

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the Quarterly Period Ended December 31, 2008

or

☐ 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 0-22153

AMERITRANS CAPITAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

52-2102424
(I.R.S. Employer Identification No.)

747 Third Avenue, New York, New York 10017
(Address of Registrant's principal executive office) (Zip Code)

(212) 355-2449
(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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 (the "Act") 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. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Act).

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☐
(Do not check if a small reporting company.)

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

The number of shares of registrant's common stock, par value \$.0001 per share issued as of February 9, 2009 was 3,405,583; with 3,395,583 outstanding. The number of shares of registrant's 9% cumulative participating redeemable preferred stock issued and outstanding as of February 9, 2009 was 300,000.

AMERITRANS CAPITAL CORPORATION AND SUBSIDIARIES

FORM 10-Q

TABLE OF CONTENTS

| | |
|--|----|
| PART I. FINANCIAL INFORMATION..... | 1 |
| ITEM 1. FINANCIAL STATEMENTS..... | 1 |
| ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS..... | 31 |
| ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK ... | 39 |
| ITEM 4. CONTROLS AND PROCEDURES..... | 40 |
| PART II. OTHER INFORMATION | 42 |
| Item 1. Legal Proceedings | 42 |
| Item 1A. Risk Factors..... | 42 |
| Item 2. Unregistered Sales of Equity Securities and Use of Proceeds | 42 |
| Item 3. Default upon Senior Securities..... | 42 |
| Item 4. Submission of Matters to a Vote of Security Holders..... | 42 |
| Item 5. Other Information..... | 43 |
| Item 6. Exhibits | 43 |
| Exhibit Index | 43 |
| <i>(a) Exhibits</i> | 43 |
| SIGNATURES | 44 |

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

AMERITRANS CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

| | <u>December 31, 2008</u> (unaudited) | <u>June 30, 2008</u> |
|--|---|----------------------|
| <u>Assets</u> | | |
| Investments at fair value (cost of \$30,493,042 and \$60,431,182, respectively): | | |
| Non-controlled/non-affiliated investments | \$ 28,276,113 | \$ 56,782,716 |
| Non-controlled affiliated investments | 487,076 | 1,424,264 |
| Controlled affiliated investments | <u>647,730</u> | <u>1,391,307</u> |
| Total investments at fair value | 29,410,919 | 59,598,287 |
| Cash and cash equivalents | 1,284,839 | 665,893 |
| Accrued interest receivable | 597,046 | 602,956 |
| Assets acquired in satisfaction of loans | 38,250 | 38,250 |
| Furniture, equipment and leasehold improvements, net | 142,645 | 156,125 |
| Deferred loan costs, net | 166,316 | 186,760 |
| Prepaid expenses and other assets | <u>518,751</u> | <u>733,197</u> |
| Total assets | <u>\$ 32,158,766</u> | <u>\$ 61,981,468</u> |

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

AMERITRANS CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

| | December 31, 2008 <u>(unaudited)</u> | June 30, 2008 <u></u> |
|--|--|-----------------------------|
| <u>Liabilities and Stockholders' Equity</u> | | |
| Liabilities: | | |
| Debentures payable to SBA | \$ 12,000,000 | \$ 12,000,000 |
| Notes payable, banks | 600,000 | 28,095,697 |
| Note payable – related party | - | 100,000 |
| Accrued expenses and other liabilities | 361,547 | 640,576 |
| Accrued interest payable | 212,036 | 262,528 |
| Dividends payable | 84,375 | 84,375 |
| | <u>13,257,958</u> | <u>41,183,176</u> |
| Total liabilities | | |
| | <u>13,257,958</u> | <u>41,183,176</u> |
| Commitments and contingencies (Notes 2, 3, 4 and 7) | | |
| Stockholders' equity: | | |
| Preferred stock 9,500,000 shares authorized, none issued or outstanding | - | - |
| 9-3/8% cumulative participating redeemable preferred stock \$.01 par value, \$12.00 face value, 500,000 shares authorized; 300,000 shares issued and outstanding | 3,600,000 | 3,600,000 |
| Common stock, \$.0001 par value; 45,000,000 shares authorized, 3,405,583 shares issued; 3,395,583 shares outstanding | 341 | 341 |
| Deferred compensation (Note 8) | (27,236) | (40,921) |
| Stock options outstanding (Note 8) | 185,252 | 141,668 |
| Additional paid-in capital | 21,139,504 | 21,139,504 |
| Losses and distributions in excess of earnings | (4,596,335) | (2,895,992) |
| Net unrealized depreciation on investments | (1,330,718) | (1,076,308) |
| Total | 18,970,808 | 20,868,292 |
| Less: Treasury stock, at cost, 10,000 shares of common stock | (70,000) | (70,000) |
| | <u>18,900,808</u> | <u>20,798,292</u> |
| Total stockholders' equity | | |
| | <u>18,900,808</u> | <u>20,798,292</u> |
| Total liabilities and stockholders' equity | <u>\$ 32,158,766</u> | <u>\$ 61,981,468</u> |
| | | |
| Net asset value per common share | <u>\$ 4.51</u> | <u>\$ 5.06</u> |

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

AMERITRANS CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

| | For the three months ended | | For the six months ended | |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| | December 31, 2008 (unaudited) | December 31, 2007 (unaudited) | December 31, 2008 (unaudited) | December 31, 2007 (unaudited) |
| Investment income: | | | | |
| Interest on loans receivable: | | | | |
| Non-controlled/non-affiliated investments | \$ 864,110 | \$ 1,471,262 | \$ 2,208,647 | \$ 2,954,477 |
| Non-controlled affiliated investments | 3,825 | 3,463 | 8,105 | 6,234 |
| Controlled affiliated investments | 13,454 | 64,293 | 43,549 | 122,882 |
| | <u>881,389</u> | <u>1,539,018</u> | <u>2,260,301</u> | <u>3,083,593</u> |
| Fees and other income | <u>89,355</u> | <u>58,701</u> | <u>169,904</u> | <u>155,543</u> |
| Total investment income | <u>970,744</u> | <u>1,597,719</u> | <u>2,430,205</u> | <u>3,239,136</u> |
| Expenses: | | | | |
| Interest | 266,095 | 653,827 | 753,374 | 1,283,888 |
| Salaries and employee benefits | 787,998 | 464,544 | 1,271,959 | 889,670 |
| Occupancy costs | 79,239 | 68,025 | 153,274 | 137,043 |
| Professional fees | 355,039 | 146,687 | 789,973 | 348,842 |
| Other administrative expenses | <u>239,114</u> | <u>236,560</u> | <u>517,199</u> | <u>428,089</u> |
| Total expenses | <u>1,727,485</u> | <u>1,569,643</u> | <u>3,485,779</u> | <u>3,087,532</u> |
| Net investment income (loss) | <u>(756,741)</u> | <u>28,076</u> | <u>(1,055,574)</u> | <u>151,604</u> |
| Net realized and unrealized gains (losses) on investments: | | | | |
| Net realized gains (losses) on investments: | | | | |
| Non-controlled/non-affiliated investments | (497,482) | 2,457 | (484,334) | (38,990) |
| Non-controlled affiliated investments | - | (150,859) | - | (150,859) |
| Controlled affiliated investments | - | (10,610) | 8,315 | 134,581 |
| | <u>(497,482)</u> | <u>(159,012)</u> | <u>(476,019)</u> | <u>(55,268)</u> |
| Net unrealized depreciation on investments | <u>(53,174)</u> | <u>(94,465)</u> | <u>(254,410)</u> | <u>(317,817)</u> |
| Net realized/unrealized losses on investments | <u>(550,656)</u> | <u>(253,477)</u> | <u>(730,429)</u> | <u>(373,085)</u> |
| Net decrease in net assets from operations | (1,307,397) | (225,401) | (1,786,003) | (221,481) |
| Distributions to preferred shareholders | <u>(84,375)</u> | <u>(84,375)</u> | <u>(168,750)</u> | <u>(168,750)</u> |
| Net decrease in net assets from operations available to common shareholders | <u>\$ (1,391,772)</u> | <u>\$ (309,776)</u> | <u>\$ (1,954,753)</u> | <u>\$ (390,231)</u> |
| Weighted Average Number of Common Shares Outstanding: | | | | |
| Basic and diluted | <u>3,395,583</u> | <u>3,395,583</u> | <u>3,395,583</u> | <u>3,394,465</u> |
| Net Decrease in Net Assets from Operations Per Common Share: | | | | |
| Basic and diluted | <u>\$ (0.41)</u> | <u>\$ (0.09)</u> | <u>\$ (0.58)</u> | <u>\$ (0.11)</u> |

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

AMERITRANS CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

| | For the six months ended | |
|---|--------------------------|----------------------|
| | December 31, 2008 | December 31, 2007 |
| | (unaudited) | (unaudited) |
| Increase (decrease) in net assets from operations: | | |
| Net investment income (loss) | \$ (1,055,574) | \$ 151,604 |
| Net realized losses from investments | (476,019) | (55,268) |
| Unrealized depreciation on investments | (254,410) | (317,817) |
| | | |
| Net decrease in net assets from operations | (1,786,003) | (221,481) |
| Shareholder distributions: | | |
| Distributions to preferred shareholders | (168,750) | (168,750) |
| Distributions to common shareholders | - | (33,956) |
| Capital share transactions: | | |
| Proceeds from stock options exercised | - | 19,688 |
| Stock options compensation expense | 57,269 | 50,458 |
| | | |
| Net decrease in net assets from capital shares transactions | (111,481) | (132,560) |
| | | |
| Total decrease in net assets | (1,897,484) | (354,041) |
| Net assets: | | |
| Beginning of period | 20,798,292 | 21,644,840 |
| | | |
| End of period | \$ 18,900,808 | \$ 21,290,799 |
| Net assets per common | \$ 15,300,808 | \$ 17,690,799 |
| Net assets per preferred | \$ 3,600,000 | \$ 3,600,000 |
| Capital share activity: | | |
| Common shares issued upon exercise of stock options | - | 4,375 |
| | | |
| Net increase in capital share activity | - | 4,375 |

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

AMERITRANS CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | For the six months ended | |
|---|--------------------------|----------------------|
| | December 31, 2008 | December 31, 2007 |
| | (unaudited) | (unaudited) |
| Cash flows from operating activities: | | |
| Net decrease in net assets from operations | \$ (1,786,003) | \$ (221,481) |
| Adjustments to reconcile net decrease in net assets from operations to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 35,612 | 39,949 |
| Deferred compensation | 57,269 | 50,458 |
| Net realized losses on investments | 476,019 | 55,268 |
| Net unrealized depreciation on investments | 254,410 | 317,817 |
| Investments originated | (4,775,126) | (16,666,270) |
| Proceeds from principal receipts, sales and maturities of investments | 34,232,065 | 15,326,943 |
| Assets acquired in satisfaction of loans | - | 17,780 |
| Changes in operating assets and liabilities: | | |
| Accrued interest receivable | 5,910 | (55,276) |
| Prepaid expenses and other assets | 214,446 | (160,471) |
| Accrued expenses and other liabilities | (279,029) | (44,421) |
| Accrued interest payable | (50,492) | (13,549) |
| Total adjustments | 30,171,084 | (1,131,772) |
| Net cash provided by (used in) operating activities | 28,385,081 | (1,353,253) |
| Cash flows from investing activities: | | |
| Purchases of furniture and equipment | (1,688) | (3,459) |
| Net cash used in investing activities | (1,688) | (3,459) |
| Cash flows from financing activities: | | |
| Proceeds from stock options exercised | - | 19,688 |
| Proceeds from note payable, related parties | - | 500,000 |
| Repayment of note payable, related parties | (100,000) | (550,000) |
| Proceeds from notes payable, banks | 2,750,000 | 9,743,197 |
| Repayment of notes payable, banks | (30,245,697) | (7,880,000) |
| Dividends paid | (168,750) | (202,706) |
| Net cash provided by (used in) financing activities | (27,764,447) | 1,630,179 |
| Net increase in cash and cash equivalents | 618,946 | 273,467 |
| Cash and cash equivalents: | | |
| Beginning of period | 665,893 | 251,394 |
| End of period | \$ 1,284,839 | \$ 524,861 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the period for: | | |
| Interest | \$ 803,866 | \$ 1,323,383 |

