NEW CENTURY COMPANIES INC
Form 10QSB
November 14, 2007

SECURITIES EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

o TRANSACTION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended:	Commission File Number:
September 30, 2007	0-7722

NEW CENTURY COMPANIES, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE	061034587
(State or other jurisdiction of Incorporation or organization)	(IRS Employer Identification Number)

9835 Santa Fe Springs Road
Santa Fe Springs, CA 90670

(Address of Principal Executive Offices) (Zip Code)

(562) 906-8455

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to filing requirements for the past 90 days.

Yes x No o

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

The number of shares of Common Stock, par value $ 0.10 per share, outstanding as of September 30, 2007 was 13,444,656.

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

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ITEM 1. FINANCIAL STATEMENTS

The unaudited condensed consolidated Financial Statements are set forth at the end of this document.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion should be read in conjunction with the Company's unaudited condensed consolidated financial statements and the notes thereto appearing elsewhere in this Form 10-QSB. Certain statements contained herein that are not related to historical results, including, without limitation, statements regarding the Company's business strategy and objectives, future financial position, expectations about pending litigation and estimated cost savings, are forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the "Securities Exchange Act") and involve risks and uncertainties. Although the Company believes that the assumptions on which these forward-looking statements are based are reasonable, there can be no assurance that such assumptions will prove to be accurate and actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, regulatory policies, and market and general policies, competition from other similar businesses, and market and general economic factors. All forward-looking statements contained in this Form 10-QSB are qualified in their entirety by this statement.

OVERVIEW

The Company is engaged in acquiring, re-manufacturing and selling pre-owned Computer Numerically Controlled ("CNC") machine tools to manufacturing customers. The Company provides rebuilt, retrofit and remanufacturing services for numerous brands of machine tools. The remanufacturing of a machine tool, typically consisting of replacing all components, realigning the machine, adding updated CNC capability and electrical and mechanical enhancements, generally takes two to four months to complete. Once completed, a remanufactured machine is a "like new," state-of-the-art machine with a price ranging from $275,000 to $1,000,000, which is substantially less then the price of an equivalent new machine. The Company also manufactures original equipment CNC large turning lathes and attachments under the trade name Century Turn.

CNC machines use commands from onboard computers to control the movements of cutting tools and rotation speeds of the parts being produced. Computer controls enable operators to program operations such as part rotation, tooling selection and tooling movement for specific parts and then store the programs in memory for future use. The machines are able to produce parts while left unattended. Because of this ability, as well as superior speed of operation, a CNC machine is able to produce the same amount of work as several manually controlled machines, as well as reduce the number of operators required; generating higher profits with less re-work and scrap. Since the introduction of CNC tooling machines, continual advances in computer control technology have allowed for easier programming and additional machine capabilities.

A vertical turning machine permits the production of larger, heavier and more oddly shaped parts on a machine, which uses less floor space when compared to the traditional horizontal turning machine because the spindle and cam are aligned on a vertical plane, with the spindle on the bottom.

The primary industry segments in which the Company's machines are utilized to make component parts are in aerospace, power generation turbines, military, component parts for the energy sector for natural gas and oil exploration and medical fields. The Company sells its products to customers located in United States, Canada and Mexico.

Over the last four years, the Company has designed and developed a large horizontal CNC turning lathe with productivity features new to the metalworking industry. The Company believes that a potential market for the Century Turn Lathe, in addition to the markets mentioned above, is aircraft landing gear.

We provide our manufactured and remanufactured machines as part of the machine tool industry. The machine tool industry worldwide is approximately a 30 billion dollar business annually. The industry is sensitive to market conditions and generally trends downward prior to poor economic conditions, and improves prior to an improvement in economic conditions.

Our machines are utilized in a wide variety of industry segments as follows: aerospace, energy, valves, fittings, oil and gas, machinery and equipment, and transportation. With the recent downturn in the aerospace industry, we have seen an increase in orders from new industries such as defense and medical industries.

The Company's current strategy is to expand its customer sales base with its present line of machine products. The Company's growth strategy also includes strategic acquisitions in addition to growing the current business. Plans for expansion are funded through current working capital from ongoing sales. As of September 30, 2007, the Company's working capital is $626,935. However, significant growth will require additional funds in the form of debt or equity, or a combination thereof. The Company's growth strategy also includes strategic acquisitions in addition to growing the current business. A significant acquisition will require additional financing.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2007 COMPARED TO SEPTEMBER 30, 2006.

Revenues. The Company generated revenues of $1,414,269 for the three months ended September 30, 2007, which was a $581,862 or 29% decrease from $1,996,131 for the three months ended September 30, 2006. The decrease is the result of slower than usual summer sales and a tighter credit market.

Gross Profit. Gross profit for the three months ended September 30, 2007, was negative $34,561 or 2% of revenues, compared to a positive $368,900 or 18% of revenues for the three months ended September 30, 2006, a 109% decrease. The decrease in gross profit is due to the rework of three remanufactured machines which needed additional labor cost.

Operating Loss. Operating loss for the three months ended September 30, 2007, was $457,790 compared to operating loss of $18,661 for the three months ended September 30, 2006. The increase in loss of $439,129 is primarily due to decreased revenues for the quarter ended September 30, 2007.

Interest Expense and Debt Discount Amortization. Interest expense for the three months ended September 30, 2007, was $475,188 compared with $514,302 for the three months ended September 30, 2006. The decrease of $39,114 in interest expenses is due to a decrease in the balance outstanding on Convertible Note by payments or conversion of principal. The details of interest expenses for the three months ended September 30, 2007 are presented in the Table below.

Liquidated Damages Expense. The Company accrued approximately $55,000 of liquidated damages during the quarter ended September 30, 2007 on the CAMOFI $2.2 million convertible debt as a penalty for failure to respond within 14 calendar days to Securities Exchange Commission comments, made in respect to the Registration Statement, compared with $420,000 of liquidated damages during the quarter ended September 30, 2006 on the same CAMOFI debt as a penalty for failure to have a registration statement declared effective as required by our previous financing (See Registration Rights Obligation section).

NEW CENTURY COMPANIES, INC. AND SUBSIDIARY
INTEREST AND LIQUIDATED DAMAGES EXPENSES
For the Three Months Ended September 30, 2007 and 2006
(Unaudited)
(Rounded to nearest thousand)

	For the Three Months Ended September 30,		Variance	
	2007	**2006**	$	%
$3.5 million convertible note				
Amortization of debt discount (non-cash expense)	$ 252,000 *	$ 292,000	$ (40,000)	-14%
Amortization of deferred financing fees (non-cash expense)	90,000	84,000	6,000	7%
Interest on note	133,000	100,000	33,000	33%
Liquidated damages accrued for failure to register common stock conform with Registration Rights Agreement of convertible note holders (non-cash expense)	55,000	420,000	(365,000)	-87%
$300,000 convertible note				
Amortization of debt discount (non-cash expense)	-	-	0	-
Amortization of deferred financing and extension fees (non-cash expense)	-	21,000	(21,000)	-100%

Interest on note		-		17,000		(17,000)	-100%
Interest and adjustments on other notes payable and leases		1,000		800		200	25%
Total	$	531,000	$	934,800	$	(403,800)	-43%

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 COMPARED TO SEPTEMBER 30, 2006.

