 2012, the Company executed and closed an amendment (the "Credit Agreement Amendment") to its revolving Credit Agreement with Amegy.

Under the terms of the Credit Agreement Amendment, which is effective as of January 1, 2012, (1) total availability under the revolving credit facility was increased to $1,500,000 (from $500,000), (2) the borrowing base was modified to 65% (from 80%) of eligible accounts receivable (as defined in the Credit Agreement) and (3) the Company's minimum net worth covenant was increased to $21,250,000 (from $20,000,000). In addition, the maturity date of the facility was extended to December 31, 2012. The parties also executed an amendment to their pledge and security agreement ("Security Agreement Amendment") to reflect the execution of the Credit Agreement Amendment. The Company's obligation to repay advances under the amended facility will be evidenced by an amended and restated promissory note.

Note 5. Restricted Cash

At December 31, 2011 and 2010, the Company had approximately $222,000 of restricted cash that serves as collateral for the full amount of an irrevocable standby letter of credit. The letter of credit serves as additional security under the lease extension relating to the Company’s office space in New York that expires in February 2021.

Note 6. Operating Leases

The Company is obligated under non-cancelable lease agreements for the rental of office space and various other lease agreements for the leasing of office equipment. These operating leases expire at various dates through 2021. In addition to the minimum base rent, the office space lease agreements provide that the Company shall pay its pro-rata share of real estate taxes and operating costs as defined in the lease agreement.

Effective July 1, 2011, the Company entered into a five-year lease for its Los Angeles office. The lease commits the Company to rental payments of approximately $15,000 per month during the term of the lease.

The Company also leases, pursuant to a services agreement (see Note 11), certain corporate office space.

Future minimum payments under the lease agreements are summarized as follows:

Years Ending December 31,		Amount (in thousands)
2012	$	812
2013		603
2014		666
2015		619
2016		638
Thereafter		2,403
	$	5,741

Rent expense totaled approximately $1,062,000 and $1,081,000 for the years ended December 31, 2011 and 2010, respectively.

Note 7. Licensing Agreements and Deferred Revenue

The Company is a party to various contracts by virtue of its relationship with certain talent. The various contracts contain terms and conditions which require the revenue and the associated talent cost to be recognized on a straight-line basis over the contract period. The Company has also entered into product licensing agreements with talent it represents. Under the product licensing agreements, the Company will either earn a commission based on a certain percentage of the royalties earned by the talent or earn royalties from the licensee that is based on a certain percentage of net sales, as defined. The Company recognized revenue from product licensing agreements of approximately $880,000 and $780,000 for the years ended December 31, 2011 and 2010, respectively.

Note 8. Commitments and Contingencies

The Company is engaged in various legal proceedings that are routine in nature and incidental to its business. None of these proceedings, either individually or in the aggregate, is believed, in the Company's opinion, to have a material adverse effect on either its consolidated financial position or its consolidated results of operations.

As of December 31, 2011, a number of the Company's employees were covered by employment agreements that vary in length from one to three years. As of December 31, 2011, total compensation payable under the remaining contractual term of these agreements was approximately $3,883,000. In general, the employment agreements contain non-compete provisions ranging from six months to one year following the term of the applicable agreement. Subject to certain exceptions, as of December 31, 2011, invoking the non-compete provisions would require the Company to compensate the covered employees during the non-compete period in the amount of approximately $2,179,000.

During the three months ended June 30, 2010, the Company received IRS notices totaling approximately $726,000 related to foreign withholding claims for tax years 2006 and 2008. As part of settlement negotiations with the IRS, the Company determined that approximately $197,000 of the foreign withholding claim for 2008 related to tax liabilities which the Company assumed upon the Wilhelmina Transaction. To satisfy this liability, the Company paid the IRS, including penalties and interest of $26,000, a total of $223,000 during the year ended December 31, 2011. Since this amount was previously accrued as a liability at the Acquisition date, no adjustment was required.

Also during the year ended December 31, 2011, the Company filed a net operating loss carryback claim for the 2008 tax year which resulted in a refund of approximately $163,000. The IRS has not released these funds, which are pending resolution of the foreign withholding claims for 2006 and 2008.

As of December 31, 2011, the Company's estimate of the foreign withholding claims for tax years 2006 and 2008 is approximately $428,000, which includes approximately $88,000 of additional interest and penalties incurred since June 2010 when the IRS notices were received.

The Company is indemnified by the Control Sellers under the Acquisition Agreement for losses incurred as a result of such deficiency notice, and the Control Sellers have confirmed such responsibility to the Company. Such indemnification is required to be satisfied in cash and/or, at the election of the Company, by offset to future earn-out payments.

Note 9. Share Capital

On July 10, 2006, as amended on August 25, 2008, July 20, 2009, February 9, 2010, March 26, 2010, April 29, 2010, June 2, 2010, July 2, 2010, August 2, 2010, September 2, 2010, October 1, 2010, October 18, 2010 and December 8, 2010, the Company entered into a shareholder's rights plan (the "Rights Plan") that replaced the Company's shareholder's rights plan dated July 10, 1996 (the "Old Rights Plan") that expired according to its terms on July 10, 2006. The Rights Plan provides for a dividend distribution of one preferred share purchase right (a "Right") for each outstanding share of Common Stock. The terms of the Rights and the Rights Plan are set forth in a Rights Agreement, dated as of July 10, 2006, by and between the Company and The Bank of New York Trust Company, N.A., now known as The Bank of New York Mellon Trust Company, N.A., as Rights Agent (the "Rights Agreement").