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

AMERITRANS CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INVESTMENTS

| Portfolio Company ⁽¹⁾ | Investment Investment Rate / Maturity | Portfolio Valuation as of December 31, 2008 (unaudited) | | |
|--|---|--|------------|------------|
| | | Principal | Net Cost | Value |
| Medallion Loans Receivable (3.59%) ⁽⁵⁾ | | | | |
| Boston Taxicab Medallion Portfolio | 2 Medallion Loans 7.47 % Weighted Average Rate | \$ 143,652 | \$ 143,652 | \$ 143,652 |
| Chicago Taxicab Medallions | 10 Medallion Loans 8.05% Weighted Average Rate | 278,404 | 278,404 | 278,404 |
| Florida Taxicab | 2 Medallion Loans 12.19% Weighted Average Rate | 255,757 | 255,757 | 255,757 |
| | | | 677,813 | 677,813 |
| Commercial Loans Receivable (66.2%) ⁽⁵⁾ | | | | |
| A Lot of Cars LLC ⁽⁷⁾ | Collateralized Business Loan | | | |
| Black Car Leasing | 7.0%, due 6/09 | 104,050 | 104,050 | 75,500 |
| PPCP Inc. | Business Loan | | | |
| Computer Software | 8.0%, due 7/08 | 16,788 | 16,788 | - |
| PPCP Inc. | Business Loan | | | |
| Computer Software | 8.0%, due 7/08 | 14,272 | 14,272 | - |
| Geronimo ATM Fund LLC ⁽⁷⁾ | Collateralized Business Loan | | | |
| ATM Operator | 12.0%, due 5/09 | 146,822 | 146,822 | - |
| Cleaners of North Beach, LLC | Collateralized Business Loan | | | |
| Dry Cleaners | 5.5%, due 5/11 | 29,501 | 29,501 | 29,501 |
| Crown Cleaners of Miami Lakes | Collateralized Business Loan | | | |
| Dry Cleaners | 6.0%, due 7/11 | 3,694 | 3,694 | 3,694 |
| Crown Cleaners of Miami Lakes | Collateralized Business Loan | | | |
| Dry Cleaners | 6.0%, due 7/11 | 23,931 | 23,931 | 23,931 |
| City Brite Cleaners Inc. | Collateralized Business Loan | | | |
| Dry Cleaners | 11.0%, due 7/09 | 5,155 | 5,155 | 5,155 |
| Andy Fur Dry Cleaning, Inc. | Collateralized Business Loan | | | |
| Dry Cleaners | 14.5%, due 1/10 | 13,136 | 13,136 | 13,136 |
| Vivas & Associates, Inc. ⁽⁷⁾ | Collateralized Business Loan | | | |
| Nail Salon | 9.0%, due 1/10 | 12,385 | 12,385 | - |
| PPCP, Inc. | Business Loan | | | |
| Computer Software | 8.0%, due 1/10 | 5,965 | 5,965 | - |
| Monticello Desserts, Inc. | Collateralized Business Loan | | | |
| Retail Bakery | 14.0%, due 4/10 | 69,596 | 69,596 | 69,596 |
| Cooper Ave. Wash, Inc. | Business Loan | | | |
| Laundromat | 10.0%, due 3/12 | 269,686 | 269,686 | 269,686 |
| Best Choice Dry Cleaners | Collateralized Business Loan | | | |
| Dry Cleaners | 11.0%, due 5/10 | 2,152 | 2,152 | 2,152 |
| Chao Tenga LLC d/b/a AsianChao | Collateralized Business Loan | | | |
| Retail Fast Food | 15.5%, due 5/10 | 153,214 | 153,214 | 153,214 |
| JNJ Associates Inc. | Collateralized Business Loan | | | |
| Laundromat | 7.5%, due 6/12 | 73,913 | 73,913 | 35,000 |
| Just Salad LLC | Collateralized Business Loan | | | |
| Retail Food Service | 10.0%, due 10/10 | 320,925 | 320,925 | 320,925 |
| MGM/ Clean-Rite Laundromat | Subordinate Real Estate Mortgage | | | |
| Laundromat | 14.0%, due 10/07 | 46,525 | 46,525 | 46,525 |
| Scotto Pizza of Woodbridge Inc. | Collateralized Business Loan | | | |
| Retail Food Service | 12.75%, due 3/09 | 1,917 | 1,917 | 1,917 |
| Mi Tren Greenlawn, Inc. | Subordinate Real Estate Mortgage | | | |
| Retail Fast Food | 13.75%, due 2/11 | 55,544 | 55,544 | 55,544 |
| E & Y General Construction Co. | Senior Real Estate Mortgage | | | |
| Construction Services | 10.5%, due 10/10 | 870,791 | 870,791 | 870,791 |
| Lifeforce-Golden Acres Prop. | Senior Real Estate Mortgage – Participation | | | |
| Assisted Living Facility | 11.0%, due 2/09 | 770,840 | 770,840 | 770,840 |
| Sealmax, Inc. | Senior Real Estate Mortgage | | | |
| Construction Services | 12.0%, due 4/11 | 916,285 | 916,285 | 916,285 |
| Pier-Tech, Inc. | Subordinate Real Estate Mortgage – | | | |
| Specialty Construction Services | Participation 12.0%, due 8/10 | 241,111 | 241,111 | 241,111 |

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

AMERITRANS CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INVESTMENTS (continued)

| Portfolio Company ⁽¹⁾ | Investment Investment Rate / Maturity | Portfolio Valuation as of December 31, 2008 (unaudited) | | |
|--|--|--|-------------------|-------------------|
| | | Principal | Net Cost | Value |
| Soundview Broadcasting LLC <i>Television and Broadcasting</i> | Senior Real Estate Mortgage 7.75%, due 9/11 | 1,967,236 | 1,967,236 | 1,967,236 |
| Golden Triangle Enterprises LLC <i>Retail Food Service</i> | Senior Real Estate Mortgage 7.01%, due 12/13 | 358,633 | 358,633 | 358,633 |
| Goldhkin Wholesale Ent. Inc. <i>Retail Gasoline</i> | Senior Real Estate Mortgage 10.25%, due 7/12 | 659,958 | 659,958 | 659,958 |
| Conklin Services & Construction Inc. <i>Specialty Construction and Maintenance</i> | Collateralized Business Loan 12%, due 10/08 | 1,718,219 | 1,718,219 | 1,718,219 |
| Mountain View Bar & Grill Inc. <i>Retail Food Service</i> | Collateralized Business Loan 12.0%, due 5/09 | 412,500 | 412,500 | 412,500 |
| J. JG. Associates, Inc. ⁽⁷⁾ <i>Consumer Receivable Collections</i> | Senior Loan no stated rate, no maturity | 212,236 | 212,236 | 100,250 |
| J. JG. Associates, Inc. ⁽⁷⁾ <i>Consumer Receivable Collections</i> | Senior Loan no stated rate, no maturity | 39,071 | 39,071 | 23,600 |
| Natural Person <i>Real Estate Mortgage</i> | Senior Real Estate Mortgage 12.0%, due 11/08 | 665,000 | 665,000 | 665,000 |
| Lifefhouse – Golden Acres Prop. <i>Assisted Living Facility</i> | Senior Real Estate Mortgage – Participation 11.0%, due 2/09 | 137,640 | 137,640 | 137,640 |
| Car-Matt Real Estate LLC <i>Real Estate Mortgage</i> | Senior Real Estate Mortgage 12.0%, due 11/08 | 135,577 | 135,577 | 135,577 |
| 633 Mead Street, LLC ⁽³⁾ <i>First lien mortgage</i> | Senior Real Estate Mortgage 12.0%, due 8/08 | 215,000 | 215,000 | 215,000 |
| CMCA, LLC ⁽³⁾ <i>Consumer Receivable Collections</i> | Collateralized Business Loan 12%, no stated maturity | 312,654 | 312,654 | 312,654 |
| CMCA, LLC #2 ⁽³⁾ <i>Consumer Receivable Collections</i> | Collateralized Business Loan 12%, no stated maturity | 109,276 | 109,276 | 109,276 |
| Adiel Homes Inc. <i>Construction Services</i> | Senior Real Estate Mortgage 12%, due 1/09 | 250,000 | 250,000 | 250,000 |
| Puretech Enterprises LLC <i>Water Cooler Distributor</i> | Collateralized Business Loan 12.5%, due 6/10 | 200,000 | 200,000 | 200,000 |
| Puretech Enterprises LLC <i>Water Cooler Distributor</i> | Collateralized Business Loan 12.5%, due 7/10 | 200,000 | 200,000 | 200,000 |
| Western Pottery LLC ⁽²⁾ <i>Ceramic Sanitaryware Distributor</i> | Subordinated Business Loan 5.0%, due 7/08 | 53,575 | 53,575 | 53,575 |
| Puretech Enterprises LLC <i>Water Cooler Distributor</i> | Collateralized Business Loan 12.5%, due 9/10 | 200,000 | 200,000 | 200,000 |
| Western Pottery LLC ⁽²⁾ <i>Ceramic Sanitaryware Distributor</i> | Subordinated Business Loan 5.0%, due 11/08 | 107,142 | 107,142 | 107,142 |
| Western Pottery LLC ⁽²⁾ <i>Ceramic Sanitaryware Distributor</i> | Subordinated Business Loan 5.0%, due 3/09 | 56,250 | 56,250 | 56,250 |
| Western Pottery LLC ⁽²⁾ <i>Ceramic Sanitaryware Distributor</i> | Subordinated Business Loan 5.0%, due 6/09 | 37,500 | 37,500 | 37,500 |
| Conklin Services & Construction Inc. – Dem <i>Specialty Construction and Maintenance</i> | Collateralized Business Loan 12.0%, due 1/09 | 43,488 | 43,488 | 43,488 |
| Conklin Services & Construction Inc. – Dem <i>Note B Specialty Construction and Maintenance</i> | Collateralized Business Loan 12.0%, due 1/09 | 12,424 | 12,424 | 12,424 |
| Greaves-Peters Laundry Systems <i>Laundromat</i> | Collateralized Business Loan 10.9%, due 6/13 | 384,731 | 384,731 | 384,731 |
| Western Pottery LLC ⁽²⁾ <i>Ceramic Sanitaryware Distributor</i> | Subordinated Business Loan 4.50%, due 7/09 | 107,142 | 107,142 | 107,142 |
| Other Miscellaneous Loans ⁽⁶⁾ | | 148,199 | 148,199 | 148,199 |
| Total Commercial Loans | | | 12,911,649 | 12,520,497 |
| Corporate Loans Receivable (67.8%) ⁽⁵⁾ | | | | |
| Charlie Brown's Acquisition Co. <i>Retail Food Service</i> | Term Loan B 6.67%, due 10/13 | 2,000,444 | 2,000,444 | 2,000,444 |
| Resco Products Inc. <i>Diversified Manufacturing</i> | Term Loan, First Lien 5.95%, due 6/13 | 1,850,000 | 1,850,000 | 1,850,000 |
| Alpha Media Group Inc. <i>Publishing</i> | Term Loan, First Lien 5.75%, due 8/14 | 1,876,667 | 1,778,715 | 1,876,667 |
| Centaur LLC <i>Gaming</i> | Term Loan, First Lien 6.7%, due 10/12 | 1,395,842 | 1,363,755 | 1,395,842 |
| X-Rite Inc. <i>Process Control Instruments</i> | Term Loan, First Lien 7.95%, due 10/12 | 1,270,304 | 1,262,463 | 1,270,304 |

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

AMERITRANS CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INVESTMENTS (continued)

| Portfolio Company ⁽¹⁾ | Investment Investment Rate / Maturity | Portfolio Valuation as of December 31, 2008 (unaudited) | | |
|---|--|--|----------------------|----------------------|
| | | Principal | Net Cost | Value |
| BP Metals LLC <i>Diversified Manufacturing</i> | Term Loan, First Lien 8.76%, due 6/13 | 967,500 | 987,500 | 987,500 |
| Test Center LLC <i>Data Collection Services</i> | Term Loan, First Lien 5.45%, due 10/13 | 940,102 | 901,500 | 940,102 |
| Learning Care Group <i>Private Education</i> | Term Loan, First Lien 8.4%, due 6/15 | 997,500 | 957,699 | 995,000 |
| Hudson Products Holdings Inc. <i>Diversified Manufacturing</i> | Term Loan, First Lien 8.9%, due 8/15 | 1,496,251 | 1,453,001 | 1,496,251 |
| | Total Corporate Loans | | <u>12,555,077</u> | <u>12,812,110</u> |
| | Total loans receivable | | <u>26,144,539</u> | <u>26,010,420</u> |
| Life Insurance Settlement Contracts (12.9%)⁽⁵⁾ | | | | |
| Vibrant Capital Corp. (J.V. #1) ⁽⁴⁾ | 7 life insurance policies, aggregate face value of \$30,750,000 | | <u>2,436,436</u> | <u>2,436,436</u> |
| Equity Investments (5.1%)⁽⁵⁾ | | | | |
| MBS Steeplecrest, Ltd. <i>Rental Real Estate Limited Partnership</i> | Limited Partnership Interest | | 60 | 60 |
| MBS Huntwick, Ltd. <i>Rental Real Estate Limited Partnership</i> | Limited Partnership Interest | | - | - |
| MBS Cranbrook Ltd. <i>Rental Real Estate Limited Partnership</i> | Limited Partnership Interest | | - | - |
| MBS Serrano, Ltd. <i>Rental Real Estate Limited Partnership</i> | Limited Partnership Interest | | 50,600 | 34,822 |
| MBS Colonnade, Ltd. <i>Rental Real Estate Limited Partnership</i> | Limited Partnership Interest | | 50,000 | 4,395 |
| MBS Briar Meadows, Ltd. <i>Rental Real Estate Limited Partnership</i> | Limited Partnership Interest | | - | - |
| MBS Indian Hollow, Ltd. <i>Rental Real Estate Limited Partnership</i> | Limited Partnership Interest | | - | - |
| MBS Sage Creek, Ltd. <i>Rental Real Estate Limited Partnership</i> | Limited Partnership Interest | | 50,000 | 35,781 |
| MBS Walnut Creek, Ltd. <i>Rental Real Estate Limited Partnership</i> | Limited Partnership Interest | | 25,000 | 12,345 |
| MBS Lodge At Stone Oak, Ltd. <i>Rental Real Estate Limited Partnership</i> | Limited Partnership Interest | | 60,000 | 40,413 |
| 238 W. 108 Realty LLC ⁽²⁾ <i>Residential Real Estate Development</i> | 5% LLC Interest | | 106,000 | 106,000 |
| Asset Recovery & Management, LLC ⁽³⁾ <i>Consumer Receivable Collections</i> | 30.0% LLC Interest | | 6,000 | 6,000 |
| 633 Mead Street, LLC ⁽³⁾ <i>Real Estate Development</i> | 57.1% LLC Interest | | 800 | 800 |
| CMCA, LLC ⁽³⁾ <i>Consumer Receivable Collections</i> | 30% LLC Interest | | 4,000 | 4,000 |
| Soha Terrace II LLC ⁽²⁾ <i>Real Estate Development</i> | 6% LLC Interest | | 700,000 | 700,000 |
| Western Pottery LLC ⁽²⁾ <i>Ceramic Sanitaryware Distributor</i> | 21.8% LLC Interest | | 467,080 | - |
| Fusion Telecommunications <i>Internet Telephony</i> | 69,736 shares of common stock | | 367,027 | 13,947 |
| EraGen Biosciences <i>Analytic Compounds</i> | 17,000 shares of common stock | | 25,500 | 5,500 |
| | Total equity investments | | <u>1,912,067</u> | <u>964,063</u> |
| | Total investments | | <u>\$ 30,493,042</u> | <u>\$ 29,410,919</u> |

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

AMERITRANS CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INVESTMENTS (continued)

⁽¹⁾Unless otherwise noted, all investments are pledged as collateral for the Notes payable, banks.