Revenues. The Company generated revenues of $7,199,885 for the nine months ended September 30, 2007, a $1,206,134 or a 20% increase from $5,993,751 for the nine months ended September 30, 2006. The increase is the result of higher sales volume and higher selling prices of New Century machines on the first and second quarter of the fiscal year 2007.

Gross Profit. Gross profit for the nine months ended September 30, 2007, was $1,861,680 or 26% of revenues, compared to $1,578,860, or 26% of revenues for the nine months ended September 30, 2006, a 18% increase. The increase in gross profit is the result of increased sales during the first six months of the year 2007.

Operating Income. Operating income for the nine months ended September 30, 2007, was $200,792 compared to operating income of $276,027 for the nine months ended September 30, 2006. The decrease of 27% in operating income is due primarily to an increase in consulting expenses for public relations and marketing services.

Interest Expense and Debt Discount Amortization. Interest expense for the nine months ended September 30, 2007 was $1,662,702 compared to $1,560,740 for the nine months ended September 30, 2006, an increase of $101,962 . The decrease in interest expenses is due to decrease of balance outstanding on Convertible Note by payments or conversion of principal. (The details of interest expense for the nine months ended September 30, 2007 are presented below.)

Liquidated Damages Expense. The Company accrued approximately $55,000 of liquidated damages during the nine months ended September 30, 2007 on the CAMOFI $2.2 million convertible debt as a penalty for failure to respond within 14 calendar days to Securities Exchange Commission comments, made in respect to the Registration Statement, compared with $582,500 of liquidated damages during the nine months ended September 30, 2006 on the same CAMOFI debt as a penalty for failure to have a registration statement declared effective as required by our previous financing (See Registration Rights Obligation section).

NEW CENTURY COMPANIES, INC.
AND SUBSIDIARY
INTEREST AND LIQUIDATED DAMAGES EXPENSES
For the Nine Months Ended September 30, 2007 and 2006
(Unaudited)
(Rounded to nearest thousand)

	For the Nine Months Ended September 30,		Variance	
	2007	**2006**	$	%
$3.5 million convertible note				
Amortization of debt discount (non-cash expense)	$ 1,100,000 *	$ 700,000	$ 400,000	57%
Amortization of deferred financing fees (non-cash	269,000	196,000	73,000	37%

expense)							
Interest on note							
non-cash conversion into stock		74,000		-		74,000	
cash payments and accrual		217,000		234,000		(17,000)	-7%
Liquidated damages accrued for failure to register common stock conform with Registration Rights Agreement of convertible note holders (non-cash expense)		55,000		583,000		(528,000)	-91%
$300,000 convertible note							
Amortization of debt discount (non-cash expense)		-		300,000		(300,000)	-100%
Amortization of deferred financing and extension fees (non-cash expense)		-		76,000		(76,000)	-100%
Interest on note		-		47,000		(47,000)	-100%
Interest and adjustments on other notes payable and leases		3,000		3,800		(800)	-21%
Total	$	1,718,000	$	2,139,800	$	(421,800)	-20%

* Includes $278,000 of interest expense due to debt discount reduction related to $350,000 conversion of principal of the CAMOFI Note in to Company's common stock

FINANCIAL CONDITION, LIQUIDITY, CAPITAL RESOURCES

The net cash decrease during the nine months ended September 30, 2007 was $34,771. The decrease is due to $624,500 cash used in financing activities to pay down the Companies notes payable and to $32,225 net cash used in investing activities.

For the nine months ended September 30, 2007, the cash provided by operating activities was $476,323, compared with $1,590,530 cash used in operating activities in the corresponding period from 2006. The increase in cash provided by operating activities is a result of increased sales in the first six months of 2007.

For the nine months ended September 30, 2007, the cash used in financing activities was $478,869, compared with $1,670,874 cash provided by financing activities in the nine months ended September 30, 2006. The decrease of cash provided by financing activities is primarily due to $3,800,000 of proceeds from the issuance of two convertible notes in 2006, compared to no cash proceeds from debt or equity in 2007.

GOING CONCERN

The accompanying condensed consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates, among other things, the realization of assets and satisfaction of liabilities in the normal course of business. The Company has an accumulated deficit of approximately $9,200,000. This factor, among others, raises substantial doubt about the Company's ability to continue as a going concern. The Company intends to fund operations through anticipated increased sales along with debt and equity financing arrangements which management believes may be insufficient to fund its capital expenditures, working capital and other cash requirements for the year ending December 31, 2007. Therefore, the Company will be required to seek additional funds to finance its long-term operations. The successful outcome of future activities cannot be determined at this time and there is no assurance that if achieved, the Company will have sufficient funds to execute its intended business plan or generate positive operating results.

In response to these problems, management has taken the following actions:

- The Company continues its aggressive program for selling inventory.
- The Company continues to implement plans to further reduce operating costs.
- The Company is seeking investment capital through the public and private markets.

The condensed consolidated financial statements do not include any adjustments related to recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

INFLATION AND CHANGING PRICES

The Company does not foresee any adverse effects on its earnings as a result of inflation or changing prices.

REGISTRATION RIGHTS OBLIGATION

On December 19, 2006, we entered into an Amended and Restated Registration Rights Agreement (the "Amended and Restated Agreement") with CAMOFI. Pursuant to the Amended and Restated Agreement we agreed to file registration statements to cover the resale of the shares issuable upon conversion of the CAMOFI Note and warrants as follows: (i) on or before January 31, 2007, prepare and file with the United States Securities and Exchange Commission ("SEC") a Registration Statement covering the resale of all common Stock issuable upon conversion of the 12% Senior Secured Convertible Note dated February 28, 2009, up to 33% of our issued and outstanding stock; (ii) within 90 days from effectiveness of the Registration Statement referred to in i) above, prepare and file a Registration Statement covering the resale of all common Stock issuable upon conversion of the 12% Senior Secured Convertible Note dated February 28, 2009 to the extent not registered above plus all shares of common stock underlying the Purchaser Warrants, up to 33% of our issued and outstanding stock; (iii) within 90 days from effectiveness of the Registration Statement referred to in ii) above, prepare and file a Registration Statement covering the resale of all common Stock issuable upon conversion of the 12% Senior Secured Convertible Note dated February 28, 2009 plus all shares of common stock underlying the Purchaser Warrants to extent not registered above, up to 33% of our issued and outstanding stock; and (iv) within 90 days from effectiveness of the Registration Statement referred to in iii) above, prepare and file a Registration Statement covering the resale of all additional Purchaser Warrants to extent not registered above, up to 33% of our issued and outstanding stock.