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

On August 25, 2008, in connection with the Wilhelmina Transaction, the Company entered into an amendment to the Rights Agreement (the "Rights Agreement Amendment"). The Rights Agreement Amendment, among other things, (i) provides that the execution of the Acquisition Agreement, the acquisition of shares of Common Stock pursuant to the Acquisition Agreement, the consummation of the other transactions contemplated by the Acquisition Agreement and the issuance of stock options to the Sellers or the exercise thereof, will not be deemed to be events that cause the Rights to become exercisable, (ii) amends the definition of Acquiring Person to provide that the Sellers and their existing or future Affiliates and Associates (each as defined in the Rights Agreement) will not be deemed to be an Acquiring Person solely by virtue of the execution of the Acquisition Agreement, the acquisition of Common Stock pursuant to the Acquisition Agreement, the consummation of the other transactions contemplated by the Acquisition Agreement or the issuance of stock options to the Sellers or the exercise thereof and (iii) amends the Rights Agreement to provide that a Distribution Date (as defined below) shall not be deemed to have occurred solely by virtue of the execution of the Acquisition Agreement, the acquisition of Common Stock pursuant to the Acquisition Agreement, the consummation of the other transactions contemplated by the Acquisition Agreement or the issuance of stock options to the Sellers or the exercise thereof. The Rights Agreement Amendment also provides for certain other conforming amendments to the terms and provisions of the Rights Agreement. The date that the Rights become exercisable is known as the "Distribution Date."

On July 20, 2009, the Company entered into a second amendment to the Rights Agreement (the "Second Rights Agreement Amendment"). The Second Rights Agreement Amendment, among other things, (i) provides that those certain purchases of shares of Common Stock by Krassner L.P. reported on Statements of Change in Beneficial Ownership on Form 4 filed with the SEC on June 3, 2009, June 12, 2009 and June 26, 2009 (the "Krassner Purchases") will not be deemed to be events that cause the Rights to become exercisable, (ii) amends the definition of Acquiring Person to provide that neither Krassner L.P. nor any of its existing or future Affiliates or Associates (as defined in the Rights Agreement) will be deemed to be an Acquiring Person solely by virtue of the Krassner Purchases and (iii) amends the Rights Agreement to provide that the Distribution Date will not be deemed to have occurred solely by virtue of the Krassner Purchases. The Second Rights Agreement Amendment also provides for certain other conforming amendments to the terms and provisions of the Rights Agreement.

On February 9, 2010, the Company entered into a third amendment to the Rights Agreement (the "Third Rights Agreement Amendment"). The Third Rights Agreement Amendment amended the definition of Distribution Date to provide that the Distribution Date corresponding to the Share Acquisition Date (as defined in the Rights Agreement) that occurred on February 2, 2010 as a result of the Company's public announcement on such date that Esch, Lorex, Krassner and Krassner L.P. were Acquiring Persons (as defined in the Rights Agreement) under the Rights Agreement (the "Esch-Krassner Acquiring Event") would be the close of business on April 3, 2010. The Third Rights Agreement Amendment also provided that the Company would be required to give written notice to the Rights Agent and stockholders of the Company of the occurrence of the Esch-Krassner Acquiring Event under the Rights Agreement as soon as practicable after any corresponding Distribution Date.

On March 26, 2010, the Company entered into a fourth amendment to the Rights Agreement (the "Fourth Rights Agreement Amendment"). The Fourth Rights Agreement Amendment further amended the definition of Distribution Date to provide that the Distribution Date corresponding to the Share Acquisition Date that occurred on February 2, 2010, as a result of the Company's public announcement on such date of the Esch-Krassner Acquiring Event, would be the close of business on May 3, 2010.

On April 29, 2010, the Company entered into a fifth amendment to the Rights Agreement (the "Fifth Rights Agreement Amendment"). The Fifth Rights Agreement Amendment further amended the definition of Distribution Date to provide that the Distribution Date corresponding to the Share Acquisition Date that occurred on February 2, 2010, as a result of the Company's public announcement on such date of the Esch-Krassner Acquiring Event, would be the close of business on June 3, 2010.

On June 2, 2010, the Company entered into a sixth amendment to the Rights Agreement (the "Sixth Rights Agreement Amendment"). The Sixth Rights Agreement Amendment further amended the definition of Distribution Date to provide that the Distribution Date corresponding to the Share Acquisition Date that occurred on February 2, 2010, as a result of the Company's public announcement on such date of the Esch-Krassner Acquiring Event, would be the close of business on July 3, 2010.

On July 2, 2010, the Company entered into a seventh amendment to the Rights Agreement (the "Seventh Rights Agreement Amendment"). The Seventh Rights Agreement Amendment further amended the definition of Distribution Date to provide that the Distribution Date corresponding to the Share Acquisition Date that occurred on February 2, 2010, as a result of the Company's public announcement on such date of the Esch-Krassner Acquiring Event, would be the close of business on August 3, 2010.