⁽²⁾As defined in the Investment Company Act of 1940, we are an affiliate of this portfolio company because we own 5% or more of the portfolio company's outstanding voting securities.

⁽³⁾As defined in the Investment Company Act of 1940, we maintain "control" of this portfolio company because we own more than 25% of the portfolio company's outstanding voting securities.

⁽⁴⁾The Company receives interest at a rate of 12% per annum pursuant to an agreement with another company.

⁽⁵⁾Percentage of net assets.

⁽⁶⁾Other small balance loans.

⁽⁷⁾Loan receivable is on non-accrual status and therefore is considered non-income producing.

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

AMERITRANS CAPITAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INVESTMENTS

| Portfolio Company ⁽¹⁾ | Investment Investment Rate / Maturity | Portfolio Valuation as of June 30, 2008 | | |
|--|--|--|--------------|--------------|
| | | Principal | Net Cost | Value |
| Medallion Loans Receivable (143.4%) ⁽⁵⁾ | | | | |
| Boston Taxicab Medallion Portfolio | 26 Medallion Loans 8.19% Weighted Average Rate | \$ 4,557,009 | \$ 4,557,009 | \$ 4,597,158 |
| Chicago Taxicab Medallions | 193 Medallion Loans 7.83% Weighted Average Rate | 17,239,802 | 17,239,802 | 17,391,690 |
| Florida Taxicab | 75 Medallion Loans 9.34% Weighted Average Rate | 7,812,514 | 7,812,514 | 7,881,494 |
| | | | 29,609,325 | 29,870,342 |
| Commercial Loans Receivable (66.7%) ⁽⁵⁾ | | | | |
| Across the Town | Collateralized Business Loan | | | |
| Chicago Taxicab Operations | 8.0%, due 6/15 | 15,038 | 15,038 | 15,038 |
| Jade R. Inc. d/b/a Eagle Cleaner | Collateralized Business Loan | | | |
| Laundromat | 9.5%, due 7/03 | 3,974 | 3,974 | 3,974 |
| 1519 Avenue J. Laundromat ⁽⁷⁾ | Collateralized Business Loan | | | |
| Laundromat | 12.5%, due 9/01 | 63,123 | 63,123 | 63,123 |
| A Lot of Cars LLC ⁽⁷⁾ | Collateralized Business Loan | | | |
| Black Car Leasing | 7.0%, due 6/09 | 110,050 | 110,050 | 75,500 |
| Hi-Tech Laundromat Inc. | Collateralized Business Loan | | | |
| Laundromat | 11.0%, due 11/08 | 134,410 | 134,410 | 134,410 |
| PPCP Inc. | Business Loan | | | |
| Computer Software | 8.0%, due 7/08 | 17,569 | 17,569 | - |
| PPCP Inc. | Business Loan | | | |
| Computer Software | 8.0%, due 7/08 | 14,272 | 14,272 | - |
| Lucky Coin Laundry Inc. | Collateralized Business Loan | | | |
| Laundromat | 8.0%, due 9/11 | 99,080 | 99,080 | 99,080 |
| AKBA International Inc. | Collateralized Business Loan | | | |
| Retail Food Service | 11.25%, due 5/09 | 7,563 | 7,563 | 7,563 |
| 6717 Laundromat & Dry Cleaning | Collateralized Business Loan | | | |
| Laundromat | 11.0%, due 4/11 | 249,339 | 249,339 | 249,339 |
| Colgate Dry Cleaners Corp. | Collateralized Business Loan | | | |
| Dry Cleaners | 10.5%, due 1/09 | 2,917 | 2,917 | 2,917 |
| Geronimo ATM Fund LLC ⁽⁷⁾ | Collateralized Business Loan | | | |
| ATM Operator | 12.0%, due 5/09 | 146,822 | 146,822 | 30,000 |
| Cleaners of North Beach, LLC | Collateralized Business Loan | | | |
| Dry Cleaners | 5.5%, due 5/11 | 34,370 | 34,370 | 34,370 |
| Crown Cleaners of Miami Lakes | Collateralized Business Loan | | | |
| Dry Cleaners | 6.0%, due 7/11 | 4,290 | 4,290 | 4,290 |
| Crown Cleaners of Miami Lakes | Collateralized Business Loan | | | |
| Dry Cleaners | 6.0%, due 7/11 | 28,426 | 28,426 | 28,426 |
| City Brite Cleaners Inc. | Collateralized Business Loan | | | |
| Dry Cleaners | 11.0%, due 7/09 | 8,191 | 8,191 | 8,191 |
| Whiter Than Snow Laundry, Inc. | Collateralized Business Loan | | | |
| Laundromat | 9.0%, due 12/12 | 64,912 | 64,912 | - |
| Andy Fur Dry Cleaning, Inc. | Collateralized Business Loan | | | |
| Dry Cleaners | 14.5%, due 1/10 | 19,027 | 19,027 | 19,027 |
| Vivas & Associates, Inc. ⁽⁷⁾ | Collateralized Business Loan | | | |
| Nail Salon | 9.0%, due 1/10 | 12,385 | 12,385 | 6,385 |
| PPCP, Inc. | Business Loan | | | |
| Computer Software | 8.0%, due 1/10 | 5,965 | 5,965 | - |
| Monticello Desserts, Inc. | Collateralized Business Loan | | | |
| Retail Bakery | 14.0%, due 4/10 | 79,401 | 79,401 | 79,401 |
| Cooper Ave. Wash, Inc. | Business Loan | | | |
| Laundromat | 10.0%, due 3/12 | 305,333 | 305,333 | 305,333 |
| Best Choice Dry Cleaners | Collateralized Business Loan | | | |
| Dry Cleaners | 11.0%, due 5/10 | 14,375 | 14,375 | 14,375 |
| Chao Tenga LLC d/b/a AsianChao | Collateralized Business Loan | | | |
| Retail Fast Food | 15.5%, due 5/10 | 205,382 | 205,382 | 205,382 |

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

AMERITRANS CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INVESTMENTS (continued)

| Portfolio Company ⁽¹⁾ | Investment Investment Rate / Maturity | Portfolio Valuation as of June 30, 2008 | | |
|---|---|--|-----------|-----------|
| | | Principal | Net Cost | Value |
| JNJ Associates Inc. <i>Laundromat</i> | Collateralized Business Loan 7.5%, due 6/12 | 73,913 | 73,913 | 50,000 |
| Just Salad LLC <i>Retail Food Service</i> | Collateralized Business Loan 10.0%, due 10/10 | 320,925 | 320,925 | 320,925 |
| MGM/Clean-Rite Laundromat <i>Laundromat</i> | Subordinate Real Estate Mortgage 14.0%, due 10/07 | 44,624 | 44,624 | 44,624 |
| Elite Limousine Plus Inc. <i>Black Car Service</i> | Collateralized Business Loan 11.0%, due 7/08 | 318,270 | 318,270 | 318,270 |
| Scotto Pizza of Woodbridge Inc. <i>Retail Food Service</i> | Collateralized Business Loan 12.75%, due 3/09 | 5,569 | 5,569 | 5,569 |
| Mi Tren Greenlawn, Inc. <i>Retail Fast Food</i> | Subordinate Real Estate Mortgage 13.75%, due 2/11 | 91,606 | 91,606 | 91,606 |
| E & Y General Construction Co. <i>Construction Services</i> | Senior Real Estate Mortgage 10.5%, due 10/10 | 880,791 | 880,791 | 880,791 |
| Lifeforce-Golden Acres Prop. <i>Assisted Living Facility</i> | Senior Real Estate Mortgage – Participation 11.0%, due 7/08 | 770,840 | 770,840 | 770,840 |
| Sealmax, Inc. <i>Construction Services</i> | Senior Real Estate Mortgage 12.0%, due 4/11 | 435,032 | 435,032 | 435,032 |
| Sealmax, Inc. <i>Construction Services</i> | Senior Real Estate Mortgage 12.0%, due 4/11 | 325,000 | 325,000 | 325,000 |
| Pier-Tech, Inc. <i>Specialty Construction Services</i> | Subordinate Real Estate Mortgage – Participation 12.0%, due 8/10 | 304,682 | 304,682 | 304,682 |
| Soundview Broadcasting LLC <i>Television and Broadcasting</i> | Senior Real Estate Mortgage 7.75%, due 9/11 | 1,989,638 | 1,989,638 | 1,989,638 |
| Golden Triangle Enterprises LLC <i>Retail Food Service</i> | Senior Real Estate Mortgage 7.01%, due 12/13 | 381,316 | 381,316 | 381,316 |
| Goldhkin Wholesale Ent. Inc. <i>Retail Gasoline</i> | Senior Real Estate Mortgage 10.25%, due 7/12 | 686,666 | 686,666 | 686,666 |
| Sealmax, Inc. <i>Construction Services</i> | Subordinate Real Estate Mortgage 12.0%, due 4/11 | 155,815 | 155,815 | 155,815 |
| Conklin Services & Construction Inc. <i>Specialty Construction and Maintenance</i> | Collateralized Business Loan 12%, due 10/08 | 1,718,219 | 1,718,219 | 1,718,219 |
| Mountain View Bar & Grill Inc. <i>Retail Food Service</i> | Collateralized Business Loan 12.0%, due 5/09 | 412,500 | 412,500 | 412,500 |
| J. J.G. Associates, Inc. <i>Consumer Receivable Collections</i> | Senior Loan no stated rate, no maturity | 218,986 | 218,986 | 107,000 |
| J. J.G. Associates, Inc. <i>Consumer Receivable Collections</i> | Senior Loan no stated rate, no maturity | 39,071 | 39,071 | 23,600 |
| Ogden Avenue CH, LLC <i>Real Estate Development</i> | Collateralized Business Loan 11.0%, due 12/10 | 387,794 | 387,794 | 387,794 |
| Soha Terrace II LLC <i>Real Estate Development</i> | Senior Real Estate Mortgage 12.0%, due 4/08 | 62,500 | 62,500 | 62,500 |
| Natural Person <i>Real Estate Mortgage</i> | Senior Real Estate Mortgage 12.0%, due 11/08 | 665,000 | 665,000 | 665,000 |
| Lifeforce – Golden Acres Prop. <i>Assisted Living Facility</i> | Senior Real Estate Mortgage – Participation 11.0%, due 7/08 | 137,640 | 137,640 | 137,640 |
| Car-Matt Real Estate LLC <i>Real Estate Mortgage</i> | Senior Real Estate Mortgage 12.0%, due 11/08 | 135,577 | 135,577 | 135,577 |
| 633 Mead Street, LLC ⁽³⁾ <i>First lien mortgage</i> | Senior Real Estate Mortgage 12.0%, due 8/08 | 215,000 | 215,000 | 215,000 |
| CMCA, LLC ⁽³⁾ <i>Consumer Receivable Collections</i> | Collateralized Business Loan 12%, no stated maturity | 388,440 | 388,440 | 388,440 |
| CMCA, LLC #2 ⁽³⁾ <i>Consumer Receivable Collections</i> | Collateralized Business Loan 12%, no stated maturity | 143,752 | 143,752 | 143,752 |
| Adiel Homes Inc. <i>Construction Services</i> | Senior Real Estate Mortgage 12%, due 1/09 | 250,000 | 250,000 | 250,000 |
| Puretech Enterprises LLC ⁽³⁾ <i>Water Cooler Distributor</i> | Collateralized Business Loan 12.5%, due 6/10 | 200,000 | 200,000 | 200,000 |
| Puretech Enterprises LLC ⁽³⁾ <i>Water Cooler Distributor</i> | Collateralized Business Loan 12.5%, due 7/10 | 200,000 | 200,000 | 200,000 |
| Western Pottery LLC ⁽²⁾ <i>Ceramic Sanitaryware Distributor</i> | Subordinated Business Loan 5.0%, due 7/08 | 53,575 | 53,575 | 53,575 |
| Puretech Enterprises LLC ⁽³⁾ <i>Water Cooler Distributor</i> | Collateralized Business Loan 12.5%, due 9/10 | 200,000 | 200,000 | 200,000 |