On May 1, 2007, the Company entered into an Amended and Restated Registration Rights Agreement (the "2nd Amendment") with CAMOFI, the holder of 12% Senior Secured Convertible Note. Pursuant to the Amendment, CAMOFI agreed to waive any liquidated damages prior to the date of the 2nd Amendment. Also, within 30 days after the date of the 2nd Amendment, the Company agreed to file a registration statement to cover the resale of the shares issuable upon conversion of the CAMOFI Note up to 33% of the Company's issued and outstanding stock, and, in 90 days after the date of filing, to have the registration statement declared effective by the Securities and Exchange Commission. Pursuant to the Second Amended and Restated Registration Rights Agreement, CAMOFI agreed to waive any liquidated damages accrued prior to the date of the Amendment. However, the failure to timely file the Registration Statement and have the registration statement declared effective, will subject us to liquidated damages equal to 1.5% of the outstanding principal of the Notes for any registrable securities then held by CAMOFI for the first 30 days (or part thereof) after the default date and an additional 1.5% for any subsequent 30-day period (or part thereof), thereafter or a maximum of 10% of the remaining balance of the CAMOFI Notes. If we fail to pay any partial liquidated damages within seven days after the date payable, we will be required to pay interest thereon at a rate of 20% per annum (or such lesser maximum amount that is permitted to be paid by applicable law) to CAMOFI, accruing daily from the date such partial liquidated damages are due until such amounts, plus all such interest thereon, are paid in full.

On July 17, 2007, The Company requested pursuant to Rule 477 under the Securities Act of 1933, as amended, that the Securities and Exchange Commission (the “Commission”) consent to the withdrawal by the Company of its Registrant's Registration Statement on Form SB-2 filed with the Commission on May 31, 2007 (File No. 333-143388) (the "Registration Statement"). The Company requested the withdrawal because it has elected to renegotiate certain provisions of the Registration Rights Agreement with the Selling Stockholders and has determined not to pursue with the registration of the securities included in the Registration Statement at this time. No securities were offered or sold pursuant to the Registration Statement.

On July 18, 2007, in view of the Securities and Exchange Commission’s (the “SEC”) position and interpretation of Rule 415 promulgated by the SEC pursuant to the Securities Act of 1933, as amended, CAMOFI waived its rights to have the Company register 33% of its issued and outstanding shares in the Registration statement that the Company filed on May 31, 2007 (the “Registration Statement”), as required by the May 1, 2007 Amended and Restated Registration Rights Agreement, and agreed to the inclusion of 3,000,000 shares of common stock of the Company representing 27% of the public float of the Company in the New Registration Statement, as described in the following paragraph. All of the other provisions of the Registration Rights Agreement remained the same.

On July 19, 2007 the Company filed a new registration statement on Form SB-2 with the Securities and Exchange Commission for registration of 3,000,000 shares of selling shareholders common stock.

On October 18, 2007 the Company filed an amended registration statement on Form SB-2 with the Securities and Exchange Commission to answer to SEC comments on the registration statement filed on July 19, 2007.

We are currently not in compliance with our obligations under the Second Amended and Restated Agreement to have this Registration Statement declared effective within 90 days of filing and to respond to comments of the SEC within 14 calendar days after receipt. If we do not obtain a waiver of such default by CAMOFI we will be obligated to pay liquidated damages to CAMOFI as described above. We currently accrued $55,417 of liquidated damages.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make judgments, assumptions and estimates that affect the amounts reported in our consolidated financial statements and the accompanying notes. The amounts of assets and liabilities reported on our balance sheet and the amounts of revenues and expenses reported for each of our fiscal periods are affected by estimates and assumptions, which are used for, but not limited to, the accounting for revenue recognition, accounts receivable, doubtful accounts and inventories. Actual results could differ from these estimates. The accounting policies stated below are significantly affected by judgments, assumptions and estimates used in the preparation of the financial statements:

Revenue Recognition

Service revenues are billed and recognized in the period the services are rendered.

The Company accounts for shipping and handling fees and costs in accordance with EITF 00-10 "Accounting for Shipping and Handling Fees and Costs." Such fees and costs incurred by the Company are recorded to cost of goods sold and are immaterial to the operations of the Company.

In accordance with SFAS 48, "Revenue Recognition when Right of Return Exists," revenue is recorded net of an estimate of markdowns, price concessions and warranty costs. Such reserve is based on management's evaluation of historical experience, current industry trends and estimated costs.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin 101 ("SAB 101"), "Revenue Recognition," as amended by SAB No. 104 which outlines the basic criteria that must be met to recognize revenue and provides guidance for presentation of revenue and for disclosure related to revenue recognition policies in financial statements filed with the Securities and Exchange Commission. Management believes that the Company's revenue recognition policy for services and product sales conforms to SAB 101 amended by SAB 104. The Company recognizes revenue of long-term contracts pursuant to SOP 81-1.

Method of Accounting for Long-Term Contracts

The Company uses the percentage-of-completion method of accounting to account for long-term contracts and, therefore, takes into account the cost, estimated earnings and revenue to date on fixed-fee contracts not yet completed. The percentage-of-completion method is used because management considers total cost to be the best available measure of progress on the contracts. Because of inherent uncertainties in estimating costs, it is at least reasonably possible that the estimates used will change within the near term.

The amount of revenue recognized at the statement date is the portion of the total contract price that the cost expended to date bears to the anticipated final cost, based on current estimates of cost to complete. It is not related to the progress billings to customers. Contract costs include all materials, direct labor, machinery, subcontract costs and allocations of indirect overhead.

Because long-term contracts may extend over a period of time, changes in job performance, changes in job conditions and revisions of estimates of cost and earnings during the course of the work are reflected in the accounting period in which the facts that require the revision become known. At the time a loss on a contract becomes known, the entire amount of the estimated ultimate loss is recognized in the consolidated financial statements.

Contracts that are substantially complete are considered closed for consolidated financial statement purposes. Revenue earned on contracts in progress in excess of billings (under billings) is classified as a current asset. Amounts billed in excess of revenue earned (over billings) are classified as a current liability.

Inventory

Inventories are stated at the lower of cost or net realizable value. Cost is determined under the first-in, first-out method. Inventories represent cost of work in process on units not yet under contract. Cost includes all direct material and labor, machinery, subcontractors and allocations of indirect overhead. As of September 30, 2007, the company’s inventory was determined to be approximately $1,490,000 net, based on approximately $204,000 cost of labor, $913,000 cost of materials, $117,000 cost of subcontracted services, $542,000 overhead cost, offset by a $286,000 reserve for estimated markdowns on inventory costs.

Classification Of Warrant Obligation

In connection with the issuance of the 12% Senior Secured Convertible Notes, the Company has an obligation to file registration statements covering the Registrable Securities underlying the warrants issued in connection with the convertible note, as defined in the Amended and 2nd Amended Registration Rights Agreements. We evaluated the warrants in accordance with SFAS 133, “Accounting for Derivative Instruments and Hedging Activities” and EITF 00-19, “Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock”, and concluded that the warrants meet all the criteria required to be classified as equity.