On August 2, 2010, the Company entered into an eighth amendment to the Rights Agreement (the "Eighth Rights Agreement Amendment"). The Eighth Rights Agreement Amendment further amended the definition of Distribution Date to provide that the Distribution Date corresponding to the Share Acquisition Date that occurred on February 2, 2010, as a result of the Company's public announcement on such date of the Esch-Krassner Acquiring Event, would be the close of business on September 3, 2010.

On September 2, 2010, the Company entered into a ninth amendment to the Rights Agreement (the "Ninth Rights Agreement Amendment"). The Ninth Rights Agreement Amendment further amended the definition of Distribution Date to provide that the Distribution Date corresponding to the Share Acquisition Date that occurred on February 2, 2010, as a result of the Company's public announcement on such date of the Esch-Krassner Acquiring Event, would be the close of business on October 3, 2010.

On October 1, 2010, the Company entered into a tenth amendment to the Rights Agreement (the "Tenth Rights Agreement Amendment"). The Tenth Rights Agreement Amendment further amended the definition of Distribution Date to provide that the Distribution Date corresponding to the Share Acquisition Date that occurred on February 2, 2010, as a result of the Company's public announcement on such date of the Esch-Krassner Acquiring Event, would be the close of business on November 3, 2010.

On October 18, 2010, the Company entered into an eleventh amendment to the Rights Agreement (the "Eleventh Rights Agreement Amendment"). The Eleventh Rights Agreement Amendment, entered into in connection with the Settlement Agreement, amends the definition of Distribution Date to provide that the Distribution Date shall not occur with respect to the Share Acquisition Date that occurred on February 2, 2010, as a result of the Company's public announcement on such date of the Esch-Krassner Acquiring Event. The Eleventh Rights Agreement Amendment also provides that the rights under the Rights Agreement shall not be affected by (i) those certain prior coordination activities among the Control Sellers which preceded the Company's declaration of the Esch-Krassner Acquiring Event and which did not involve any acquisition of record or beneficial ownership of the Company's securities other than any deemed acquisition of beneficial ownership by one Control Seller of Company securities owned of record by another Control Seller (including, without limitation, the specific activities described in the Schedules 13D (a) filed by Lorex, Esch and Peter Marty on November 20, 2009 and March 17, 2010 and (b) filed by Krassner L.P., Krassner and Krassner Investments, Inc. on November 20, 2009 and March 16, 2010) and (ii) similar past or future coordination activities between or among any Control Sellers which do not involve any acquisition of record or beneficial ownership of the Company's securities other than any deemed acquisition of beneficial ownership by one Control

Seller of Company securities owned of record by another Control Seller, whether or not reported on any Schedule 13D, including but not limited to (a) holding or expressing similar opinions regarding any matter affecting the Company or (b) coordinating activities as directors or stockholders of the Company (the foregoing clauses (i) and (ii), the “Wilhelmina Control Seller Coordination Activities”). Specifically, the Eleventh Rights Agreement Amendment (i) amends the definition of Acquiring Person to provide that the Control Sellers shall not be deemed to be Acquiring Persons solely by virtue of any Wilhelmina Control Seller Coordination Activities, (ii) provides that a Distribution Date shall not be deemed to have occurred solely by virtue of any Wilhelmina Control Seller Coordination Activities, (iii) provides that Control Seller Coordination Activities shall not be deemed to be events that cause the Rights to become exercisable and (iv) amends the definition of Triggering Event to provide that no Triggering Event shall result solely by virtue of any Wilhelmina Control Seller Coordination Activities.

On December 8, 2010, the Company entered into a twelfth amendment to the Rights Agreement (the "Twelfth Rights Agreement Amendment"). The Twelfth Rights Agreement Amendment, among other things, (i) amends the definition of Acquiring Person to provide that none of Esch, Lorex, Krassner or Krassner L.P. shall be deemed to be an Acquiring Person solely by virtue of purchases by each of Lorex and Krassner L.P. of up to 500,000 shares of Common Stock in the aggregate, in each case, during the period commencing on December 8, 2010 and ending on November 30, 2011 ("Permitted Purchases"), (ii) amends the definition of Triggering Event to provide that no Triggering Event shall result solely by virtue of any Permitted Purchases, (iii) provides that a Distribution Date shall not be deemed to have occurred solely by virtue of any Permitted Purchases and (iv) provides that, effective as of the date of the Twelfth Rights Agreement Amendment, no Permitted Purchases shall be deemed to be events that cause the Rights to become exercisable. The Twelfth Rights Agreement Amendment also provides for certain other conforming and technical amendments to the terms and provisions of the Rights Agreement.

In connection with the Wilhelmina Transaction, the Company issued 12,145,749 shares of Common Stock to Newcastle and 63,411,131 shares to Patterson, the Control Sellers and their advisor.

At the Company's annual meeting of stockholders held on February 7, 2012, the stockholders of the Company approved a proposal to grant authority to the Company's Board of Directors to effect at any time prior to December 31, 2012 a reverse stock split of the Company's common stock at a ratio within the range from one-for-ten to one-for-forty, with the exact ratio to be set at a whole number within this range to be determined by the Board of Directors in its discretion.