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

AMERITRANS CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INVESTMENTS (continued)

| Portfolio Company ⁽¹⁾ | Investment Investment Rate / Maturity | Portfolio Valuation as of June 30, 2008 | | |
|---|--|--|-------------------|-------------------|
| | | Principal | Net Cost | Value |
| Western Pottery LLC ⁽²⁾ <i>Ceramic Sanitaryware Distributor</i> | Subordinated Business Loan 5.0%, due 11/08 | 107,142 | 107,142 | 107,142 |
| Western Pottery LLC ⁽²⁾ <i>Ceramic Sanitaryware Distributor</i> | Subordinated Business Loan 5.0%, due 3/09 | 56,250 | 56,250 | 56,250 |
| Western Pottery LLC ⁽²⁾ <i>Ceramic Sanitaryware Distributor</i> | Subordinated Business Loan 5.0%, due 6/09 | 37,500 | 37,500 | 37,500 |
| Other Miscellaneous Loans ⁽⁶⁾ | | 184,698 | 184,698 | 184,698 |
| | Total Commercial Loans | | 14,244,545 | 13,833,085 |
| Corporate Loans Receivable (55.3%) ⁽⁵⁾ | | | | |
| Charlie Brown's Acquisition Co. <i>Retail Food Service</i> | Term Loan B 6.67%, due 10/13 | 2,000,000 | 2,000,000 | 2,000,000 |
| Resco Products Inc. <i>Diversified Manufacturing</i> | Term Loan, First Lien 5.95%, due 6/13 | 2,000,000 | 1,900,000 | 1,900,000 |
| Alpha Media Group Inc. <i>Publishing</i> | Term Loan, First Lien 5.75%, due 8/14 | 1,876,667 | 1,775,143 | 1,775,143 |
| Centaur LLC <i>Gaming</i> | Term Loan, First Lien 6.7%, due 10/12 | 2,061,224 | 2,025,033 | 1,954,157 |
| X-Rite Inc. <i>Process Control Instruments</i> | Term Loan, First Lien 7.95%, due 10/12 | 1,985,000 | 1,976,159 | 1,976,159 |
| BP Metals LLC <i>Diversified Manufacturing</i> | Term Loan, First Lien 8.76%, due 6/13 | 1,000,000 | 1,000,000 | 1,000,000 |
| Test Center LLC <i>Data Collection Services</i> | Term Loan, First Lien 5.45%, due 10/13 | 944,862 | 902,511 | 902,511 |
| | Total Corporate Loans | | 11,578,846 | 11,507,970 |
| | Total loans receivable | | 55,432,716 | 55,211,397 |
| Life Insurance Settlement Contracts (13.7%) ⁽⁵⁾ | | | | |
| Vibrant Capital Corp. (J.V. #1) ⁽⁴⁾ | 8 life insurance policies, aggregate face value of \$40,750,000 | | 2,842,458 | 2,842,458 |
| Equity Investments (7.4%) ⁽⁵⁾ | | | | |
| MBS Steeplecrest, Ltd. <i>Rental Real Estate Limited Partnership</i> | Limited Partnership Interest | | - | - |
| MBS Huntwick, Ltd. <i>Rental Real Estate Limited Partnership</i> | Limited Partnership Interest | | - | - |
| MBS Cranbrook Ltd. <i>Rental Real Estate Limited Partnership</i> | Limited Partnership Interest | | - | - |
| MBS Serrano, Ltd. <i>Rental Real Estate Limited Partnership</i> | Limited Partnership Interest | | 50,600 | 34,822 |
| MBS Colonnade, Ltd. <i>Rental Real Estate Limited Partnership</i> | Limited Partnership Interest | | 50,000 | 4,395 |
| MBS Briar Meadows, Ltd. <i>Rental Real Estate Limited Partnership</i> | Limited Partnership Interest | | - | - |
| MBS Indian Hollow, Ltd. <i>Rental Real Estate Limited Partnership</i> | Limited Partnership Interest | | - | - |
| MBS Sage Creek, Ltd. <i>Rental Real Estate Limited Partnership</i> | Limited Partnership Interest | | 50,000 | 35,841 |
| MBS Walnut Creek, Ltd. <i>Rental Real Estate Limited Partnership</i> | Limited Partnership Interest | | 25,000 | 12,345 |
| MBS Lodge At Stone Oak, Ltd. <i>Rental Real Estate Limited Partnership</i> | Limited Partnership Interest | | 60,000 | 40,408 |
| Brickman Real Estate Fund II LLP Real Estate Acquisition & Management | Limited Partnership Interest | | 225,001 | 238,896 |
| 238 W. 108 Realty LLC ⁽²⁾ <i>Residential Real Estate Development</i> | 5% LLC Interest | | 100,000 | 100,000 |
| Asset Recovery & Management, LLC ⁽³⁾ <i>Consumer Receivable Collections</i> | 30.0% LLC Interest | | 6,000 | 6,000 |
| 633 Mead Street, LLC ⁽³⁾ <i>Real Estate Development</i> | 57.1% LLC Interest | | 800 | 800 |
| CMCA, LLC ⁽³⁾ <i>Consumer Receivable Collections</i> | 30% LLC Interest | | 4,000 | 4,000 |
| Soha Terrace II LLC ⁽²⁾ <i>Real Estate Development</i> | 6% LLC Interest | | 700,000 | 700,000 |

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

AMERITRANS CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INVESTMENTS (continued)

| Portfolio Company ⁽¹⁾ | Investment Investment Rate / Maturity | Portfolio Valuation as of June 30, 2008 | | |
|---|--|--|----------------------|----------------------|
| | | Principal | Net Cost | Value |
| Western Pottery LLC ⁽²⁾ | | | | |
| <i>Ceramic Sanitaryware Distributor</i> | 21.8% LLC Interest | | 467,080 | 307,297 |
| Fusion Telecommunications | | | | |
| <i>Internet Telephony</i> | 69,736 Shares of Common Stock | | 367,027 | 20,813 |
| EraGen Biosciences | | | | |
| <i>Analytic Compounds</i> | 17,000 shares of common stock | | 25,500 | 5,500 |
| Puretech Enterprises LLC ⁽³⁾ | | | | |
| <i>Water Cooler Distributor</i> | 40% Equity Interest | | 25,000 | 33,315 |
| | Total equity investments | | <u>2,156,008</u> | <u>1,544,432</u> |
| | Total investments | | <u>\$ 60,431,182</u> | <u>\$ 59,598,287</u> |

⁽¹⁾Unless otherwise noted, all investments are pledged as collateral for the Notes payable, banks.

⁽²⁾As defined in the Investment Company Act of 1940, we are an affiliate of this portfolio company because we own 5% or more of the portfolio company's outstanding voting securities.

⁽³⁾As defined in the Investment Company Act of 1940, we maintain "control" of this portfolio company because we own more than 25% of the portfolio company's outstanding voting securities.

⁽⁴⁾The Company receives interest at a rate of 12% per annum pursuant to an agreement with another company.

⁽⁵⁾Percentage of net assets.

⁽⁶⁾Other small balance loans.

⁽⁷⁾ Loan receivable is on non-accrual status and therefore is considered non-income producing

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

AMERITRANS CAPITAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Information at and for the three months and six months ended December 31, 2008 and 2007 are unaudited)

1. Organization and Summary of Significant Accounting Policies

Financial Statements

The consolidated balance sheet of Ameritrans Capital Corporation (“Ameritrans”, the “Company”, “our”, “us”, or “we”) as of December 31, 2008, and the related consolidated statements of operations, changes in net assets, and cash flows for the six months ended December 31, 2008 and 2007 have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the “Commission”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations. In the opinion of management and the board of directors of the Company (“Management” and “Board of Directors”), the accompanying consolidated financial statements include all adjustments (consisting of normal, recurring adjustments) necessary to summarize fairly the Company’s financial position and results of operations. The results of operations for the six months ended December 31, 2008 are not necessarily indicative of the results of operations for the full year or any other interim period. These financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2008, as filed with the Commission.

Organization and Principal Business Activity

Ameritrans Capital Corporation is a Delaware closed-end investment company formed in 1998, which, among other activities, makes loans and investments with the goal of generating both current income and capital appreciation. Through our subsidiary, Elk Associates Funding Corporation (“Elk”), we make loans to finance the acquisition and operation of small businesses as permitted by the U.S. Small Business Administration (the “SBA”). Ameritrans also makes loans to and invests in opportunities that Elk has historically been unable to make due to SBA restrictions. Ameritrans makes loans which have primarily been secured by real estate mortgages or, in the case of corporate loans, generally are senior within the capital structure. We also make equity investments which have primarily been in income producing real estate properties, or in real estate construction projects.

Elk was organized primarily to provide long-term loans to businesses eligible for investments by small business investment companies (each an “SBIC”) under the Small Business Investment Act of 1958, as amended. Elk makes loans for financing the purchase or continued ownership of businesses that qualify for funding as small concerns under SBA Regulations.

Both Ameritrans and Elk are registered as business development companies, or “BDCs,” under the Investment Company Act of 1940, as amended (the “1940 Act”). Accordingly, Ameritrans and Elk are subject to the provisions of the 1940 Act governing the operation of BDCs. Both companies are managed by their executive officers under the supervision of their Boards of Directors.

The Company categorizes its investments into five categories: 1) Taxicab Medallion finance; 2) Corporate Loans; 3) Commercial Loans; 4) Life Settlement Contracts; and 5) Equity Investments. For a more detailed description of these investment categories please see the Company’s Annual Report on Form 10-K for the year ended June 30, 2008, filed with the Commission by the Company on September 29, 2008, which is available on the Company’s web site at www.ameritranscapital.com.

Change in Financial Statement Presentation

Effective for the year ended June 30, 2008, and the three months and six months ended December 31, 2008, the Company has revised its financial statements to be presented in accordance with Article 6 of Regulation S-X as an investment company. Due to the revised format, the Company made certain reclassifications of amounts previously reported in its prior period statements in order to conform to the current presentation. Although the reclassifications resulted in changes to certain line items in the previously filed financial statements, the overall effect of the reclassifications noted below did not impact total stockholder’s equity (or net assets available). Below are the primary items affected by the reclassifications made:

- Unrealized gains and losses previously reported as part of “other comprehensive income (loss), net” were reclassified to “net unrealized gains (losses) on investments” in the statement of operations. The effect of such reclassification also changed previously reported amounts available to common shareholders.
- Gains and losses on sales of investments previously reported as part of “total investment income, net” in the statement of operations were reclassified to “net realized gains (losses) on investments.”
- Net write-off and depreciation on interest and loans receivable, previously reported as part of “total operating expenses” in the statement of operations were reclassified to “net unrealized gains (losses) on investments” and “net realized gains (losses) on investments.”

The change in format also resulted in the statement of stockholders’ equity essentially being replaced with the statement of changes in net assets available, which is now presented. In addition, the schedule of investments has been expanded and certain other disclosures were added, such as the “financial highlights.” We believe the changes noted above conform to the filing format for the Company, as a BDC, and will provide a meaningful representation of the Company’s operations going forward.

Basis of Consolidation

The consolidated financial statements include the accounts of Ameritrans, Elk Capital Corporation (“ECC”), Elk and Elk’s wholly owned subsidiary, EAF Holding Corporation (“EAF”). All significant inter-company transactions have been eliminated in consolidation.

ECC is a wholly-owned subsidiary of Ameritrans, which may engage in lending and investment activities similar to its parent. Since its inception, ECC has had no operations

EAF began operations in December 1993 and owns and operates certain real estate assets acquired in satisfaction of defaulted loans by Elk debtors. At December 31, 2008 EAF was not operating any assets.

Investment Valuations

The Company’s loans receivable, net of participations and any unearned discount are considered investment securities under the 1940 Act and are recorded at fair value. As part of fair value methodology, loans are valued at cost, adjusted for any unrealized appreciation (depreciation). Since no ready market exists for these loans, the fair value is determined in good faith by Management, and approved by the Board of Directors. In determining the fair value, Management and the Board of Directors consider factors such as the financial condition of the borrower, the adequacy of the collateral, individual credit risks, historical loss experience, and the relationships between current and projected market rates and portfolio rates of interest and maturities. Foreclosed properties, which represent collateral received from defaulted borrowers, are valued similarly.

Loans are considered “non-performing” once they become 90 days past due as to principal or interest. The value of past due loans are periodically determined in good faith by Management, and if, in the judgment of Management, the amount is not collectible and the fair value of the collateral is less than the amount due, the value of the loan will be reduced to fair value.

Equity investments (common stock and warrants, including certain controlled subsidiary portfolio investments) and investment securities are recorded at fair value.

The Company records the investment in life insurance policies at fair value, represented as cost, plus or minus unrealized appreciation or depreciation. The fair value of the investment in life settlement contracts has no ready market and is determined in good faith by Management, and approved by the Board of Directors, based on secondary market conditions, policy characteristics and actuarial life expectancy, including health evaluations.

Because of the inherent uncertainty of valuations, the Company’s estimates of the values of the investments may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

Effective July 1, 2008, the Company adopted SFAS 157, which expands the application of fair value accounting for investments (see Note 2).

Income Taxes

The Company has elected to be taxed as a Regulated Investment Company (“RIC”) under the Internal Revenue Code (the “Code”). A RIC generally is not taxed at the corporate level to the extent its income is distributed to its stockholders. In order to qualify as a RIC, a company must pay out at least 90 percent of its net taxable investment income to its stockholders as well as meet other requirements under the Code. In order to preserve this election for the fiscal year ending June 30, 2009, the Company intends to make the required distributions to its stockholders, therefore, no provision for federal income taxes has been provided.

The Company is subject to certain state and local franchise taxes, as well as related minimum filing fees assessed by state taxing authorities. Such taxes and fees are included in “Other administrative expenses” in the consolidated statements of operations in each of the fiscal years presented.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires Management to make extensive use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change relate to the determination of the fair value of the Company’s investments.

Earnings (Loss) Per Share

Basic earnings (loss) per share includes no dilution and is computed by dividing current net increase (decrease) in net assets from operations available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect, in periods in which they have a dilutive effect, the effect of common shares issuable upon the exercise of stock options and warrants. The difference between reported basic and diluted weighted average common shares results from the assumption that all dilutive stock options and warrants outstanding were exercised. For the years presented, the effect of common stock equivalents has been excluded from the diluted calculation since the effect would be antidilutive.

Dividends

Dividends and distributions to our common and preferred stockholders are recorded on the record date. The amount to be paid out as a dividend is determined by the Board of Directors each quarter and is generally based upon the earnings estimated by Management. Net realized capital gains, if any, are distributed at least annually, although the Company may decide to retain such capital gains for investment.

On June 30, 2008, the Board of Directors approved and adopted a dividend reinvestment plan that provides for reinvestment of distributions in the Company’s common stock, \$.0001 par value (the “Common Stock”) on behalf of common stockholders, unless a stockholder elects to receive cash. As a result, if the Board of Directors authorizes, and the Company declares, a cash

dividend, then those stockholders who have not “opted out” of the dividend reinvestment plan will have their cash dividends automatically reinvested in additional shares of Common Stock, rather than receiving the cash dividends. The Company has not yet implemented this plan.