Other Significant Accounting Policies

Other significant accounting policies not involving the same level of measurement uncertainties as those discussed above, are nevertheless important to an understanding of the financial statements. The policies related to consolidation and loss contingencies require difficult judgments on complex matters that are often subject to multiple sources of authoritative guidance. Certain of these matters are among topics currently under reexamination by accounting standards setters and regulators. Although no specific conclusions reached by these standards setters appear likely to cause a material change in our accounting policies, outcomes cannot be predicted with confidence. Also see Note 1 of Notes to Consolidated Financial Statements, Summary of Significant Accounting Policies, which discusses accounting policies that must be selected by management when there are acceptable alternatives.

ITEM 3. CONTROLS AND PROCEDURES

EVALUATION OF CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act as of a date (the "Evaluation Date") within 90 days prior to filing the Company's September 30, 2007 Form 10-QSB. Based upon that evaluation, the CEO and CFO concluded that, as of September 30, 2007, our disclosure controls and procedures were not effective in timely alerting management to the material information relating to us (or our consolidated subsidiaries) required to be included in our periodic filings with the SEC.

CHANGES IN CONTROLS AND PROCEDURES

There were no significant changes made in our internal controls over financial reporting during the quarter ended September 30, 2007 that have materially affected or are reasonably likely to materially affect these controls.

LIMITATIONS ON THE EFFECTIVENESS OF INTERNAL CONTROL

The Company's management, including the CEO, does not expect that our disclosure controls and procedures or our internal control over financial reporting necessarily prevent all fraud and material errors. An internal control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations on all internal control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, and/or by management override of the control. The design of any system of internal control is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in circumstances, and/or the degree of compliance with the policies and procedures may deteriorate. Because of the inherent limitations in a cost-effective internal control system, financial reporting misstatements due to error or fraud may occur and not be detected on a timely basis.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

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

None.

Item 3. Defaults Upon Senior Securities

Starting July 2007, the Company is in default with all monthly payments on CAMOFI Convertible Note payable.

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

None.

Item 5. Other Information

The Company is in process of filing a registration statement.

Item 6. Exhibits

Exhibit 31.1 Section 302 Sarbanes Oxley Certification for Chief Executive Officer
Exhibit 31.2 Section 302 Sarbanes Oxley Certification for Chief Financial Officer
Exhibit 32.1 Section 906 Sarbanes Oxley Certification

NEW CENTURY COMPANIES, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEET
September 30, 2007
(Unaudited)

ASSETS

Current Assets		
Cash	$	18,547
Contract receivables		669,393
Inventories, net		1,489,865
Costs and estimated earnings in excess of billings on uncompleted contracts		605,195
Deferred financing costs, net		358,292
Prepaid expenses and other current assets		21,902
Total current assets		3,163,194
Property and Equipment, net		300,830
Deferred Financing Costs Long Term, net		149,288
Total Assets	$	3,613,312

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities		
Bank Overdraft	$	40,505
Accounts payable and accrued liabilities		1,347,372
Dividends payable		335,450
Billings in excess of costs and estimated earnings on uncompleted contracts		284,458
Lease payable		29,988
Convertible notes payable, net of discount		498,486
Total current liabilities		2,536,259
Long-Term Liabilities		
Lease payable - long term portion		39,355
Convertible notes payable, net of discount		290,783
Total long term liabilities		330,138
Commitments and Contingencies		
Stockholders' Equity		

Cumulative, convertible, Series B preferred stock, $1 par value, 15,000,000 shares authorized, no shares issued and outstanding (liquidation preference of $25 per share)		-
Cumulative, convertible, Series C preferred stock, $1 par value, 75,000 shares authorized, 26,880 shares issued and outstanding (liquidation preference of $933,000)		26,880
Cumulative, convertible, Series D preferred stock, $25 par value, 75,000 shares authorized, 11,640 shares issued and outstanding (liquidation preference of $416,000)		291,000
Common stock, $0.10 par value, 50,000,000 shares authorized; 13,444,656 shares issued and outstanding		1,344,466
Subscriptions receivable		(462,500)
Notes receivable from stockholders		(553,402)
Deferred consulting fees and employees stock option expense		(284,270)
Additional paid-in capital		9,627,781
Accumulated deficit		(9,243,040)
Total stockholders' equity		746,915
Total Liabilities and Stockholders' equity	$	3,613,312

See accompanying notes to the condensed consolidated financial statements.

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NEW CENTURY COMPANIES, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three and Nine Months Ended September 30, 2007 and 2006
(Unaudited)

	For the Three Months Ended Sep 30, 2007	For the Three Months Ended Sep 30, 2006	For the Nine Months Ended September 30, 2007	For the Nine Months Ended September 30, 2006
CONTRACT REVENUES	$ 1,414,269	$ 1,996,131	$ 7,199,885	$ 5,993,751
COST OF SALES	1,448,830	1,627,231	5,338,205	4,414,891
GROSS PROFIT	(34,561)	368,900	1,861,680	1,578,860
OPERATING EXPENSES				
Consulting and other compensation	160,555	104,464	802,873	432,422
Salaries and related	85,368	86,826	312,338	212,948
Selling, general and administrative	177,306	196,271	545,677	657,463
TOTAL OPERATING EXPENSES	423,229	387,561	1,660,888	1,302,833
OPERATING INCOME (LOSS)	(457,790)	(18,661)	200,792	276,027
OTHER (INCOME) EXPENSES				
Gain (loss) on forgivenes of debt	62,012	(6,697)	55,053	7,204
Derivative liability	-	834,285	-	869,047
Liquidated damages	(55,417)	(420,000)	(55,417)	(582,500)
Interest, including debt discount amortization	(475,188)	(514,302)	(1,662,702)	(1,560,740)
TOTAL OTHER EXPENSES	(468,593)	(106,714)	(1,663,066)	(1,266,989)
LOSS BEFORE PROVISION FOR INCOME TAXES	(926,383)	(125,375)	(1,462,274)	(990,962)
PROVISION FOR INCOME TAXES	-	-	-	-
NET LOSS	$ (926,383)	$ (125,375)	$ (1,462,274)	$ (990,962)
NET LOSS APPLICABLE TO COMMON STOCKHOLDERS	$ (899,033)	$ (125,375)	$ (1,434,924)	$ (745,487)

Basic net loss applicable to common stockholders per common share	$	(0.07)	$	(0.01)	$	(0.11)	$	(0.07)
Diluted net loss applicable to common stockholders per common share	$	(0.07)	$	(0.01)	$	(0.11)	$	(0.07)
Basic weighted average common shares outstanding		13,440,580		11,435,487		12,698,246		11,176,819
Diluted weighted average common shares outstanding		13,440,580		11,435,487		12,698,246		11,176,819

See accompanying notes to the condensed consolidated financial statements.