Note 10. Income Taxes

The income tax expense is comprised of the following:

	Year Ended December 31, 2011	Year Ended December 31, 2010
Current:		
Federal	$ 70	$ 51
State	705	385
Total	775	436
Deferred:		
Federal	25	53
State	(25)	(53)
Total	-	-
Total	$ 775	$ 436

The income tax expense differs from the amount computed by applying the statutory federal and state income tax rates to the net income (loss) before income tax benefit. The reasons for these differences were as follows (in thousands):

	Year Ended December 31, 2011	Year Ended December 31, 2010
Computed income tax expense at statutory rate	$ 820	$ 497
Increase in taxes resulting from:		
Permanent and other deductions, net	115	66
State income taxes, net of federal benefit	456	209
Valuation allowance	(616)	(336)
Total income tax expense	$ 775	$ 436

The tax effect of significant temporary differences, which comprise the deferred tax liability, is as follows (in thousands):

	2011	2010
Deferred tax asset:		
Net operating loss carryforward	$2,443	$4,495
AMT credits	124	-
Accrued expenses	771	334
Property and equipment principally due to differences in depreciation	50	44
Allowance for doubtful accounts	294	193
Intangible assets	1,601	1,585
Asset impairment	281	50
Less: Valuation allowance	(3,153)	(4,383)
Net deferred income tax asset	$2,411	$2,318
Deferred tax liability:		
Intangible assets-brand name	(1,800)	(1,800)
Intangible assets-other	(2,411)	(2,318)
Net deferred tax liability	(4,211)	(4,118)
Net deferred tax asset/(liability)	$(1,800)	$(1,800)

During the year ended December 31, 2011, the Company’s combined federal and state effective tax rate was approximately 33%. The Company’s effective tax rate would be higher if it were not for federal net operating loss carryforwards. As of December 31, 2011, the Company had federal income tax loss carryforwards of approximately $7,000,000, which begin expiring in 2019. Realization of the Company’s carryforwards is dependent on future taxable income. A portion of Company’s net operating loss carryforwards were utilized to offset taxable income generated in the year ending December 31, 2011. A valuation allowance has been recorded to reflect the tax effect of the net loss carryforwards not used to offset a portion of the deferred tax liability resulting from the Wilhelmina Transaction. Ownership changes, as defined in the Internal Revenue Code, may have limited the amount of net operating loss carryforwards that can be utilized annually to offset future taxable income. Subsequent ownership changes could further affect the limitation in future years.

Note 11. Related Parties

As of December 31, 2011, Mark Schwarz, the Chairman, Chief Executive Officer and Portfolio Manager of Newcastle Capital Management, L.P. (“NCM”), John Murray, Chief Financial Officer of NCM, and Evan Stone, the former Vice President and General Counsel of NCM, held the following executive officer and board of director positions with the Company: Chairman of the Board and Chief Executive Officer, Chief Financial Officer, General Counsel and Secretary, respectively. NCM is the General Partner of Newcastle, which owns 34,064,466 shares of Common Stock. At the annual meeting of stockholders of the Company held on January 20, 2011, the stockholders of the Company elected Clinton Coleman (Vice President at NCM) and James Dvorak (Vice President at NCM) to serve as directors of the Company.

The Company’s corporate headquarters are located at 200 Crescent Court, Suite 1400, Dallas, Texas 75201, which are also the offices of NCM. The Company occupies a portion of NCM space on a month-to-month basis at $2,500 per month, pursuant to a services agreement entered into between the parties. Pursuant to the services agreement, the Company receives the use of NCM’s facilities and equipment and accounting, legal and administrative services from employees of NCM. The Company incurred expenses pursuant to the services agreement totaling approximately $30,000 for the year ended December 31, 2011 and December 31, 2010. The Company owed NCM $0 as of December 31, 2011 and 2010, under the services agreement.

On August 25, 2008, concurrently with the execution of the Acquisition Agreement, the Company entered into the Equity Financing Agreement with Newcastle for the purpose of obtaining financing to complete the transactions contemplated by the Acquisition Agreement (see Note 3).

The Company has an agreement with an unconsolidated affiliate to provide management and administrative services, as well as sharing of space. For the year ended December 31, 2011 and December 31, 2010, management fee and rental income from the unconsolidated affiliate amounted to approximately $110,000.

Note 12. Treasury Stock

In December 2010, the Company’s Board of Directors authorized a stock repurchase program whereby the Company may repurchase up to 500,000 shares of its outstanding Common Stock. The Company made no purchases of Common Stock during the years ended December 31, 2011 and 2010.

The shares may be repurchased from time-to-time in the open market or through privately negotiated transactions at prices the Company deems appropriate. The program does not obligate the Company to acquire any particular amount of common stock and the program may be modified or suspended at any time at the Company’s discretion. The stock repurchase plan will be funded through the Company’s cash on hand.

Note 13. Stock Options and Stock Purchase Warrants

The Company previously adopted the 1996 Employee Comprehensive Stock Plan (“Comprehensive Plan”) and the 1996 Non-Employee Director Plan (“Director Plan”) under which officers and employees, and non-employee directors, respectively, of the Company and its affiliates were eligible to receive stock option grants. Employees of the Company were also eligible to receive restricted stock grants under the Comprehensive Plan. The Company previously reserved 14,500,000 and 1,300,000 shares of its Common Stock for issuance pursuant to the Comprehensive Plan and the Director Plan, respectively. The Comprehensive Plan and the Director Plan expired on July 10, 2006. The expiration of the plans preclude the Company from granting new options under each plan but will not affect outstanding option grants which shall expire in accordance with their terms.