Income Recognition

Interest income, including interest on loans in default, is recorded on an accrual basis and in accordance with loan terms to the extent such amounts are expected to be collected. The Company recognizes interest income on loans classified as non-performing only to the extent that the fair market value of the related collateral exceeds the specific loan balance. Loans that are not fully collateralized and in the process of collection are placed on nonaccrual status when, in the judgment of Management, the collectability of interest and principal is doubtful.

Stock Options

The Company adopted Statement of Financial Accounting Standards No. 123R (“SFAS No. 123R”), *“Accounting for Stock-Based Compensation,”* and related interpretations in accounting for its stock option plans effective January 1, 2006, and accordingly, the Company will expense these grants as required. Stock-based employee compensation costs in the form of stock options will be reflected in net increase (decrease) in net assets from operations for grants made including and subsequent to January 1, 2006 only, since there were no unvested options outstanding at December 31, 2005, using the fair values established by usage of the Black-Scholes option pricing model, expensed over the vesting period of the underlying option. Previously, the Company applied APB Opinion No. 25 and related interpretations in accounting for all the plans. Accordingly, no compensation cost was recognized under these plans as the Company followed the disclosure-only provisions of SFAS No. 123 and SFAS No. 148, *“Accounting for Stock-Based Compensation Transition and Disclosure.”*

The Company elected the modified prospective transition method for adopting SFAS No. 123R. Under this method, the provisions of SFAS 123R apply to all awards granted or modified after the date of adoption. The compensation cost is then recognized over the vesting period of the options.

Presentation of Prior Period Data

Certain reclassifications have been made to conform prior period data to the current presentation.

2. Investments

Loans Receivable

Loans are considered non-performing once they become 90 days past due as to principal or interest. The Company had loans which are considered non-performing of \$2,746,380 and \$2,850,939 at December 31, 2008 and June 30, 2008, respectively. These loans are either fully or substantially collateralized and are personally guaranteed by the debtor. Included in the total non-performing loans is \$199,350 and \$175,008 at December 31, 2008 and June 30, 2008, respectively, which is no longer accruing interest since the loan principal and accrued interest exceed the estimated collateral value. The following table sets forth certain information regarding performing and non-performing loans as of December 31, 2008 and June 30, 2008:

| | December 31, 2008 | June 30, 2008 |
|-----------------------|----------------------|---------------------|
| Loans receivable | \$ 26,144,539 | \$ 55,211,397 |
| Performing loans | 23,398,159 | 52,360,458 |
| Non-performing loans | <u>\$ 2,746,380</u> | <u>\$ 2,850,939</u> |
| Non-performing loans: | | |
| Accrual | \$ 2,547,030 | \$ 2,675,931 |
| Nonaccrual | 199,350 | 175,008 |
| | <u>\$ 2,746,380</u> | <u>\$ 2,850,939</u> |

The Company has pledged its loans receivable and all other assets of the Company as collateral for its lines of credit.

On October 29, 2008, the Company completed the sale of substantially all of the Company's taxicab medallion portfolio to Medallion Financial Corp. and Medallion Bank, pursuant to that certain loan portfolio sale and purchase agreement dated as of July 16, 2008, as amended October 17, 2008 and October 20, 2008 (the "Loan Purchase Agreement"). Ameritrans utilized cash on hand and all of the net proceeds from this transaction in the amount of \$25,883,820 to fully pay down its existing bank indebtedness. Except for costs in the amount of approximately \$340,000, relating to disposal of the assets, there was no gain or loss realized on this transaction as the taxi medallion portfolio was sold at par value. The Loan Purchase Agreement was approved by the Company's shareholders on August 26, 2008.

As of December 31, 2008, the Company's loan portfolio had decreased by approximately \$29 million or 52% from June 30, 2008. This was primarily due to the sale of substantially all of the Company's taxicab medallion portfolio and offset by a small increase in corporate loans. As such, the Company expects significantly lower interest income until new loans are added to the portfolio.

Investments by Industry

Investments by industry consist of the following as of December 31, 2008 and June 30, 2008:

| | Percentage of Portfolio at | |
|---------------------------------|----------------------------|---------------|
| | December 31, 2008 | June 30, 2008 |
| Assisted Living Facilities | 3.2% | 1.5% |
| Boston Taxicab Medallions | 0.5% | 7.7% |
| Broadcasting/Telecommunications | 6.7% | 3.3% |
| Chicago Taxicab Medallions | 0.9% | 29.2% |
| Commercial Construction | 11.5% | 7.6% |
| Construction and Predevelopment | 6.2% | 1.9% |
| Debt Collection | 1.9% | 1.1% |
| Education | 3.4% | - |
| Gaming | 4.7% | 3.3% |
| Gasoline Distribution | 2.2% | 1.2% |
| Laundromat | 2.5% | 1.7% |
| Life Insurance Settlement | 8.3% | 4.8% |
| Manufacturing | 14.7% | 4.9% |
| Miami Taxicab Medallions | 0.9% | 13.2% |
| Office Water Systems | 2.0% | 1.1% |
| Printing/Publishing | 6.4% | 3.0% |
| Processing Control Instruments | 7.5% | 4.8% |
| Residential Mortgages | 2.3% | 1.1% |
| Restaurant/Food Service | 8.7% | 5.7% |
| Sanitaryware Distributor | 4.0% | 0.9% |
| Industries less than 1% | 1.5% | 2.0% |
| TOTAL | 100.0% | 100.0% |

Life Settlement Contracts

In September 2006, the Company entered into an agreement with an unaffiliated entity to purchase previously issued life insurance policies owned by unrelated individuals. Under the terms of the agreement, the Company was designated as nominee to maintain possession of the policies and process transactions related to such policies until the policies are subsequently sold or paid off. The Company is entitled to receive from the unaffiliated entity a twelve percent (12%) annual return on the amount of funds paid by the Company and outstanding on a monthly, prorated basis. Proceeds from the sale of the policies are to be distributed, net of direct expenses, as defined in the agreement.

As of December 31, 2008, the carrying value of amounts invested was \$2,436,436, which represents the amount paid to cover first year and any subsequent period premiums for seven (7) life insurance policies with an aggregate face value of \$30,750,000 to obtain ownership and beneficiary rights on those policies. Premiums on the policies will be paid by either the Company or the unaffiliated entity, until the policies are sold. As of December 31, 2008, the unaffiliated entity had paid the premiums on the policies in the aggregate amount of \$504,118. If an insured dies before the policy is resold, 50% of the death benefit proceeds of the policy will be paid to the insured party's family, and the other 50% of the death benefit proceeds will be

paid to the Company, to be distributed in accordance with the terms of the agreement. The Company may sell the policies at any time, in its sole discretion. The Company anticipates that the unaffiliated entity will continue to make the premium payments, however, if the Company were to make payments on each of the policies for the life expectancy of the insured, the approximate future minimum premiums due for each of the next five (5) years and in the aggregate thereafter are as follows:

| Year Ending June 30 | Policy Premiums |
|------------------------|---------------------|
| 2009 (six months) | \$ 550,000 |
| 2010 | 1,100,000 |
| 2011 | 1,100,000 |
| 2012 | 1,100,000 |
| 2013 | 1,100,000 |
| Thereafter | 5,400,000 |
| | <u>\$10,350,000</u> |

On December 16, 2008, the Company sold one policy for \$474,860. There was no gain or loss realized on this transaction as the policy sale price was equal to the carrying value of such policy.

Fair Value of Investments

Effective July 1, 2008, the Company adopted Statement of Financial Accounting Standards No. 157, Fair Value Measurements (“SFAS 157”), which expands application of fair value accounting. SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosure of fair value measurements. SFAS 157 determines fair value to be the price that would be received for an investment in a current sale, which assumes an orderly transaction between market participants on the measurement date. SFAS 157 requires the Company to assume that the portfolio investment is sold in a principal market to market participants, or in the absence of a principal market, the most advantageous market, which may be a hypothetical market. Market participants are defined as buyers and sellers in the principal or most advantageous market that are independent, knowledgeable, and willing and able to transact. In accordance with SFAS 157, the Company has considered its principal market as the market in which the Company exits its portfolio investments with the greatest volume and level of activity. SFAS 157 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. In accordance with SFAS 157, these inputs are summarized in the three broad levels listed below:

- Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2 – Valuations of similar assets or liabilities based on quoted prices in markets that are active or inactive for which all significant inputs are observable, either directly or indirectly.

- Level 3 – Valuations based on unobservable inputs for similar items and significant to the overall fair value measurement.

In addition to using the above inputs in investment valuations, we continue to employ the valuation policy approved by our board of directors that is consistent with SFAS 157 (see Note 1). Consistent with our valuation policy, we evaluate the source of inputs, including any markets in which our investments are trading (or any markets in which securities with similar attributes are trading), in determining fair value. Our valuation policy considers the fact that because there is not a readily available market value for most of the investments in our portfolio, the fair value of the investments must typically be determined using unobservable inputs.

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may fluctuate from period to period. Additionally, the fair value of our investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values that we may ultimately realize. Further, such investments are generally subject to legal and other restrictions on resale or otherwise are less liquid than publicly traded securities. If we were required to liquidate a portfolio investment in a forced or liquidation sale, we may realize significantly less than the value at which we have previously recorded it.

In addition, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than the valuations currently assigned.

The following table presents fair value measurements of investments as of December 31, 2008:

| | Total | Fair Value Measurements Using | | |
|-------------|--------------|-------------------------------|---------|--------------|
| | | Level 1 | Level 2 | Level 3 |
| Investments | \$29,410,919 | \$13,947 | \$ - | \$29,396,972 |

The following table presents changes in investments that use Level 3 inputs for the six months ended December 31, 2008:

| | Six months ended December 31, 2008 |
|--|---------------------------------------|
| Balance as of June 30, 2008 | \$ 59,577,474 |
| Net unrealized losses | (247,544) |
| Net purchases, sales or redemptions | (29,932,958) |
| Net transfers in and/or out of Level 3 | - |
| Balance as of December 31, 2008 | <u>\$ 29,396,972</u> |

As of December 31, 2008, the net unrealized loss on the investments that use Level 3 inputs was \$729,043.

3. Debentures Payable to SBA

At December 31, 2008 and June 30, 2008 debentures payable to the SBA consisted of subordinated debentures with interest payable semiannually, as follows:

| <u>Issue Date</u> | <u>Due Date</u> | <u>% Interest Rate</u> | <u>December 31, 2008</u> | <u>June 30, 2008</u> |
|-------------------|-----------------|------------------------|------------------------------|--------------------------|
| July 2002 | September 2012 | 4.67 ⁽¹⁾ | \$ 2,050,000 | \$ 2,050,000 |
| December 2002 | March 2013 | 4.63 ⁽¹⁾ | 3,000,000 | 3,000,000 |
| September 2003 | March 2014 | 4.12 ⁽¹⁾ | 5,000,000 | 5,000,000 |
| February 2004 | March 2014 | 4.12 ⁽¹⁾ | 1,950,000 | 1,950,000 |
| | | | <u>\$ 12,000,000</u> | <u>\$ 12,000,000</u> |

⁽¹⁾ Elk is also required to pay an additional annual user fee of 0.866% on these debentures.

Under the terms of the subordinated debentures, Elk may not repurchase or retire any of its capital stock or make any distributions to its stockholders other than dividends out of retained earnings (as computed in accordance with SBA regulations) without the prior written approval of the SBA.

4. Notes Payable

Banks

At June 30, 2008, the Company had loan agreements with three (3) banks for lines of credit aggregating \$40,000,000 of which \$28,095,697 was outstanding under these lines. The lines bore interest at the lower of either the reserve adjusted LIBOR rate plus 1.5% or the banks' prime rates minus 0.50%. The bank lines were scheduled to mature on or about October 30, 2008. On October 29, 2008, following the closing of the sale of substantially all of the taxi medallion loan portfolio (see Note 2) the Company paid the banks in full all principal and accrued interest due on the three lines.

At December 31, 2008, the Company had credit lines with two (2) banks for lines of credit aggregating \$1,315,000 of which \$600,000 was outstanding under these lines. The weighted average interest rate on the outstanding bank debt at December 31, 2008 was approximately 4.5% which represents an interest rate of 1% above the prime rate of interest designated by each bank.

As of February 15, 2009, the Company had credit lines with three (3) banks for lines of credit aggregating \$1,000,000 of which \$600,000 was outstanding under these lines. The weighted average interest rate on this outstanding bank debt at February 15, 2009 was approximately 3.88% which represents an interest rate of 1% above the prime rate of interest designated by each bank, in effect on the date of each draw down. Any outstanding indebtedness pursuant to these credit lines is due and payable on or before April 30, 2009 (see Note 10).

It is not presently contemplated that the Company will request to continue any lines of credit thereafter with its existing banks. Pursuant to the terms of the current agreements the Company is required to comply with certain covenants and conditions, as defined in the agreements. The Company has pledged its loans receivable and all other assets as collateral for the above lines of credit. Pursuant to the SBA agreement and an “intercreditor agreement” among the lending banks and the SBA, the SBA agreed to subordination of the SBA Debentures outstanding in favor of the banks. In accordance with the loan documentation with the SBA and the banks, the Company must also comply with maintaining overall debt levels within a formula based upon the performance of its loan portfolio according to a “borrowing base” which is submitted for review to the SBA and the banks for periodic review.

Related Party Loans

In July 2007, the Company received three loans totaling \$500,000 from three related parties also to facilitate the funding of new loans receivable. The loan principal was due and payable within 30 days of demand and bore interest at a rate of 10% per annum. Payments of interest only were due and payable on the first of each month. During the six months ended December 31, 2008, the Company repaid the remaining \$100,000 outstanding, therefore at December 31, 2008 there were no loans to related parties outstanding. For the six months ended December 31, 2008 and 2007, interest paid on the loans was \$2,689 and \$13,751, respectively.

5. Dividends to Stockholders

The following table sets forth the dividends declared by the Company on our Common Stock and Preferred Stock in each of the six months ended December 31, 2008 and 2007.