NEW CENTURY COMPANIES, INC. AND SUBSIDIARY CONSOLIDATED STATEMENTS OF CASH FLOWS For the Nine Months Ended September 2007 and 2006 (Unaudited)

		2007		2006
Cash flows from operating activities:				
Net loss	$	(1,462,274)	$	(990,962)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation and amortization of property and equipment		95,659		111,737
Net gain on forgiveness of debt		55,053		(7,204)
Amortization of deferred financing costs		268,722		254,545
Amortization of debt discounts		1,100,380		1,020,628
Amortization of deferred consulting fees, deffered employee stock option expense, estmated fair market value of common stock issued for consulting services and related change in fair value		696,116		244,909
Derivative liability expense (credit)		-		(869,047)
Changes in operating assets and liabilities:				
Contracts receivable		(365,832)		(452,895)
Inventories		(369,683)		(656,757)
Costs and estimated earnings in excess of billings on uncompleted contracts		555,473		(113,780)
Prepaid expenses and other current assets		(1,697)		(31,445)
Notes receivable from stockholders		(28,000)		-
Accounts payable and accrued liabilities		100,859		154,362
Billings in excess of costs and estimated earnings on uncompleted contracts		(168,453)		(254,621)
Net cash provided by (used in) operating activities		476,323		(1,590,530)
Cash flows from investing activities:				
Purchases of property and equipment		(32,225)		(20,000)
Net cash used in investing activities		(32,225)		(20,000)
Cash flows from financing activities:				

Restricted cash		123,898		(566,310)
Bank overdraft		21,733		(27,649)
Proceeds of issuance of convertible notes payable		-		3,800,000
Principal payments on notes payable and capital leases		(624,500)		(1,112,667)
Deferred financing costs		-		(422,500)
Net cash (used in) provided by financing activities		(478,869)		1,670,874
Net increase (decrease) in cash		(34,771)		60,344
Cash at beginning of period		53,318		-
Cash at end of period	$	18,547	$	60,344
Supplemental disclosure of non-cash investing and financing activities:				
Accrued cumulative dividends on preferred stock	$	42,400	$	42,400
Reversal of accrued dividends older than four years on preferred stock	$	(69,750)	$	-
Conversion of notes payable and interest to common stock	$	424,317	$	170,250
Common stock and warrants issued for deferred financing costs	$	-	$	641,790
Debt discount on convertible notes payable	$	1,427,397	$	3,823,400
Debt discount on notes payable for note extension	$	-	$	18,900
Waived cumulative dividends on preferred stock	$	-	$	287,875
Conversion of Series C preferred stock to common stock	$	1,500	$	2,000

See accompanying notes to the condensed consolidated financial statements.

NEW CENTURY COMPANIES, INC. AND SUBSIDIARY
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization And Nature Of Operations

New Century Companies, Inc. and Subsidiary (collectively, the "Company"), a California corporation, was incorporated March 1996 and is located in Southern California. The Company provides after-market services, including rebuilding, retrofitting and remanufacturing of metal cutting machinery. Once completed, a remanufactured machine is "like new" with state-of-the-art computers and the cost to the Company's customers is substantially less than the price of a new machine.

The Company currently sells its services by direct sales and through a network of machinery dealers across the United States. Its customers are generally medium to large sized manufacturing companies in various industries where metal cutting is an integral part of their businesses. The Company grants credit to its customers who are predominately located in the western United States.

The Company trades on the OTC Bulletin Board under the symbol "NCNC.OB".

Principles Of Consolidation

The condensed consolidated financial statements include the accounts of New Century Companies, Inc. and its wholly owned subsidiary, New Century Remanufacturing (collectively, the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis Of Presentation

The accompanying unaudited interim condensed consolidated financial statements have been prepared by the Company, pursuant to the rules and regulations of the United States Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been omitted pursuant to such SEC rules and regulations; nevertheless, the Company believes that the disclosures are adequate to make the information presented not misleading. These financial statements and the notes hereto should be read in conjunction with the financial statements, accounting policies and notes thereto included in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2006, filed with the SEC. In the opinion of management, all adjustments necessary to present fairly, in accordance with GAAP, the Company's financial position as of September 30, 2007, and the results of operations and cash flows for the interim periods presented, have been made. Such adjustments consist only of normal recurring adjustments. The results of operations for the three and nine months ended September 30, 2007 are not necessarily indicative of the results for the full year ending December 31, 2007.

Going Concern

The accompanying condensed consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates, among other things, the realization of assets and satisfaction of liabilities in the normal course of business. The Company has an accumulated deficit of approximately $9,200,000. This factor, among others (See Note 3), raises substantial doubt about the Company's ability to continue as a going concern. The Company intends to fund operations through anticipated increased sales along with debt and equity financing arrangements which management believes may be insufficient to fund its capital expenditures, working capital and other cash requirements for the year ending December 31, 2007. Therefore, the Company will be required to seek additional funds to finance its long-term operations. The successful outcome of future activities cannot be determined at this time and there is no assurance that if achieved, the Company will have sufficient funds to execute its intended business plan or generate positive operating results.

In response to these problems, management has taken the following actions:

- The Company continues its aggressive program for selling inventory.
- The Company continues to implement plans to further reduce operating costs.
- The Company is seeking investment capital through the public and private markets.

The condensed consolidated financial statements do not include any adjustments related to recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

Inventory

Inventories are stated at the lower of cost or net realizable value. Cost is determined under the first-in, first-out method. Inventories represent cost of work in process on units not yet under contract. Cost includes all direct material and labor, machinery, subcontractors and allocations of indirect overhead. As of September 30, 2007, the company's inventory was determined to be approximately $1,490,000 net, based on approximately $204,000 cost of labor, $913,000 cost of materials, $117,000 cost of subcontracted services, $542,000 overhead cost, offset by a $286,000 reserve for estimated markdowns on inventory costs.

Revenue Recognition

The Company's revenues consist of contracts with customers. The Company uses the percentage-of-completion method of accounting to account for long-term contracts and, therefore, takes into account the cost, estimated earnings and revenue to date on fixed-fee contracts not yet completed. The percentage-of-completion method is used because management considers total cost to be the best available measure of progress on the contracts. Because of inherent uncertainties in estimating costs, it is at least reasonably possible that the estimates used will change within the near term.

Staff Accounting Bulletin ("SAB") No. 104, "Revenue Recognition" outlines the basic criteria that must be met to recognize revenue and provides guidance for presentation of revenue and for disclosure related to revenue recognition policies in financial statements filed with the SEC. Management believes that the Company's revenue recognition policy conforms to SAB No. 104. The Company recognizes revenue on contracts pursuant to Statements of Position 81-1, Accounting for Performance of Construction-Type and Certain Production-Type Contracts.

The amount of revenue recognized at the financial statement date is the portion of the total contract price that the cost expended to date bears to the anticipated final cost, based on current estimates of cost to complete. It is not related to the progress billings to customers. Contract costs include all materials, direct labor, machinery, subcontract costs and allocations of indirect overhead.

Because contracts may extend over a period of time, changes in job performance, changes in job conditions and revisions of estimates of cost and earnings during the course of the work are reflected in the accounting period in which the facts that require the revision become known. At the time a loss on a contract becomes known, the entire amount of the estimated ultimate loss is recognized in the consolidated financial statements.

Contracts that are substantially complete are considered closed for condensed consolidated financial statement purposes. Costs incurred and revenue earned on contracts in progress in excess of billings (under billings) are classified as a current asset. Amounts billed in excess of costs and revenue earned (over billings) are classified as a current liability.