During the year ended December 31, 2011, the Company adopted the 2011 Incentive Plan under which directors, officers, consultants, advisors and employees of the Company are eligible to receive stock option grants. The Company has reserved 6,000,000 shares of its Common Stock for issuance pursuant to the 2011 Incentive Plan. Under the 2011 Incentive Plan, options vest and expire pursuant to individual award agreements; however, the expiration date of unexercised options may not exceed ten years from the date of grant. During the three months ended June 30, 2011, the Company issued to a former employee an option grant for 2,000,000 shares of its Common Stock with an exercise price of $0.21 per share, a five year vesting schedule (vesting in equal increments in years three, four and five) and a ten year term. In connection with this option grant, the Company recognized compensation expense of approximately $61,000 during the year ended December 31, 2011. Subsequent to December 31, 2011, this option grant terminated as a result of the termination of employment of the option holder.

Option activity for the years ended December 31, 2011 and 2010, is summarized as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding, January 1, 2010	240,000	$ 0.27
Granted	-	-
Canceled	(90,000)	-
Outstanding, December 31, 2010	150,000	$ 0.28
Granted	2,000,000	0.21
Canceled	(100,000)	0.28
Outstanding, December 31, 2011	2,050,000	$ 0.21

At December 31, 2011 and 2010, stock options to purchase an aggregate of 50,000 and 150,000 shares, respectively, were exercisable and had weighted average exercise prices of $0.28 per share.

Stock options outstanding and exercisable at December 31, 2011, were as follows:

		Options Outstanding		Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Life (years)	Remaining Average Exercise Price	Weighted Number Exercisable	Weighted Average Exercise Price
$0.21-0.28	2,050,000	9.2	$0.21	50,000	$0.28

There were no option grants during the year ended December 31, 2010.

Note 14. Benefit Plans

The Company established a 401(k) Plan (the "Plan") for eligible employees of the Company. Generally, all employees of the Company who are at least twenty-one years of age and who have completed one-half year of service are eligible to participate in the Plan. The Plan is a defined contribution plan which provides that participants may make voluntary salary deferral contributions, on a pretax basis, between 1% and 15% of their compensation in the form of voluntary payroll deductions, up to a maximum amount as indexed for cost-of-living adjustments. The Company may make discretionary contributions. No discretionary contributions were made during the years ended December 31, 2011 and 2010.

Note 15. Intangible Assets

As of December 31, 2011, intangible assets with finite lives consisted of the following (in thousands):

Intangible assets subject to amortization:	Gross Cost	Accumulated Amortization	Weighted-average amortization period (in years)
Customer lists	$ 3,143	$ (1,634)	5.1
Non-compete agreements	1,047	(463)	6.5
Talent and model contractual relationships	2,514	(1,729)	4.0
Employee contractual relationships	1,633	(938)	5.0
Total	$ 8,337	$ (5,019)	4.9

Amortization expense totaled $1,540,000 and $1,855,000 for the years ended December 31, 2011 and 2010, respectively.

The estimated aggregate amortization expense for the years ending December 31, 2012 through December 31, 2015, is as follows (in thousands):

	Amortization Expense
2012	$ 1,437
2013	1,429
2014	333
2015	119

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, the Company's principal executive officer and principal financial officer evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on their evaluation of the Company's disclosure controls and procedures, the Company's principal executive officer and principal financial officer, with the participation of the Company's management, have concluded that the Company's disclosure controls and procedures were effective as of December 31, 2011, to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is (a) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (b) accumulated and communicated to management, including the Company's principal executive officer and principal financial officer, as appropriate to allow for timely decisions regarding required disclosure.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Given these and other inherent limitations of control systems, there is only reasonable assurance that the Company's controls will succeed in achieving their stated goals under all potential future conditions. The Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level as of December 31, 2011.

Management's Annual Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of the Company's management, including the Company's principal executive officer and principal financial officer, the Company conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of December 31, 2011 based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, the Company's management concluded that the Company's internal control over financial reporting was effective as of December 31, 2011.

Changes in Internal Control Over Financial Reporting

As of the end of the period covered by this report, there were no changes in the Company's internal controls over financial reporting, or in other factors that could significantly affect these controls, that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 will be furnished on or prior to April 29, 2012 (and is hereby incorporated by reference) by an amendment hereto or pursuant to a definitive proxy statement in connection with the Company's Annual Meeting of Shareholders for the fiscal year ended December 31, 2011.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 will be furnished on or prior to April 29, 2012 (and is hereby incorporated by reference) by an amendment hereto or pursuant to a definitive proxy statement in connection with the Company's Annual Meeting of Shareholders for the fiscal year ended December 31, 2011.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 12 will be furnished on or prior to April 29, 2012 (and is hereby incorporated by reference) by an amendment hereto or pursuant to a definitive proxy statement in connection with the Company's Annual Meeting of Shareholders for the fiscal year ended December 31, 2011.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Item 13 will be furnished on or prior to April 29, 2012 (and is hereby incorporated by reference) by an amendment hereto or pursuant to a definitive proxy statement in connection with the Company's Annual Meeting of Shareholders for the fiscal year ended December 31, 2011.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 will be furnished on or prior to April 29, 2012 (and is hereby incorporated by reference) by an amendment hereto or pursuant to a definitive proxy statement in connection with the Company's Annual Meeting of Shareholders for the fiscal year ended December 31, 2011.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents Filed as Part of Report

1. Financial Statements:

The Consolidated Financial Statements of the Company and the related report of the Company's independent public accountants thereon have been filed under Item 8 hereof.