For the six months ended December 31, 2008

| | <u>Dividend Per Share</u> | <u>Declaration Date</u> | <u>Record Date</u> | <u>Pay Date</u> |
|--|-------------------------------|-----------------------------|------------------------|-----------------|
| Preferred Dividends: | | | | |
| Second quarter (October 1, 2008-December 31, 2008) | \$.28125 | 12/12/08 | 12/31/08 | 01/15/09 |
| First quarter (July 1, 2008-September 30, 2008) | \$.28125 | 09/29/08 | 10/09/08 | 10/15/08 |
| Total Preferred Stock Dividends declared | <u>\$.56250</u> | | | |

For the six months ended December 31, 2007

| | <u>Dividend Per Share</u> | <u>Declaration Date</u> | <u>Record Date</u> | <u>Pay Date</u> |
|--|-------------------------------|-----------------------------|------------------------|-----------------|
| Preferred Dividends: | | | | |
| Second quarter (October 1, 2007-December 31, 2007) | \$.28125 | 12/17/07 | 12/28/07 | 01/15/08 |
| First quarter (July 1, 2007-September 30, 2007) | \$.28125 | 09/17/07 | 09/28/07 | 10/15/07 |
| Total Preferred Stock Dividends declared | <u>\$.56250</u> | | | |
| Common Dividends: | | | | |
| Second quarter (October 1, 2007-December 31, 2007) | \$ 0.01 | 2/13/08 | 2/25/08 | 3/12/08 |
| First quarter (July 1, 2007-September 30, 2007) | \$ 0.01 | 11/7/07 | 11/19/07 | 12/12/07 |
| Total Common Stock dividends declared | <u>\$ 0.02</u> | | | |

6. Related Party Transactions

The Company paid \$30,271 and \$43,093 to a law firm related to officers and directors of the Company (the "Law Firm") for the six months ended December 31, 2008 and 2007, respectively, for legal services provided.

Total occupancy costs under existing leases and overhead cost reimbursement agreements paid to the Law Firm and to another entity in which an officer of the Company has a financial interest amounted to \$153,274 and \$137,043 for the six months ended December 31, 2008 and 2007, respectively.

The Company entered into an at-will consulting arrangement with an individual who is considered a related person of the Company. An aggregate of \$0 and \$7,000 was paid to such person for the six months ended December 31, 2008 and 2007, respectively for such consulting services. The consulting arrangement was terminated as of June 30, 2008.

The Company utilizes a relative of an officer of the Company to perform part-time administrative services. This individual is paid on a per hour basis for administrative work performed for the Company. For the six months ended December 31, 2008 and 2007, the individual was paid an aggregate of \$8,465 and \$7,830, respectively.

The Company pays printing fees to a company partially owned by an officer of the Company. An aggregate of \$8,760 and \$0 for the six months ended December 31, 2008 and 2007, respectively, was paid for these services.

Also see Note 4 for related party loan transactions.

7. Commitments and Contingencies

Interest Rate Swap

In October, 2005, the Company entered into two (2) interest rate swap transactions for \$5,000,000 each, to hedge against an upward movement in interest rates relating to outstanding bank debt. The swap transaction which expired October 15, 2007 provided for a fixed rate of

6.20%, and the swap transaction which expired October 14, 2008 provided for a fixed rate of 6.23%. If the Company's floating borrowing rate (the one-month LIBOR rate plus 1.5%) fell below the fixed rate, the Company was obligated to pay the bank the differences in rates. If the Company's floating borrowing rate rose above the fixed rate, the bank was obligated to pay the Company the differences in rates. For the six months ended December 31, 2008 and 2007, the Company incurred additional net interest expense (benefit) of \$32,973 and \$(25,945), respectively, due to the fluctuation of interest rates under these agreements. As of December 31, 2008, the Company had no interest rate swaps outstanding.

8. Stock Option Plans

Employee Incentive Stock Option Plan

An employee stock option plan (the "1999 Employee Plan") was adopted by the Ameritrans Board, including a majority of the non-interested directors, and approved by a vote of the stockholders, in order to link the personal interests of key employees to the Company's long-term financial success and the growth of stockholder value. Subsequent amendments to the 1999 Employee Plan were approved by the stockholders in January 2002 and June 2007. The amendments increased the number of shares reserved under the plan to 300,000 shares.

The 1999 Employee Plan authorizes the grant of incentive stock options within the meaning of Section 422 of the Internal Revenue Code for the purchase of an aggregate of 300,000 shares (subject to adjustment for stock splits and similar capital changes) of Common Stock to the Company's employees. By adopting the 1999 Employee Plan, the Board believes that the Company will be better able to attract, motivate, and retain as employees people upon whose judgment and special skills the Company's success in large measure depends. As of December 31, 2008, options to purchase an aggregate of 291,850 shares of Common Stock were outstanding, with 271,850 shares fully vested and 8,150 shares of Common Stock were available for future award under the Employee Plan.

The 1999 Employee Plan is administered by the 1999 Employee Plan Committee of the Board, which is comprised solely of non-employee directors (who are "outside directors" within the meaning of Section 152(m) of the Internal Revenue Code and "disinterested persons" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934 (the "Exchange Act")). The committee can make such rules and regulations and establish such procedures for the administration of the 1999 Employee Plan as it deems appropriate. Upon effectiveness of the Investment Management and Advisory Agreement dated March 18, 2008 with Velocity Capital Advisors LLC (the "Velocity Agreement"), the Company will terminate the 1999 Employee Plan.

Non-Employee Director Stock Option Plan

A stock option plan for non-employee directors (the "Director Plan") was adopted by the Ameritrans Board and approved by a vote of the stockholders, in order to link the personal interests of non-employee directors to the Company's long-term financial success and the growth of stockholder value. The Director Plan is substantially identical to, and the successor to, a non-employee director stock option plan adopted by the Board of Elk and approved by its

stockholders in September 1998. Ameritrans and Elk submitted an application for, and received on August 31, 1999, an exemptive order relating to these plans from the SEC. The Director Plan was amended by the Board on November 14, 2001, and approved by the stockholders at the Annual Meeting on January 18, 2002. The amendment is still subject to the approval of the Commission. The amendment (i) increases the number of shares reserved under the plan from 75,000 to 125,000 and (ii) authorizes the automatic grant of an option to purchase up to 1,000 shares at the market value at the date of grant to each eligible director who is re-elected to the Board.

The total number of shares for which options may be granted from time to time under the Director Plan is 75,000 shares, which will be increased to 125,000 shares upon Commission approval of the Amended Director Plan. As of December 31, 2008, options to purchase an aggregate of 49,462 shares were issued and outstanding with 35,574 fully vested under the Director Plan. The Director Plan is administered by a committee of directors who are not eligible to participate in the Director Plan. Upon effectiveness of the Velocity Agreement, the Company will terminate the Director Plan.

Options Granted and Canceled

On October 10, 2008, the Board of Directors, upon the recommendation of the Employee Plan Committee, granted several employees options to purchase up to an aggregate of 133,000 shares of Common Stock of the Company exercisable at \$2.36 per Share which vested immediately on the date of grant.

After adoption of SFAS 123(R) (see Note 1), the fair value of the options granted amounted to \$185,252 at December 31, 2008 and \$141,668 at June 30, 2008, which is reflected as stock options outstanding in the accompanying consolidated balance sheets. Compensation expense related to options vested for the six months ended December 31, 2008 and 2007 was \$57,269 and \$50,458, respectively. As of December 31, 2008, total deferred compensation related to unvested options was \$27,236, which is expected to be recognized over a period of approximately two years.

The following tables summarize information about the transactions of both stock plans as of December 31, 2008:

| | Stock Options | |
|--|-------------------|---|
| | Number of Options | Weighted Average Exercise Price Per Share |
| Options outstanding at June 30, 2008 | 208,312 | \$5.14 |
| Granted | - | - |
| Canceled | 133,000 | 2.36 |
| Expired | - | - |
| Exercised | - | - |
| Options outstanding at December 31, 2008 | <u>341,312</u> | \$4.06 |

| Range of Exercise Prices | Options Outstanding | | | Options Exercisable | |
|--------------------------|---|---|---------------------------------|---|---------------------------------|
| | Number Outstanding at December 31, 2008 | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price | Number Exercisable at December 31, 2008 | Weighted Average Exercise Price |
| \$4.50-\$4.95 | 29,425 | .83 years | \$4.70 | 29,425 | \$4.70 |
| \$5.56-\$6.12 | 29,425 | 1.99 years | \$5.81 | 29,425 | \$5.81 |
| \$3.60 | 13,888 | 4.39 years | \$3.60 | - | \$3.60 |
| \$6.25 | 16,000 | 1.03 years | \$6.25 | 16,000 | \$6.25 |
| \$5.28 | 80,000 | 4.41 years | \$5.28 | 60,000 | \$5.28 |
| \$5.30 | 9,433 | 2.98 years | \$5.30 | 9,433 | \$5.30 |
| \$4.50 | 20,000 | 3.77 years | \$4.50 | 20,000 | \$4.50 |
| \$4.93 | 10,141 | 3.36 years | \$4.93 | 10,141 | \$4.93 |
| \$2.36 | <u>133,000</u> | 4.78 years | \$2.36 | <u>133,000</u> | \$2.36 |
| <u>\$2.36-\$6.25</u> | <u>341,312</u> | 3.77 years | \$4.06 | <u>307,424</u> | \$4.00 |

9. Financial Highlights

| | Six months Ended December 31, 2008 | Six months Ended December 31, 2007 | Year Ended June 30, 2008 |
|---|---|---|-----------------------------|
| Net share data | | | |
| Net asset value at the beginning of the period | \$ 5.06 | \$ 5.32 | \$ 5.32 |
| Net investment income (loss) | (0.30) | 0.03 | (0.01) |
| Net realized and unrealized losses on investments | (0.20) | (0.11) | (0.14) |
| Net decrease in net assets from operations | (0.50) | (0.08) | (0.15) |
| Net change in net assets from capital share transactions | - | 0.01 | 0.01 |
| Distributions to Stockholders ⁽⁴⁾ | (0.05) | (0.05) | (0.12) |
| Total decrease in net asset value | (0.55) | (0.12) | (0.26) |
| Net asset value at the end of the period | \$ 4.51 | \$ 5.20 | \$ 5.06 |
| Per share market value at beginning of period | \$ 3.01 | \$ 5.21 | \$ 5.21 |
| Per share market value at end of period | \$ 2.36 | \$ 3.70 | \$ 3.01 |
| Total return ⁽¹⁾ | (19.9%) | (28.0%) | (39.9%) |
| Ratios/supplemental data | | | |
| Average net assets ⁽²⁾ (in 000's) | \$ 16,250 | \$ 17,868 | \$ 17,622 |
| Total expense ratio ⁽³⁾ | 42.9% | 34.3% | 35.8% |
| Net investment income (loss) to average net assets ⁽⁵⁾ | (13.0%) | 1.7% | (0.7%) |

⁽¹⁾ Total return is calculated by dividing the change in market value of a share of common stock during the year, assuming the reinvestment of dividends on the payment date, by the per share market value at the beginning of the year.

⁽²⁾ Average net assets excludes capital from preferred stock.

⁽³⁾ Total expense ratio represents total expenses divided by average net assets annualized for interim periods.

⁽⁴⁾ Amount represents total dividends on both common and preferred stock divided by weighted average shares.

⁽⁵⁾ Annualized for interim periods.

10. Other Matters

Subsequent Events

On or about January 29, 2009, Elk executed short term lines of credit with IDB and Citibank in the amount of \$420,000 and \$380,000 respectively. The IDB credit line bears interest at a rate of 1% over IDB's prime rate of interest. Interest is payable monthly with the principal due and payable no later than April 30, 2009. The Citibank credit line bears interest, at Elk's discretion, at a rate of either 1% over Citibank's prime rate of interest or the adjusted LIBOR rate plus 3%. Interest is payable monthly with the principal due and payable no later than April 30, 2009 (see Note 4).

11. New Accounting Pronouncements

In October 2008, the Financial Accounting Standards Board (“FASB”) issued Staff Position No. 157-3 — Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active, or FSP 157-3. FSP 157-3 provides an illustrative example of how to determine the fair value of a financial asset in an inactive market. FSP 157-3 does not change the fair value measurement principles set forth in SFAS 157 (see Note 2 for a description of SFAS 157). Since adopting SFAS 157 in July 2008, our process for determining the fair value of our investments has been, and continues to be, consistent with the guidance provided in the example in FSP 157-3. As a result, the adoption of FSP 157-3 did not affect our process for determining the fair value of our investments and does not have a material effect on our financial position or results of operations.

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative and Hedging Activities—an amendment of FASB Statement No. 133.” SFAS 161 requires enhanced disclosures on derivative and hedging activities. These enhanced disclosures will discuss (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity’s financial position, financial performance, and cash flows. SFAS 161 is effective for fiscal years beginning on or after November 15, 2008, with earlier adoption encouraged. The Company does not anticipate a material impact, if any, to the Company’s financial condition, results of operations, or cash flows.

In December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51” (“SFAS 160”), which establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary by clarifying that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as a component of equity. It requires that changes in a parent’s ownership interest while the parent retains its controlling interest be accounted for as equity transactions and any retained noncontrolling equity investment upon the deconsolidation of a subsidiary be initially measured at fair value. SFAS 160 is effective for fiscal years beginning on or after December 15, 2008 and shall be applied prospectively, except for the presentation and disclosure requirements which shall be applied retrospectively. We do not believe that this pronouncement will have an impact on our financial condition or results of operations.

In December 2007, the FASB issued SFAS No. 141R (revised 2007), “Business Combinations” (“SFAS 141R”) which supersedes SFAS No. 141 and establishes principles and requirements on how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date fair value, as well as the recognition and measurement of goodwill acquired in a business combination. SFAS No. 141R also requires certain disclosures to enable users of the financial statements to evaluate the nature and financial effects of the business combination. Acquisition costs associated with the business combination will generally be expensed as incurred. SFAS No. 141R is effective prospectively to business combinations in fiscal years

beginning on or after December 15, 2008. We do not believe that this pronouncement will have an impact on our financial condition or results of operations.