The Company accounts for shipping and handling fees and costs in accordance with Emerging Issues Task Force ("EITF") Issue No. 00-10 "Accounting for Shipping and Handling Fees and Costs." Shipping and handling fees and costs incurred by the Company are immaterial to the operations of the Company and are included in cost of sales.

In accordance with Statements of Financial Accounting Standards ("SFAS") No. 48, "Revenue Recognition when Right of Return Exists," revenue is recorded net of an estimate for markdowns, price concessions and warranty costs. Such reserve is based on management's evaluation of historical experience, current industry trends and estimated costs. As of September 30, 2007, the Company estimated the markdowns, price concessions and warranty costs and concluded amounts are immaterial and did not record any adjustment to revenues.

Basic And Diluted Loss Per Common Share

Under SFAS 128, “Earnings Per Share,” basic earnings per common share is computed by dividing income (loss) available to common stockholders by the weighted-average number of common shares assumed to be outstanding during the period of computation. Diluted earnings per share is computed similar to basic earnings per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive.

Common stock equivalents, representing convertible Preferred Stock, convertible debt, options and warrants totaling approximately 3,303,000 shares at September 30, 2007 are not included in the diluted loss per share as they would be anti-dilutive. Accordingly, diluted and basic loss per share are the same for September 30, 2007.

Stock Based Compensation

Effective January 1, 2006, the Company adopted the provisions of SFAS No. 123-R, "Share-Based Payment," ("SFAS No. 123-R"). SFAS No. 123-R requires employee stock options and rights to purchase shares under stock participation plans to be accounted for under the fair value method and requires the use of an option pricing model for estimating fair value. Accordingly, share-based compensation is measured at the grant date, based on the fair value of the award. The exercise price of options is generally equal to the market price of the Company's common stock (defined as the closing price as quoted on the Over-the-Counter Bulletin Board administered by Nasdaq) on the date of grant.

From time to time, the Company's Board of Directors grants common share purchase options or warrants to selected directors, officers, employees, consultants and advisors in payment of goods or services provided by such persons on a stand-alone basis outside of any of the Company's formal stock plans. The terms of these grants are individually negotiated and generally expire within five years from the grant date.

Under the terms of the Company's 2000 Stock Option Plan, options to purchase an aggregate of 5,000,000 shares of common stock may be issued to officers, key employees and consultants of the Company. The exercise price of any option generally may not be less than the fair market value of the shares on the date of grant. The term of each option generally may not be more than five years.

Under the terms of the Company's non-statutory stock option plan, options to purchase an aggregate of 1,350,000 shares of common stock may be issued to non-employees for services rendered. These options are non-assignable and non-transferable, are exercisable over a five-year period from the date of grant, and vest on the date of grant.

On November 13, 2006, the Company granted 2,000,000 options to key employees. The options will vest and become exercisable on December 1, 2007. At September 30, 2007, the Company had 1,850,000 options available for future issuance under their equity compensation plans. $86,400 and $0 of share-based compensation expense was recognized in the accompanying condensed consolidated financial statements for the three month periods ended September 30, 2007 and 2006, respectively. $259,200 and $0 of share-based compensation expense was recognized in the accompanying condensed consolidated financial statements for the nine month periods ended September 30, 2007 and 2006, respectively.

In accordance with SFAS No. 123-R, the Company’s policy is to adjust share-based compensation on a quarterly basis for changes to the estimate of expected award forfeitures based on actual forfeiture experience. The effect of adjusting the forfeiture rate for all expense amortization after September 30, 2007 is recognized in the period the forfeiture estimate is changed.

At September 30, 2007, the Company estimated (using the Black Scholes pricing model) the fair value of options granted and no variance has been found. Therefore, the effect of forfeiture adjustments at the period ended September 30, 2007 was not applicable.

Options outstanding that have vested and are expected to vest as of September 30, 2007 are as follows:

	Number of Shares		Weighted Average Exercise Price	Weighted Average Remaining Contractual Term in Years		Aggregate Intrinsic Value (1)
Vested	1,150,000	$	0.25	0.31	$	126,500
Expected to vest	2,000,000	$	0.20	2.62	$	320,000
Total	3,150,000				$	446,500

(1)These amounts represent the difference between $0.36, the closing market price of the Company's common stock on September 30, 2007 as quoted on the Over-the-Counter Bulletin Board under the symbol "NCNC.OB" for all in-the-money options outstanding, and the exercise price.

The Company’s policy for options outstanding that are expected to vest are net of estimated future forfeitures in accordance with the provisions of SFAS No. 123-R, which are estimated when compensation costs are recognized. Additional information with respect to stock option activity is as follows:

		Outstanding Options				
	Shares Available for Grant	Number of Shares		Weighted Average Exercise		Intrinsic Value (1)
December 31, 2006	1,750,000	3,250,000	$	0.22	$	--
Grants	--	--		--		--
Exercises	--	--		--		--
Cancellations	100,000	100,000		1.10		--
September 30, 2007	1,850,000	3,150,000	$	0.22	$	259,000
Options exercisable at:						
September 30, 2007		1,150,000	$	0.25	$	126,500

(1) represents the added value as difference between the closing market price of the Company's common stock at the end of the reporting period (as of December 31, 2006 and September 30, 2007, the market price of the Company's common stock was $0.21 and $0.36, respectively), and the exercise price.

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The Company follows SFAS No. 123-R (as interpreted by EITF Issue No. 96-18, "Accounting for Equity Instruments That Are Issued To Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services") to account for transactions involving services provided by third parties where the Company issues equity instruments as part of the total consideration. Pursuant to paragraph 7 of SFAS No. 123 (R), the Company accounts for such transactions using the fair value of the consideration received (i.e. the value of the goods or services) or the fair value of the equity instruments issued, whichever is more reliably measurable. The Company applies EITF Issue No. 96-18 to transactions when the value of the goods and/or services are not readily determinable and (1) the fair value of the equity instruments is more reliably measurable and (2) the counterparty receives equity instruments in full or partial settlement of the transactions, using the following methodology:

a) For transactions where goods have already been delivered or services rendered, the equity instruments are issued on or about the date the performance is complete (and valued on the date of issuance).

b) For transactions where the instruments are issued on a fully vested, non-forfeitable basis, the equity instruments are valued on or about the date of the contract.

c) For any transactions not meeting the criteria in (a) or (b) above, the Company re-measures the consideration at each reporting date based on its then current stock value.

From time to time, the Company issues warrants to employees and to third parties pursuant to various agreements, which are not approved by the shareholders. During the three and nine month periods ended September 30, 2007, the Company did not grant any options or warrants.

The following is a status of the warrants outstanding at September 30, 2007 and the changes during the nine months ended September 30, 2007:

	Warrants	Weighted Average Price
Outstanding, December 31, 2006	6,403,728	$ 0.57
Granted	--	--
Exercised	--	--
Cancelled/Terminated	(25,000)	(0.65)
Total Outstanding, September 30, 2007	6,378,728	$ 0.57
Exercisable, September 30, 2007	6,378,728	0.57

Deferred Financing Costs

Direct costs of securing debt financing are capitalized and amortized over the term of the related debt. When a loan is paid in full, any unamortized financing costs are removed from the related accounts and charged to operations. During the three months ended September 30, 2007 and 2006, the Company amortized approximately $90,000 and $84,000, respectively, to interest expense. During the nine months ended September 30, 2007 and 2006, the Company amortized approximately $269,000 and $255,000, respectively, to interest expense. At September 30, 2007, the unamortized portion of deferred financing costs for the convertible note payable is approximately $507,000.