2. Financial Statement Schedules:

The information required by this item is not applicable.

3. Exhibits:

The exhibits listed below are filed as part of or incorporated by reference in this report. Where such filing is made by incorporation by reference to a previously filed document, such document is identified in parentheses. See the Index of Exhibits included with the exhibits filed as a part of this report.

Exhibit Number	Description of Exhibits
2.1	Plan of Merger and Acquisition Agreement between Billing Concepts Corp., CRM Acquisition Corp., Computer Resources Management, Inc. and Michael A. Harrelson, dated June 1, 1997 (incorporated by reference from Exhibit 2.1 to Form 10-Q, dated June 30, 1997).
2.2	Stock Purchase Agreement between Billing Concepts Corp. and Princeton TeleCom Corporation, dated September 4, 1998 (incorporated by reference from Exhibit 2.2 to Form 10-K, dated September 30, 1998).
2.3	Stock Purchase Agreement between Billing Concepts Corp. and Princeton eCom Corporation, dated February 21, 2000 (incorporated by reference from Exhibit 2.1 to Form 8-K, dated March 16, 2000).
2.4	Agreement and Plan of Merger between Billing Concepts Corp., Billing Concepts, Inc., Enhanced Services Billing, Inc., BC Transaction Processing Services, Inc., Aptis, Inc., Operator Service Company, BC Holding I Corporation, BC Holding II Corporation, BC Holding III Corporation, BC Acquisition I Corporation, BC Acquisition II Corporation, BC Acquisition III Corporation and BC Acquisition IV Corporation, dated September 15, 2000 (incorporated by reference from Exhibit 2.1 to Form 8-K, dated September 15, 2000).
2.5	Stock Purchase Agreement by and among New Century Equity Holdings Corp., Mellon Ventures, L.P., Lazard Technology Partners II LP, Conning Capital Partners VI, L.P. and Princeton eCom Corporation, dated March 25, 2004 (incorporated by reference from Exhibit 10.1 to Form 8-K, dated March 29, 2004).
2.6	Series A Convertible 4% Preferred Stock Purchase Agreement by and between New Century Equity Holdings Corp. and Newcastle Partners, L.P., dated June 18, 2004 (incorporated by reference from Exhibit 2.1 to Form 8-K, dated June 30, 2004).
2.7	Agreement by and among New Century Equity Holdings Corp., Wilhelmina Acquisition Corp., Wilhelmina International, Ltd., Wilhelmina – Miami, Inc., Wilhelmina Artist Management LLC, Wilhelmina Licensing LLC, Wilhelmina Film & TV Productions LLC, Dieter Esch, Lorex Investments AG, Brad Krassner, Krassner Family Investments, L.P., Sean Patterson and the shareholders of Wilhelmina – Miami, Inc., dated August 25, 2008 (incorporated by reference from Exhibit 10.1 to Form 8-K, dated August 26, 2008).
2.8	Purchase Agreement by and between New Century Equity Holdings Corp. and Newcastle Partners, L.P., dated August 25, 2008 (incorporated by reference from Exhibit 10.3 to Form 8-K, dated August 26, 2008).
2.9	Letter Agreement, dated February 13, 2009, by and among New Century Equity Holdings Corp., Wilhelmina Acquisition Corp., Wilhelmina International Ltd., Wilhelmina – Miami, Inc., Wilhelmina Artist Management LLC, Wilhelmina Licensing LLC, Wilhelmina Film & TV Productions LLC, Dieter Esch, Lorex Investments AG, Brad Krassner, Krassner Family Investments Limited Partnership, Sean Patterson and the shareholders of Wilhelmina – Miami, Inc. (incorporated by

reference from Exhibit 10.1 to Form 8-K, dated February 18, 2009).

3.1	Restated Certificate of Incorporation of Wilhelmina International, Inc. (incorporated by reference from Exhibit 3.1 to Form S-1/A, dated January 30, 2012).
3.2	Amended and Restated Bylaws of Wilhelmina International, Inc. (incorporated by reference from Exhibit 3.2 to Form 8-K, dated May 18, 2011).