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

The information contained in this section should be read in conjunction with the consolidated Financial Statements and Notes therewith appearing in this quarterly report on Form 10-Q and in the Company's Annual Report on Form 10-K for the year ended June 30, 2008, filed with the Commission by the Company on September 29, 2008 and which is available on the Company's web site at www.ameritranscapital.com.

CRITICAL ACCOUNTING POLICIES

Change in Financial Statement Presentation

Effective for the year ended June 30, 2008, and the three months and six months ended December 31, 2008, the Company has revised its financial statements to be presented in accordance with Article 6 of Regulation S-X as an investment company. Due to the revised format, the Company made certain reclassifications of amounts previously reported in its prior period statements in order to conform to the current year presentation. Although the reclassifications resulted in changes to certain line items in the previously filed financial statements, the overall effect of the reclassifications noted below did not impact total stockholder's equity (or net assets available). Below are the primary items affected by the reclassifications made:

- Unrealized gains and losses previously reported as part of "other comprehensive income (loss), net" were reclassified to "net unrealized gains (losses) on investments" in the statement of operations. The effect of such reclassification also changed previously reported amounts available to common shareholders.
- Gains and losses on sales of investments previously reported as part of "total investment income, net" in the statement of operations were reclassified to "net realized gains (losses) on investments."
- Net write-off and depreciation on interest and loans receivable, previously reported as part of "total operating expenses" in the statement of operations were reclassified to "net unrealized gains (losses) on investments" and "net realized gains (losses) on investments."

The change in format also resulted in the statement of stockholders' equity essentially being replaced with the statement of changes in net assets available, which is now presented. In addition, the schedule of investments has been expanded and certain other disclosures were added, such as the "financial highlights." We believe the changes noted above conform to the filing format for the Company, as a BDC, and will provide a meaningful representation of the Company's operations going forward.

Investment Valuations

The Company's loans receivable, net of participations and any unearned discount are considered investment securities under the 1940 Act and are recorded at fair value. As part of fair value methodology, loans are valued at cost adjusted for any unrealized appreciation (depreciation). Since no ready market exists for these loans, the fair value is determined in good faith by Management, and approved by the Board of Directors. In determining the fair value, the Company and Board of Directors consider factors such as the financial condition of borrower, the adequacy of the collateral, individual credit risks, historical loss experience, and the relationships between current and projected market rates and portfolio rates of interest and maturities. Foreclosed properties, which represent collateral received from defaulted borrowers, are valued similarly.

Loans are considered "non-performing" once they become 90 days past due as to principal or interest. The value of past due loans are periodically determined in good faith by Management, and if, in the judgment of Management, the amount is not collectible and the fair value of the collateral is less than the amount due, the value of the loan will be reduced to fair value .

Equity investments (common stock and warrants, including certain controlled subsidiary portfolio investments) and investment securities are recorded at fair value.

The Company records the investment in life insurance policies at fair value, represented as cost, plus or minus unrealized appreciation or depreciation. The fair value of the investment in life settlement contracts have no ready market and are determined in good faith by Management, and approved by the Board of Directors, based on secondary market conditions, policy characteristics and actuarial life expectancy, including health evaluations.

Because of the inherent uncertainty of valuations, the Company's estimates of the values of the investments may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

Effective July 1, 2008, the Company adopted SFAS 157, which expands the application of fair value accounting for investments.

Assets Acquired in Satisfaction of Loans

Assets acquired in satisfaction of loans are carried at the lower of the net value of the related foreclosed loan or the estimated fair value less cost of disposal. Losses incurred at the time of foreclosure are charged to the unrealized depreciation on loans receivable. Subsequent reductions in estimated net realizable value are charged to operations as losses on assets acquired in satisfaction of loans.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires Management to make extensive use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and

the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change relate to the determination of the fair value of the Company's investments.

Income Recognition

Interest income, including interest on loans in default, is recorded on an accrual basis and in accordance with loan terms to the extent such amounts are expected to be collected. The Company recognizes interest income on loans classified as non-performing only to the extent that the fair market value of the related collateral exceeds the specific loan balance. Loans that are not fully collateralized and in the process of collection are placed on nonaccrual status when, in the judgment of Management, the collectability of interest and principal is doubtful.

Contingencies

The Company is subject to legal proceedings in the course of its daily operations from enforcement of its rights in disputes pursuant to the terms of various contractual arrangements. In this connection, the Company assesses the likelihood of any adverse judgment or outcome to these matters as well as a potential range of probable losses. A determination of the amount of reserve required, if any, for these contingencies is made after careful analysis of each individual issue. The required reserves may change in the future due to new developments in each matter or changes in approach, such as a change in settlement strategy in dealing with these matters.

General

Ameritrans acquired Elk on December 16, 1999. Elk is an SBIC that has been operating since 1980, making loans to (and, to a limited extent, investments in) small businesses, who qualify under SBA Regulations. Most of Elk's business historically consisted of originating and servicing loans collateralized by New York City, Boston, Chicago and Miami taxi medallions, but Elk also makes loans to and investments in other diversified businesses. Historically, Elk's earnings derived primarily from net interest income, which is the difference between interest earned on interest-earning assets (consisting of business loans), and the interest paid on interest-bearing liabilities (consisting of indebtedness to Elk's banks and subordinated debentures issued to the SBA). Net interest income is a function of the net interest rate spread, which is the difference between the average yield earned on interest-earning assets and the average interest rate paid on interest-bearing liabilities, as well as the average balance of interest-earning assets as compared to interest-bearing liabilities. Unrealized depreciation on loans and investments is recorded when Elk adjusts the value of a loan to reflect Management's estimate of the fair value, as approved by the Board of Directors.

Results of Operations for the Three Months Ended December 31, 2008 and 2007

Total Investment Income

The Company's investment income for the three months ended December 31, 2008 decreased \$626,975, or 39%, to \$970,744 as compared to the three months ended December 31, 2007. The decrease in investment income between the periods can be attributed to lower interest

rates charged on the total loan portfolio for the quarter, but is primarily due to an overall decrease in the size of the Company's loan receivable portfolio.

Fees and other income increased by \$30,654 for the three months ended December 31, 2008, or 52% to \$89,355 as compared to the three months ended December 31, 2007, primarily due to late fees paid by borrowers.

Interest income for the three months ended December 31, 2008 decreased \$657,629 to \$881,389 as compared to the three months ended December 31, 2007. This decrease was primarily due to the sale of substantially all of the taxicab medallion loans receivable (see Note 2 of the consolidated financial statements). In addition, the interest rate earned on taxicab medallion loans decreased in 2008 as compared with the prior year period. Interest income also decreased on the Commercial Loan portfolio during the three months ended December 31, 2008 as compared to the three months ended December 31, 2007. This was primarily due to lower interest rates, which was partially offset by stronger performance in the remaining portfolio, interest rate "floors" and collection of past due interest. However, the interest earned on the Company's Corporate Loan portfolio increased for the three months ended December 31, 2008 as compared to the three months ended December 31, 2007. This was primarily due to an increase in Corporate Loans outstanding, which was partially offset by amortization of existing Corporate Loans and lower interest rates. The interest rate earned on Corporate Loans decreased in 2008, as compared with the prior year, primarily due to decreases in LIBOR. This decrease was partially offset by a small increase in Corporate Loans, higher rates earned on loans originated in this fiscal year, the use of LIBOR "floors" in loan agreements, and increases in rates on existing loans due to covenant resets.

The Company expects significantly lower interest income until new loans are added to the Company's portfolio.

Life settlement contracts outstanding increased by \$90,623, or 4%, as compared with the balance at December 31, 2007. The interest rate on these contracts was constant over the two periods, resulting in an increase in interest income as compared with the three months ended December 31, 2007.

Operating Expenses

Interest expense for the three months ended December 31, 2008 decreased \$387,732, or 59%, to \$266,095 as compared to the three months ended December 31, 2007. This decrease was due to the decrease in LIBOR when compared with the three months ended December 31, 2007, but was primarily due to an overall decrease in the outstanding borrowings due to banks, since funds were used from the sale of substantially all of the taxi medallion loans receivable to pay off bank debt.

Salaries and employee benefits for the three months ended December 31, 2008 increased \$323,454 or 70% when compared to the three months ended December 31, 2007. This increase primarily reflects the costs associated with a one-time payment to an officer pursuant to the restructuring of his employment agreement and periodic increases to other employee salaries.

Occupancy costs for the three months ended December 31, 2008 increased \$11,214 or 16%, when compared with three months ended December 31, 2007 due to general rent increases as well as increased overhead expenses.

Professional fees for the three months ended December 31, 2008 increased \$208,352 or 142% when compared to the three months ended December 31, 2007. This increase is due primarily to an increase in legal, accounting fees and internal control consulting fees due to non-recurring expenses relating to Sarbanes Oxley compliance and changes in financial statement presentation. Miscellaneous administrative expenses increased \$2,554 or 1% when compared with the prior year.

Net Decrease in Net Assets from Operations and Net Realized/Unrealized Gains (Losses)

Net decrease in net assets from operations increased to \$(1,307,397) for the three months ended December 31, 2008 from \$(225,401) for the three months ended December 31, 2007, primarily due to reductions in the fair value of certain investments, write downs of certain loans receivable, the write down of the value of the Company's equity interest in Western Pottery LLC, fees incurred pursuant to the taxi medallion portfolio sale, decreases in interest income and the increases in operating expenses discussed above. Dividends for Participating Preferred Stock were unchanged at \$84,375 for the three months ended December 31, 2008 and 2007.

Results of Operations for the Six Months Ended December 31, 2008 and 2007

Total Investment Income

The Company's investment income for the six months ended December 31, 2008 decreased \$808,931, or 25%, to \$2,430,205 as compared to the six months ended December 31, 2007. The decrease in investment income between the periods can be attributed to lower interest rates charged on the total loan portfolio for the quarter, but is primarily due to an overall decrease in the size of the Company's loan receivable portfolio.

Fees and other income increased by \$14,361 for the six months ended December 31, 2008, or 9% to \$169,904 as compared to the six months ended December 31, 2007.

Interest income for the six months ended December 31, 2008 decreased \$823,292 to \$2,260,301 as compared to the six months ended December 31, 2007. This decrease was primarily due to the sale of substantially all of the taxicab medallion loans receivable (see Note 2 of the consolidated financial statements). In addition, the interest rate earned on medallion loans decreased in 2008 as compared with the prior year. Interest income also decreased on the Commercial Loan during the six months ended December 31, 2008 as compared to the six months ended December 31, 2007, primarily due to lower interest rates which was partially offset by stronger performance in the remaining portfolio, interest rate "floors" and collection of past due interest. However, the interest earned on the Company's Corporate Loan portfolio increased for the six months ended December 31, 2008 as compared to the six months ended December 31, 2007, primarily due to an increase in Corporate Loans outstanding, which was partially offset by amortization of existing Corporate Loans and lower interest rates. The interest rate earned on Corporate Loans decreased in 2008, as compared with the prior year, primarily due to decreases in LIBOR. This decrease was partially offset by a small increase in Corporate

Loans, higher rates earned on loans originated in this fiscal year, the use of LIBOR “floors” in loan agreements, and increases in rates on existing loans due to covenant resets.

Life settlement contracts outstanding increased by \$90,623, or 4%, as compared with the balance at December 31, 2007. The interest rate on these contracts was constant over the two periods, resulting in an increase in interest income as compared with the six months ended December 31, 2007.

Operating Expenses

Interest expense for the six months ended December 31, 2008 decreased \$530,514, or 41%, to \$753,374 as compared to the six months ended December 31, 2007. This decrease was due to the reduction in the Loans Outstanding and a decrease in LIBOR, but was primarily due to an overall decrease in the outstanding borrowings due to banks, since funds were used from the sale of substantially all of the taxi medallion loans receivable to pay off bank debt.

Salaries and employee benefits for the six months ended December 31, 2008 increased \$382,289 or 43% when compared to the six months ended December 31, 2007. This increase primarily reflects the costs associated with a one-time payment to an officer pursuant to the restructuring of his employment agreement and periodic increases to employee salaries.

Occupancy costs for the six months ended December 31, 2008 increased \$16,231 or 12%, when compared with six months ended December 31, 2007 due to general rent increases as well as increased overhead expenses.

Professional fees for the six months ended December 31, 2008 increased \$441,131 or 126% when compared to the six months ended December 31, 2007. This increase is due primarily to an increase in legal, accounting fees and internal control consulting fees due to non-recurring expenses relating to Sarbanes Oxley compliance and changes in financial statement presentation. Miscellaneous administrative expenses increased \$89,110 or 21% when compared with the prior year primarily due to an increase in fees relating to administration of loans of approximately \$50,000, an increase in computer maintenance of approximately \$13,500 and an increase in costs relating to the Company’s website of approximately \$14,500.

Net Decrease in Net Assets from Operations and Net Realized/Unrealized Gains (Losses)

Net decrease in net assets from operations increased to \$(1,786,003) for the six months ended December 31, 2008 from \$(221,481) for the six months ended December 31, 2007, primarily due to reductions in the fair value of certain investments, reductions in the fair value of the Company’s medallion loans receivable portfolio due to modifications of the purchase price in the Loan Purchase Agreement, the write down of the value of the Company’s equity interest in Western Pottery LLC, write downs of certain loans receivable, decreases in interest income and the increases in operating expenses discussed above. Dividends for Participating Preferred Stock were unchanged at \$168,750 for the six months ended December 31, 2008 and 2007.