Beneficial Conversion Feature Of Convertible Notes Payable

The convertible feature of certain notes payable provides for a rate of conversion that is below market value. Such feature is normally characterized as a "Beneficial Conversion Feature" ("BCF"). Pursuant to EITF Issue No. 98-5, "Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratio" and EITF No. 00-27, "Application of EITF Issue No. 98-5 To Certain Convertible Instruments," the estimated fair value of the BCF recorded in the condensed consolidated financial statements resulted in a debt discount from the face amount of the notes. Such discounts are amortized to interest expense over the term of the notes (See Debt Discount Note).

Classification Of Warrant Obligation

In connection with the issuance of the 12% Senior Secured Convertible Notes, the Company has an obligation to file registration statements covering the registrable securities underlying the warrants issued in connection with the convertible note, as defined in the Amended Registration Rights Agreement.

The obligation to file the registration statement met the criterion of an embedded derivative to be bifurcated pursuant to SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended. Under this transaction, the Company was obligated to register for resale the common shares underlying the warrants, and as a result, the embedded derivative associated with this warrant obligation did not meet the scope exception of paragraph 11(a) of SFAS No. 133. Specifically, at September 30, 2006, the Company did not have any uncommitted registered shares to settle the warrant obligation and accordingly, such obligation was classified as a liability (outside of stockholders' deficit) in accordance with EITF Issue No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock." The classification of the warrant obligation has been evaluated at each reporting date and reported as a liability until such time all of the criteria necessary for equity classification were met. The warrant liability was recorded originally, on February 28, 2006, the issuance date, at $2,190,000, and adjusted market-to-market every quarter to approximately $2,955,000, $2,155,000, $1,321,000 and $695,000 at the quarter ended March 31, 2006, September 30, 2006, September 30, 2006, and December 19, 2006, correspondingly. The market-to-market adjustment was reversed to derivative liability expense.

On December 19, 2006, the Company entered into an amended agreement with the warrant holder, CAMOFI Master LDC, where by the warrant holder agreed to waive all liquidated damages incurred as a result of the Company's inability to file a registration statement to register the shares underlying the warrants. In addition, a limit was placed on the amount of liquidated damages to be incurred in the event the Company fails to have an effective registration statement within the time period required by the amended agreement. The liquidated damages would be limited to 10% of the outstanding balance of the note. As a result, the warrants met all the criteria outlined in EITF 00-19 to be classified as equity. Accordingly, the warrants were reclassified to equity at December 19, 2006, and the $695,000 fair value of warrant liability was credited to additional paid in capital. The December 19, 2006 Amended Registration Rights Agreement was Amended on May 1, 2007, July 18, 2007 and October 18, 2007 (See details on Registration Rights Obligation Section in the Management Discussion and Analysis section).

Management evaluated the warrants in accordance with SFAS 133, "Accounting for Derivative Instruments and Hedging Activities" and EITF 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock", and concluded that the warrants meet all the criteria required to be classified as equity.

Income Taxes

We adopted the provisions of Financial Standards Accounting Board Interpretation No. 48 Accounting for Uncertainty in Income Taxes ("FIN 48") an interpretation of FASB Statement No. 109 ("SFAS 109") on January 1, 2007. The implementation of FIN 48 did not result in any adjustment to the Company's beginning tax positions. The Company continues to fully recognize its tax benefits which are offset by a valuation allowance to the extent that it is more likely than not that the deferred tax assets will not be realized. As of September 30, 2007, the Company did not have any unrecognized tax benefits. The Company files a Consolidated Federal income tax return in the U.S. The Company files a separate income tax return in the State of California. The Company is no longer subject to U.S. Federal tax examinations for the years before 2004.

Significant Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 provides guidance for using fair value to measure assets and liabilities. It also responds to investors' requests for expanded information about the extent to which companies' measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. SFAS 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value, and does not expand the use of fair value in any new circumstances. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. We are currently evaluating the effect that the adoption of SFAS 157 will have on our consolidated results of operations and financial condition and are not yet in a position to determine such effects.

On February 15, 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115." This standard permits an entity to measure many financial instruments and certain other items at estimated fair value. Most of the provisions of SFAS No. 159 are elective; however, the amendment to SFAS No. 115 ("Accounting for Certain Investments in Debt and Equity Securities") applies to all entities that own trading and available-for-sale securities. The fair value option created by SFAS No. 159 permits an entity to measure eligible items at fair value as of specified election dates. Among others, eligible items exclude (1) financial instruments classified (partially or in total) as permanent or temporary stockholders' equity (such as a convertible debt security with a non-contingent beneficial conversion feature) and (2) investments in subsidiaries and interests in variable interest entities that must be consolidated. A for-profit business entity will be required to report unrealized gains and losses on items for which the fair value option has been elected in its consolidated statement of operations at each subsequent reporting date.

The fair value option (a) may generally be applied instrument by instrument, (b) is irrevocable unless a new election date occurs, and (c) must be applied to the entire instrument and not to only a portion of the instrument. SFAS No. 159 is effective as of the beginning of the first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of the previous fiscal year provided that the entity (i) makes that choice in the first 120 days of that year, (ii) has not yet issued financial statements for any interim period of such year, and (iii) elects to apply the provisions of SFAS No. 157 ("Fair Value Measurements"). The adoption of SFAS No. 159 is not expected to have a significant impact on future financial statements.

2. CONTRACTS IN PROGRESS

Contracts in progress as of September 30, 2007 which include completed contracts not completely billed represent the following (approximated amounts):

Cumulative costs to date	$	6,572,000
Cumulative gross profit to date		5,480,000
Cumulative revenue earned		12,052,000
Less progress billings to date		(11,731,000)
Net under billings	$	321,000

The following is included in the accompanying condensed consolidated balance sheet under these captions as of September 30, 2007 (approximated amounts):

Costs and estimated earnings in excess of billings on uncompleted contracts	$	605,000
Billings in excess of costs and estimated earnings on uncompleted contracts		(284,000)
Net under billings	$	321,000

3. DEBT FINANCING TRANSACTIONS

During the three months ended September 30, 2006, the Company made cash payments of $36,000 to reduce the principal balance on one of its outstanding secured notes payable. As of September 30, 2006, the balance of the note was $84,000.

During the three months ended September 30, 2006, the Company made cash payments of approximately $117,000 to reduce the principal balance on one of its secured convertible notes payable. As of September 30, 2006, the balance of the note was $3,383,000.

Also, during the three months ended September 30, 2006, the Company made cash payments of $150,000 to reduce the principal balance on one of its outstanding convertible notes payable. As of September 30, 2006, the principal balance on that note was $150,000.

During the three months ended September 30, 2006, the Company made cash payments of $81,000 to pay off two of its outstanding secured notes payable.