4.1	Form of Stock Certificate of Common Stock of Billing Concepts Corp. (incorporated by reference from Exhibit 4.1 to Form 10-Q, dated March 31, 1998).
4.2	Rights Agreement, dated as of July 10, 2006, by and between New Century Equity Holdings Corp. and The Bank of New York Trust Company, N.A. (incorporated by reference from Exhibit 4.2 to Form 8-K, dated July 10, 2006).
4.3	Amendment to Rights Agreement , dated August 25, 2008, by and between New Century Equity Holdings Corp. and The Bank of New York Mellon Trust Company, N.A. (incorporated by reference from Exhibit 4.1 to Form 8-K, dated August 26, 2008).
4.4	Form of Rights Certificate (incorporated by reference from Exhibit 4.1 to Form 8-K, dated July 10, 2006).
4.5	Registration Rights Agreement dated August 25, 2008 by and among New Century Equity Holdings Corp., Dieter Esch, Lorex Investments AG, Brad Krassner, Krassner Family Investments, L.P. and Sean Patterson (incorporated by reference from Exhibit 10.2 to Form 8-K, dated August 26, 2008).
4.6	Registration Rights Agreement, dated February 13, 2009, by and between New Century Equity Holdings Corp. and Newcastle Partners, L.P. (incorporated by reference from Exhibit 10.3 to Form 8-K, dated February 18, 2009).
4.7	Second Amendment to Rights Agreement, dated July 20, 2009, by and between the Bank of New York Mellon Trust Company, N.A. (incorporated by reference from Exhibit 4.1 to Form 8-K, dated July 21, 2009).
4.8	Third Amendment to Rights Agreement, dated February 9, 2010, by and between Wilhelmina International, Inc. and the Bank of New York Mellon Trust Company, N.A. (incorporated by reference from Exhibit 4.1 to Form 8-K, dated February 10, 2010).
4.9	Fourth Amendment to Rights Agreement, dated March 26, 2010, by and between Wilhelmina International, Inc. and the Bank of New York Mellon Trust Company, N.A. (incorporated by reference from Exhibit 4.1 to Form 8-K, dated March 30, 2010).
4.10	Fifth Amendment to Rights Agreement, dated April 29, 2010, by and between Wilhelmina International, Inc. and the Bank of New York Mellon Trust Company, N.A. (incorporated by reference from Exhibit 4.1 to Form 8-K, dated May 3, 2010).
4.11	Sixth Amendment to Rights Agreement, dated June 2, 2010, by and between Wilhelmina International, Inc. and the Bank of New York Mellon Trust Company, N.A. (incorporated by reference from Exhibit 4.1 to Form 8-K, dated June 2, 2010).
4.12	Seventh Amendment to Rights Agreement, dated July 2, 2010, by and between Wilhelmina International, Inc. and the Bank of New York Mellon Trust Company, N.A. (incorporated by reference from Exhibit 4.1 to Form 8-K, dated July 2, 2010).
4.13	Eighth Amendment to Rights Agreement, dated August 2, 2010, by and between Wilhelmina International, Inc. and the Bank of New York Mellon Trust Company,

N.A. (incorporated by reference from Exhibit 4.1 to Form 8-K, dated August 2, 2010).

4.14	Ninth Amendment to Rights Agreement, dated September 2, 2010, by and between Wilhelmina International, Inc. and the Bank of New York Mellon Trust Company, N.A. (incorporated by reference from Exhibit 4.1 to Form 8-K, dated September 2, 2010).
4.15	Tenth Amendment to Rights Agreement, dated October 1, 2010, by and between Wilhelmina International, Inc. and the Bank of New York Mellon Trust Company, N.A. (incorporated by reference from Exhibit 4.1 to Form 8-K, dated October 1, 2010).

4.16	Eleventh Amendment to Rights Agreement, dated October 18, 2010, by and between Wilhelmina International, Inc. and the Bank of New York Mellon Trust Company, N.A. (incorporated by reference from Exhibit 4.1 to Form 8-K, dated October 21, 2010).
4.17	Twelfth Amendment to Rights Agreement, dated December 8, 2010, by and between Wilhelmina International, Inc. and the Bank of New York Mellon Trust Company, N.A. (incorporated by reference from Exhibit 4.1 to Form 8-K, dated December 9, 2010).
*10.1	Billing Concepts Corp's 1996 Employee Comprehensive Stock Plan amended as of August 31, 1999 (incorporated by reference from Exhibit 10.8 to Form 10-K, dated September 30, 1999).
*10.2	Form of Option Agreement between Billing Concepts Corp. and its employees under the 1996 Employee Comprehensive Stock Plan (incorporated by reference from Exhibit 10.9 to Form 10-K, dated September 30, 1999).
*10.3	Amended and Restated 1996 Non-Employee Director Plan of Billing Concept Corp. amended as of August 31, 1999 (incorporated by reference from Exhibit 10.10 to Form 10-K, dated September 30, 1999).
*10.4	Form of Option Agreement between Billing Concepts Corp. and non-employee directors (incorporated by reference from Exhibit 10.11 to Form 10-K, dated September 30, 1998).
*10.5	Billing Concept Corp.'s 401(k) Retirement Plan (incorporated by reference from Exhibit 10.14 to Form 10-K, dated September 30, 2000).
10.6	Revenue Sharing Agreement, dated as of October 5, 2005, by and between New Century Equity Holdings Corp. and ACP Investments LP (incorporated by reference from Exhibit 10.1 to Form 10-Q, dated September 30, 2005).
10.7	Principals Agreement, dated as of October 5, 2005, by and between New Century Equity Holdings Corp. and ACP Investments LP (incorporated by reference from Exhibit 10.2 to Form 10-Q, dated September 30, 2005).
*10.8	Employment Agreement by and among New Century Equity Holdings Corp., Wilhelmina International, Ltd. and Sean Patterson, dated November 10, 2008 (incorporated by reference from Exhibit 10.1 to Form 10-Q, dated September 30, 2008).
10.9	Letter Agreement, dated February 13, 2009, by and between New Century Equity Holdings Corp. and Dieter Esch (incorporated by reference from Exhibit 10.2 to Form 8-K, dated February 18, 2009).
10.10	Promissory Note, dated December 31, 2009, issued by Wilhelmina International, Inc. to Dieter Esch (incorporated by reference from Exhibit 10.1 to Form 8-K, dated January 6, 2010).
10.11	Global Settlement Agreement, dated October 18, 2010, by and among Wilhelmina International, Inc., Newcastle Partners, L.P., Dieter Esch, Lorex Investments AG,