Financial Condition at December 31, 2008 and June 30, 2008

Balance Sheet

Total assets decreased \$29,822,702 to \$32,158,766 at December 31, 2008 as compared to June 30, 2008 total assets of \$61,981,468. This decrease was primarily due to a decrease in investments of \$30,187,368, primarily due to the sale of substantially all of the taxi medallion loans receivable, partially offset by an increase in cash and equivalents of \$618,946. Total liabilities decreased during the period by \$27,925,218 primarily due to repayments against outstanding bank credit lines by using funds received from the proceeds of the sale of substantially all of the taxi medallion loans receivable. This resulted in a net decrease of \$27,495,697 in short-term bank borrowings.

Liquidity and Capital Resources

The Company has funded its operations through private and public placements of its securities, bank financing, the issuance to the SBA of its subordinated debentures and internally generated funds.

At June 30, 2008, the Company had loan agreements with three (3) banks for lines of credit aggregating \$40,000,000 of which \$28,095,697 was outstanding under these lines. The lines bore interest at the lower of either the reserve adjusted LIBOR rate plus 1.5% or the banks' prime rates minus 0.50%. The bank lines were scheduled to mature on or about October 30, 2008. On October 29, 2008, following the closing of the sale of substantially all of the taxi medallion loan portfolio (see Note 2) the Company paid the banks in full all principal and accrued interest due on the three lines.

At December 31, 2008, approximately 96% of the Company's indebtedness was due to debentures issued to the SBA with fixed rates of interest plus user fees resulting in rates ranging from 4.99% to 5.54%. whereas approximately 4% of Elk's indebtedness was represented by indebtedness to its banks and other lenders with variable rates ranging from 4.5% to 5%. At December 31, 2008, the Company had available \$1,315,000 of credit lines from its banks, of which \$715,000 was available to draw down as of that date, subject to further discussions and negotiations on certain terms with the banks, limitations imposed by its borrowing base agreement with its banks and the SBA, the statutory and regulatory limitations imposed by the SBA and the availability of funds. As of February 15, 2009, the Company had available \$1,000,000 of credit lines from its banks, of which \$400,000 was available to draw down as of that date, subject to limitations imposed by its borrowing base agreement with its banks and the SBA, the statutory and regulatory limitations imposed by the SBA and the availability of funds.

In September 2006, the Company invested in life settlement contracts which require the company to continue premium payments to keep the policies in force through the insured's life expectancy, or until such time the policies are sold. The Company may sell the policies at any time, in its sole discretion. However, if the Company chooses to keep the policies, as of and after December 31, 2008, premium payments due through the life expectancy of the insured are approximately \$4,950,000 over the next five years and \$5,400,000 thereafter.

Loan amortization and prepayments also provide a source of funding for the Company. Prepayments on loans are influenced significantly by general interest rates, economic conditions and competition.

The Company will distribute at least 90% of its investment company taxable income and, accordingly, will continue to rely upon external sources of funds to finance growth. To provide the funds necessary for expansion, Management expects to raise additional capital and to incur, from time to time, additional bank indebtedness and to obtain SBA loans. In December 2008, the Company applied to the SBA for loans in the aggregate amount of \$15,000,000. There can be no assurances that such additional financing will be available on acceptable terms to the Company or at all.

Recently Issued Accounting Standards

In October 2008, the FASB issued Staff Position No. 157-3 — Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active, or FSP 157-3. FSP 157-3 provides an illustrative example of how to determine the fair value of a financial asset in an inactive market. FSP 157-3 does not change the fair value measurement principles set forth in SFAS 157 (see Note 2 for a description of SFAS 157). Since adopting SFAS 157 in July 2008, our process for determining the fair value of our investments has been, and continues to be, consistent with the guidance provided in the example in FSP 157-3. As a result, the adoption of FSP 157-3 did not affect our process for determining the fair value of our investments and does not have a material effect on our financial position or results of operations.

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative and Hedging Activities—an amendment of FASB Statement No. 133.” SFAS 161 requires enhanced disclosures on derivative and hedging activities. These enhanced disclosures will discuss (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity’s financial position, financial performance, and cash flows. SFAS 161 is effective for fiscal years beginning on or after November 15, 2008, with earlier adoption encouraged. The Company does not anticipate a material impact, if any, to the Company’s financial condition, results of operations, or cash flows.

In December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51” (“SFAS 160”), which establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary by clarifying that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as a component of equity. It requires that changes in a parent’s ownership interest while the parent retains its controlling interest be accounted for as equity transactions and any retained noncontrolling equity investment upon the deconsolidation of a subsidiary be initially measured at fair value. SFAS 160 is effective for fiscal years beginning on or after December 15, 2008 and shall be applied prospectively, except for the presentation and disclosure requirements which shall be applied retrospectively. We do not believe that this pronouncement will have an impact on our financial condition or results of operations.

In December 2007, the FASB issued SFAS No. 141R (revised 2007), “Business Combinations” (“SFAS 141R”) which supersedes SFAS No. 141 and establishes principles and requirements on how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date fair value, as well as the recognition and measurement of goodwill acquired in a business combination. SFAS No. 141R also requires certain disclosures to enable users of the financial statements to evaluate the nature and financial effects of the business combination. Acquisition costs associated with the business combination will generally be expensed as incurred. SFAS No. 141R is effective prospectively to business combinations in fiscal years beginning on or after December 15, 2008. We do not believe that this pronouncement will have an impact on our financial condition or results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company’s business activities contain elements of risk. The Company considers the principal types of risk to be fluctuations in interest rates and portfolio valuations. The Company considers the management of risk essential to conducting its businesses. Accordingly, the Company’s risk management systems and procedures are designed to identify and analyze the Company’s risks, to set appropriate policies and limits and to continually monitor these risks and limits by means of reliable administrative and information systems and other policies and programs.

The Company values its portfolio at fair value as determined in good faith by the Company’s Board of Directors in accordance with the Company’s valuation policy. Unlike certain lending institutions, the Company is not permitted to establish reserves for loan losses. Instead, the Company must value each individual investment and portfolio loan on a quarterly basis. The Company records unrealized depreciation on investments and loans when it believes that an asset has been impaired and full collection is unlikely. Without a readily ascertainable market value, the estimated value of the Company’s portfolio of investments and loans may differ significantly from the values that would be placed on the portfolio if there existed a ready market for the investments. The Company adjusts the valuation of the portfolio quarterly to reflect the Board of Directors’ estimate of the current fair value of each component of the portfolio. Any changes in estimated fair value are recorded in the Company’s statement of operations as net unrealized depreciation on investments.

In addition, the illiquidity of our loan portfolio and investments may adversely affect our ability to dispose of loans at times when it may be advantageous for us to liquidate such portfolio or investments. Also, if we were required to liquidate some or all of the investments in the portfolio, the proceeds of such liquidation might be significantly less than the current value of such investments. Because we borrow money to make loans and investments, our net operating income is dependent upon the difference between the rate at which we borrow funds and the rate at which we loan and invest these funds. As a result, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on our interest income. As interest rates rise, our interest costs increase, decreasing the net interest rate spread we receive and thereby adversely affect our profitability. Although we intend to continue to manage our

interest rate risk through asset and liability management, including the use of interest rate swaps, general rises in interest rates will tend to reduce our interest rate spread in the short term.

Assuming that the balance sheet were to remain constant and no actions were taken to alter the existing interest rate sensitivity, a hypothetical immediate 1% increase in interest rates would have resulted in an additional net increase in net assets from operations of \$102,669 at December 31, 2008. This is comprised of a 1% change in two components, loans receivable of \$21,133,699 at variable interest rate terms, and \$600,000 for bank debt subject to variable market rates. This hypothetical does not take into account interest rate floors or caps on the Company's loan receivable portfolio. No assurances can be given however, that actual results would not differ materially from the potential outcome simulated by these estimates.

ITEM 4. CONTROLS AND PROCEDURES

Our Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our Management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting based on criteria established in the framework in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our Management concluded that our internal control over financial reporting was effective as of December 31, 2008. Further, this evaluation included enhancements to our internal control over financial reporting that have not materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

IMPORTANT FACTORS RELATING TO FORWARD-LOOKING STATEMENTS

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report includes forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. The matters discussed in this Quarterly Report, as well as in future oral and written statements by Management of Ameritrans Capital Corporation, that are forward-looking statements are based on current Management expectations that involve substantial risks and uncertainties which could cause actual results to differ materially from the results expressed in, or implied by, these forward-looking statements. Forward-looking statements relate to future events or our future financial performance. We generally identify forward-looking statements by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other similar words. Important assumptions include our ability to originate new investments, achieve certain margins and levels of profitability, the availability of additional capital, and the ability to maintain certain debt to asset ratios. In light of these and other uncertainties, the

inclusion of a projection or forward-looking statement in this Quarterly Report should not be regarded as a representation by us that our plans or objectives will be achieved. The forward-looking statements contained in this Quarterly Report include but are not limited to statements as to:

- our future operating results;
- our business prospects and the prospects of our existing and prospective portfolio companies;
- the impact of investments that we expect to make;
- our informal relationships with third parties;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- the ability of our portfolio companies to achieve their objectives;
- our expected financings and investments;
- our regulatory structure and tax treatment;
- our ability to operate as a BDC and a RIC; and
- the adequacy of our cash resources and working capital.

You should not place undue reliance on these forward-looking statements. The forward-looking statements made in this Quarterly Report relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statement to reflect events or circumstances occurring after the date of this Quarterly Report.

PART II. OTHER INFORMATION

INFORMATION INCORPORATED BY REFERENCE. Certain information previously disclosed in Part I of this quarterly report on Form 10-Q are incorporated by reference into Part II of this quarterly report on Form 10-Q.

Item 1. Legal Proceedings

The Company is not currently a party to any material legal proceeding. From time to time, the Company is engaged in various legal proceedings incident to the ordinary course of its business. In the opinion of the Company's Management and based upon the advice of legal counsel, there is no proceeding pending, or to the knowledge of Management threatened, which in the event of an adverse decision would result in a material adverse effect on the Company's results of operations or financial condition.

Item 1A. Risk Factors

None

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Default upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

The Company's Annual Meeting of Stockholders was held on November 25, 2008 (the "Annual Meeting"). At the Annual Meeting the following nine (9) individuals were elected to the Board of Directors of the Company by the shareholders to serve until the next annual meeting of stockholders and until their successors are chosen and qualified:

| | |
|------------------|-----------------|
| Peter Boockvar | John Laird |
| Steven Etra | Howard Sommer |
| Michael Feinsod | Ellen M. Walker |
| Gary C. Granoff | Ivan Wolpert |
| Murray A. Indick | |

The stockholders approved and ratified the selection by the Board of Directors of Rosen Seymour Shapss Martin & Company LLP as the Company's independent registered public accountants for the fiscal year ended June 30, 2009.

For more information, please see the Company's definitive proxy statement filed with the Commission on October 28, 2008 and the Company's press release filed with the Commission on Form 8-K on November 25, 2008, both of which are available online at www.sec.gov.

Item 5. Other Information

None

Item 6. Exhibits

The Exhibits filed as part of this report on Form 10-Q are listed on the Exhibit Index immediately preceding such Exhibits, which Exhibit index is incorporated by reference.

Exhibit Index

(a) Exhibits

- 10.1 Line of credit letter and promissory note dated January 29, 2009 between Elk Associates Funding Corp. and Israel Discount Bank of New York (attached hereto)
- 10.2 Line of credit letter and promissory note dated January 20, 2009 between Elk Associates Funding Corp. and Citibank, N.A (attached hereto)
- 31.1 Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (attached hereto)
- 31.2 Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (attached hereto)
- 32.1 Certification pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (attached hereto)
- 32.2 Certification pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (attached hereto)

(All other items of Part II are inapplicable)

AMERITRANS CAPITAL CORPORATION

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMERITRANS CAPITAL CORPORATION

Dated: February 17, 2009

By: /s/ Michael Feinsod

Michael Feinsod

Chief Executive Officer and President

Exhibit 31.1

CERTIFICATION UNDER SECTION 302 OF THE SARBANES OXLEY ACT OF 2002 DISCLOSURE IN THE REGISTRANT'S QUARTERLY REPORT

I, Michael Feinsod, Chief Executive Officer, and President of Ameritrans Capital Corporation, certify that:

1. I have reviewed this quarterly report on Form 10 Q of Ameritrans Capital Corporation (the "report");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operation, and cash flows of the registrant as of, and for, the periods presented in the report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a 15(e) and 15d 15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a 15(f) and 15d 15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal controls over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principle;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 17, 2009

By: /s/ Michael Feinsod

Michael Feinsod

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION UNDER SECTION 302 OF THE SARBANES OXLEY ACT OF 2002 DISCLOSURE IN THE REGISTRANT'S QUARTERLY REPORT

I, Gary C. Granoff, Chief Financial Officer, and Chairman of Ameritrans Capital Corporation, certify that:

1. I have reviewed this quarterly report on Form 10 Q of Ameritrans Capital Corporation (the "report");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operation, and cash flows of the registrant as of, and for, the periods presented in the report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a 15(e) and 15d 15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a 15(f) and 15d 15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal controls over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principle;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 17, 2009

By: /s/ Gary C. Granoff

Gary C. Granoff

Chief Financial Officer and Chairman

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES OXLEY ACT OF 2002

In connection with the Quarterly Report of Ameritrans Capital Corporation (the “Company”) on Form 10-Q for the quarter ended December 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes Oxley Act of 2002, that, based on my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition, and results of operations of the Company as of the dates and for the periods expressed in the Report.

By: /s/ Michael Feinsod

Michael Feinsod

President and Chief Executive Officer

February 17, 2009

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES OXLEY ACT OF 2002

In connection with the Quarterly Report of Ameritrans Capital Corporation (the “Company”) on Form 10-Q for the quarter ended December 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes Oxley Act of 2002, that, based on my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition, and results of operations of the Company as of the dates and for the periods expressed in the Report.

By: /s/ Gary C. Granoff

Gary C. Granoff

Chief Financial Officer and Chairman

February 17, 2009