Also, during the three months ended September 30, 2007, the Company made cash payments of approximately $7,500 to capital lease payable of which $4,000 were recorded as payments on the principal balance.

For the three months ended September 30, 2007, the Company is in default on payments on its secured convertible note payable The Company is currently renegotiating the term of the note and intend to pay the interest due shortly. As of September 30, 2007, the balance of the note was $2,217,000.

During the nine months ended September 30, 2007, the Company made cash payments of $48,000 to pay in full one of its outstanding secured notes payable

During the nine months ended September 30, 2007, the Company made cash payments of $100,000 to reduce the principal balance on one of its outstanding secured convertible notes payable.

During the nine months ended September 30, 2007, the Company made cash payments of $466,667 to reduce the principal balance on one of its outstanding secured convertible notes payable. Also, the Company' Board of Directors approved conversion of $350,000 principal and approximately $74,317 of interest into 675,000 shares of the Company's common stock. As of September 30, 2007, the principal balance is approximately $2,217,000 which is presented net of debt discounts totaling approximately $789,000.

During the nine months ended September 30, 2007, the Company made cash payments of approximately $22,500 on the capital lease payable of which $9,833 were recorded as payments on the principal balance. As of September 30, 2007, the principal balance on that lease was $69,000.

Debt Discount

During the three months ended September 30, 2007 and 2006, the Company amortized approximately $252,000 related to a convertible note payable to CAMOFI Master LDC ("CAMOFI") and $313,000, respectively, of debt discounts to interest expense.

During the nine months ended September 30, 2007 and 2006, the Company amortized approximately $1,100,000 and $1,021,000, respectively, of debt discounts to interest expense. For the nine months ended September 30, 2006, $700,000 was related to a convertible note payable to CAMOFI and $300,000 was related to a convertible note payable to Motivated Minds, LLC ("Motivated Minds").

4. EQUITY TRANSACTIONS

Equity Compensation

In February 2007, the Company issued 150,000 shares of common stock valued at $60,000 (based on the market price of the shares on the date the services were completed in accordance with EITF 96-18) to a third party for investor marketing services under a one month contract.

In February 2007, the Company issued 100,000 shares of common stock valued at $36,000 (based on the market price of the shares on the date the services were completed in accordance with EITF 96-18) to a third party for financial consulting services under a 13 day contract.

In February 2007, the Company issued 300,000 shares of common stock valued at $126,000 (based on the market price of the shares on the date the services were completed in accordance with EITF 96-18) to a third party for investor relation services under a one month contract.

All the above three contracts were recorded as public company expense in the first quarter of 2007 in the accompanying consolidated statements of operations.

In May 2007, the Company issued 100,000 shares of common stock valued at $70,000 (based on the market price of the shares) to a third party for public investor relations services under one year contract. The common stock was recorded at the estimated fair value of the common stock on the date of the transaction as a deferred charge and is amortized to operating expense over the life of the agreement.

In June 2007, the Company issued 300,000 shares of common stock valued at $210,000 (based on the market price of the shares) to a third party for internet public investor relations services under a three year contract. The common stock was recorded at the estimated fair value of the common stock on the date of the transaction as a deferred charge and is amortized to operating expense over the life of the agreement.

In June 2007, the Company issued 15,000 shares of common stock valued at $10,500 (based on the market price of the shares) to a third party for public investor relations services under a 90 days contract. The common stock was recorded at the estimated fair value of the common stock on the date of the transaction as a deferred charge and is amortized to operating expense over the life of the agreement.

In June 2007, the Company issued 75,000 shares of common stock valued at $52,500 (based on the market price of the shares) to a third party for corporate consulting and market services under a 6 months contract. The common stock was recorded at the estimated fair value of the common stock on the date of the transaction as a deferred charge and is amortized to operating expense over the life of the agreement.

All the above four contracts were recorded as public company expense in the second quarter of 2007 in the accompanying consolidated statements of operations.

As described in Note 1, the Company enters into equity based compensation arrangements with non-employees where the value of the services are not readily determinable and the fair value of the equity instruments is more reliably measurable. Under most of these arrangements, the performance criteria required for a measurement date is not reached until the service period has been completed. As a result, the Company is required to re-measure the consideration at each reporting date based on its then current stock value. During the quarter ended September 30, 2007, the Company recorded net decreases to the fair values of such equity based compensation arrangements of approximately $37,500. During the nine months ended September 30, 2007, the Company recorded net increases to the fair values of such equity based compensation arrangements with third parties totaling $7,000.

During the three and nine months ended September 30, 2007 the Company amortized approximately $181,000 and $259,000, respectively, of consulting expense related to deferred consulting fees on such equity based compensation arrangements. As of September 30, 2007, the unamortized portion of consulting fees on such equity based compensation arrangements approximate $227,000.

Dividends on preferred stock

The preferred shares Series C and preferred shares Series D shares have a mandatory cumulative dividend of $1.25 per share, which is payable on a semi-annual basis in September and December each year to holders of record on November 30 and May 31, does not have any voting rights and has liquidation preferences.

Accrued dividends on the Company's preferred common stock older then four years are beyond the California Statute of Limitations and the dividends are no longer required to be paid. Therefore, the Company decreased dividends payable by $69,750 in September 2007 for those dividends older than four years that the Company does not intend to pay.

At September 30, 2007, the Company had a total of 26,680 preferred shares Series C and 11,640 preferred shares Series D issued and outstanding. On June 30, 2007 the Company recorded an accrual of $42,400 dividends for preferred shares shareholders who did not waive their right to receive dividends. As of September 30, 2007, the Company's accumulated dividends payable has a balance of $335,450.

Conversion of debt into shares of Company's common stock

In June 2007, the Company's Board of Directors approved the issuance of 675,000 shares of common stock as a conversion of principal and interest due on the 12% Senior Secured Convertible debt. The 675,000 shares of common stock were recorded at par value, and the difference between the par value (approximated $67,000) of the stock issued upon conversion and the amount converted (approximated $425,000) amounted $357,000 which was recorded as additional paid in capital.

The debt discount related to the convertible note was reduced pro-rata based on the debt reduction and approximately $278,000 was charged to interest expense .

5. SUBSEQUENT EVENTS

On October 18, 2007 the Company filed an amended registration statement on Form SB-2 with the Securities and Exchange Commission to answer to SEC comments on the registration statement filed on July 19, 2007.

On November 9, 2007 the Company filed an amended registration statement on Form SB-2 with the Securities and Exchange Commission to answer to SEC comments on the amended registration statement filed on October 18, 2007.

On November 13, 2007, the Securities and Exchange Commission declared effective the registration statement filed on October 18, 2007.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Company caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 14, 2007 *NEW CENTURY COMPANIES, INC.*

/s/ DAVID DUQUETTE

Name: David Duquette
Title: Chairman, President and Director

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

Date: November 14, 2007 */s/ DAVID DUQUETTE*

Name: David Duquette
Title: Chairman, President and Director

Date: November 14, 2007 */s/ JOSEF CZIKMANTORI*

Name: Josef Czikmantori
Title: Secretary and Director