Brad Krassner and Krassner Family Investments Limited Partnership (incorporated by reference from Exhibit 10.1 to Form 8-K, dated October 21, 2010).

10.12	Mutual Support Agreement, dated August 25, 2008, by and among Newcastle Partners, L.P., Dieter Esch, Lorex Investments AG, Brad Krassner and Krassner Family Investments Limited Partnership (incorporated by reference from Annex D to the Proxy Statement on Schedule 14A filed December 22, 2008).
10.13	First Amendment to Mutual Support Agreement, dated October 18, 2010, by and among Newcastle Partners, L.P., Dieter Esch, Lorex Investments AG, Brad Krassner and Krassner Family Investments Limited Partnership (incorporated by reference from Exhibit 10.2 to Form 8-K, dated October 21, 2010).

10.14	Amendment to Promissory Note, dated December 7, 2010, issued by Wilhelmina International, Inc. to Dieter Esch (incorporated by reference from Exhibit 10.1 to Form 8-K, dated December 9, 2010).
10.15	Credit Agreement, dated as of April 29, 2011, by and between Wilhelmina International, Inc. and Amegy Bank National Association. (incorporated by reference from Exhibit 10.1 to Form 8-K, dated April 29, 2011).
10.16	Promissory Note, dated as of April 20, 2011, of Wilhelmina International, Inc. for the benefit of Amegy Bank National Association (incorporated by reference from Exhibit 10.2 to Form 8-K, dated April 29, 2011).
10.17	Pledge and Security Agreement, dated as of April 20, 2011, by and among Wilhelmina International, Inc., the guarantor signatories thereto and Amegy Bank National Association (incorporated by reference from Exhibit 10.3 to Form 8-K, dated April 29, 2011).
10.18	Guaranty, dated as of April 20, 2011, by the guarantor signatories thereto for the benefit of Amegy Bank National Association (incorporated by reference from Exhibit 10.4 to Form 8-K, dated April 29, 2011).
10.19	Wilhelmina International, Inc. 2011 Incentive Plan (incorporated by reference from Exhibit 10.5 to Form 8-K, dated April 29, 2011).
10.20	Form of Option Agreement (incorporated by reference from Exhibit 10.6 to Form 8-K, dated April 29, 2011).
10.21	First Amendment to Credit Agreement dated January 1, 2012, by and among Wilhelmina International, Inc., the guarantor signatories thereto and Amegy Bank National Association. (incorporated by reference from Exhibit 10.1 to Form 8-K, dated January 12, 2012).
10.22	Amended and Restated Line of Credit Promissory Note, dated as of January 1, 2012, by Wilhelmina International, Inc. for the benefit of Amegy Bank National Association (incorporated by reference from Exhibit 10.2 to Form 8-K, dated January 12, 2012).
10.23	First Amendment to Pledge and Security Agreement, dated as of January 1, 2012, by and among Wilhelmina International, Inc., the guarantor signatories thereto and Amegy Bank National Association (incorporated by reference from Exhibit 10.3 to Form 8-K, dated January 12, 2012).
14.1	Wilhelmina International, Inc. Code of Business Conduct and Ethics (incorporated by reference from Exhibit 14.1 to Form 8-K, dated April 21, 2009).
21.1	List of Subsidiaries incorporated by reference from Exhibit 21.1 to Form 10-K dated December 31, 2010.
23.1	Consent of Burton, McCumber & Cortez, L.L.P. (filed herewith).
31.1	Certification of Principal Executive Officer in Accordance with Section 302 of the Sarbanes-Oxley Act (filed herewith).
31.2	Certification of Principal Financial Officer in Accordance with Section 302 of the Sarbanes-Oxley Act (filed herewith).
32.1	Certification of Principal Executive Officer in Accordance with Section 906 of the Sarbanes-Oxley Act (filed herewith).

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

* Includes compensatory plan or arrangement.

SIGNATURES

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

WILHELMINA INTERNATIONAL, INC.
(Registrant)

Date: March 29, 2012	By:	/s/ Mark E. Schwarz
	Name	Mark E. Schwarz
	Title:	Chief Executive Officer (Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on the 29th day of March 2012.

/s/ Mark E. Schwarz Mark E. Schwarz	Chief Executive Officer and Chairman of the Board (Principal Executive Officer)
/s/ John P. Murray John P. Murray	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
/s/ Clinton Coleman Clinton Coleman	Director
/s/ James Dvorak James Dvorak	Director
Horst-Dieter Esch	Director
Brad Krassner	Director
/s/ Mark Pape Mark Pape	Director
/s/ James Roddey James Roddey	Director