

Edgar Filing: LGA, INC - Form 10QSB

LGA, INC
Form 10QSB
December 19, 2005

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

FORM 10-QSB

(Mark One)

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

For the quarterly period ended September 30, 2005

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

For the transition period from _____ to _____

0-18113

Commission File No.

LGA HOLDINGS, INC.

(Exact name of small business issuer in its charter)

Utah

(State or other jurisdiction of incorporation or organization)

87-0405405

(I.R.S. Employer Identification No.)

3380 North El Paso Street, Suite G, Colorado Springs, Colorado 80907

(Address of principal executive offices)

(719) 630-3800

(Issuer's telephone number)

NO CHANGE

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

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

(1) Yes X No (2) Yes X No
--- --- --- ---

As of September 30, 2005, the Company had 8,162,222 shares of common stock issued and outstanding.

Edgar Filing: LGA, INC - Form 10QSB

Transitional Small Business Disclosure Format (Check one) Yes No
 --- ---

LGA HOLDINGS, INC.
 (Formerly Tenet Information Systems, Inc.)

Index to Financial Statements
 (Unaudited)

| | Page |
|---|------|
| | ---- |
| Balance Sheet at September 30, 2005 | F-1 |
| Statements of Operations, for the three months ended September 30, 2005 and 2004 | F-2 |
| Statement of Shareholders' Deficit for the period from July 1, 2005 through September 30, 2005 | F-3 |
| Statements of Cash Flows, for the three months ended September 30, 2005 and 2004 | F-4 |
| Notes to financial statements | F-5 |
| Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations..... | 7 |
| Item 3 Controls Procedures..... | 9 |
| PART II OTHER INFORMATION | |
| Item 1. Litigation..... | 9 |
| Item 2. Changes in Securities..... | 9 |
| Item 3. Defaults Upon Senior Securities..... | 9 |
| Item 4. Submission of Matters to a Vote of Security Holders..... | 9 |
| Item 5. Other Information..... | 9 |
| Item 6. Exhibits and Reports on Form 8-K..... | 9 |
| SIGNATURES..... | 10 |

LGA HOLDINGS, INC.
 (Formerly Tenet Information Systems, Inc.)
 Condensed Consolidated Balance Sheet
 (Unaudited) September 30, 2005

| Assets | |
|--|-----------|
| Current assets: | |
| Cash | \$ 19,706 |
| Accounts and notes receivable | 19,687 |
| Inventory, at lower of cost or market (Note 3) | 99,718 |
| Prepaid expenses | 2,234 |
| | ----- |

Edgar Filing: LGA, INC - Form 10QSB

| | |
|---------------------------------------|------------|
| Total current assets | 141,345 |
| Property and Equipment | 141,293 |
| Accumulated depreciation | (98,262) |
| Intangible assets | 86,029 |
| Accumulated amortization | (17,370) |
| Other assets | 2,604 |
| | ----- |
| Total assets | \$ 255,639 |
| | ===== |
| Liabilities and Shareholders' Deficit | |
| Current liabilities: | |
| Accounts payable | \$ 67,019 |
| Unearned revenue | 100,000 |
| Accrued payroll | 95,415 |
| Other current liabilities | 3,722 |
| | ----- |
| Total current liabilities | 266,156 |
| | ----- |
| Shareholders' deficit: | |
| Common stock | 8,162 |
| Additional paid-in capital | 650,911 |
| Retained loss | (669,590) |
| | ----- |
| Total shareholders' deficit | (10,517) |
| | ----- |
| | \$ 255,639 |
| | ===== |

See accompanying notes to condensed consolidated financial statements

F-1

LGA HOLDINGS, INC.
(Formerly Tenet Information Systems, Inc.)
Condensed Consolidated Statements of Operations
(Unaudited)

| | Three Months Ended September 30, | |
|--|-------------------------------------|-----------|
| | 2005 | 2004 |
| | ----- | ----- |
| Sales and revenue | \$ 123,037 | \$ 77,250 |
| | ----- | ----- |
| Costs of revenue | 53,730 | 38,417 |
| Selling, general and administrative .. | 84,102 | 135,413 |
| | ----- | ----- |
| Total operating expenses | 137,832 | 173,830 |

Edgar Filing: LGA, INC - Form 10QSB

| | | |
|---|-------------|-------------|
| | ----- | ----- |
| Operating loss | (14,795) | (96,580) |
| Other income (expense): | | |
| Other income | 761 | 24,333 |
| Interest expense | (2,420) | (1,285) |
| | ----- | ----- |
| Loss before income taxes .. | (16,454) | (73,532) |
| | ----- | ----- |
| Income tax provision (Note 2) | -- | -- |
| | ----- | ----- |
| Net loss | \$ (16,454) | \$ (73,532) |
| | ===== | ===== |
| Basic and diluted loss per share | \$ (0.00) | \$ (0.01) |
| | ===== | ===== |
| Number of weighted average common shares outstanding | 8,140,648 | 6,779,079 |
| | ===== | ===== |

See accompanying notes to condensed consolidated financial statements

F-2

LGA HOLDINGS, INC.
(Formerly Tenet Information Services, Inc.)
Condensed Consolidated Statement of Shareholders' Deficit
(Unaudited)

| | Common Stock | | Additional | Retained | Total |
|---|-----------------|--------------------|-----------------------------|------------------|-------------|
| | ----- Shares | ----- Par Value | ----- Paid-in Capital | ----- Deficit | ----- |
| Balance at | | | | | |
| June 30, 2005 | 8,119,074 | \$ 8,119 | \$ 620,966 | \$ (653,136) | \$ (24,190) |
| Common stock options exercised (Note 4) | 43,148 | 43 | 29,945 | -- | 29,945 |
| Net loss | -- | -- | -- | (16,454) | (16,454) |
| | ----- | ----- | ----- | ----- | ----- |
| Balance at | | | | | |
| September 30, 2005 | 8,162,222 | \$ 8,162 | \$ 650,911 | \$ (669,590) | \$ (10,615) |
| | ===== | ===== | ===== | ===== | ===== |

See accompanying notes to condensed consolidated financial statements

F-3

Edgar Filing: LGA, INC - Form 10QSB

LGA HOLDINGS, INC.
 (Formerly Tenet Information Systems, Inc.)
 Condensed Consolidated Statements of Cash Flows
 (Unaudited)

| | Three Months Ended September 30, | |
|---|-------------------------------------|-------------|
| | 2005 | 2004 |
| Net cash used in operating activities | \$ (36,164) | \$(120,389) |
| Cash flows from investing activities: | | |
| Purchase of equipment and other assets | -- | (21,677) |
| Net cash used in investing activities | -- | (21,677) |
| Cash flows from financing activities: | | |
| Payment for long-term debt | -- | (10,142) |
| Sale of common stock (Note 4) | 29,988 | -- |
| Net cash provided by (used in) financing activities | 29,988 | (10,142) |
| Net change in cash | (6,176) | (152,208) |
| Cash, beginning of period | 25,882 | 180,619 |
| Cash, end of period | \$ 19,706 | \$ 28,411 |
| | ===== | ===== |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the period for: | | |
| Income taxes | \$ -- | \$ -- |
| | ===== | ===== |
| Interest | \$ -- | \$ -- |
| | ===== | ===== |

See accompanying notes to condensed consolidated financial statements

F-4

LGA HOLDINGS, INC.
 (Formerly Tenet Information Systems, Inc.)
 Notes to Condensed Consolidated Financial Statements
 (Unaudited)

Note 1: Basis of presentation

The condensed financial statements presented herein have been prepared by our Company in accordance with the accounting policies in its Form 10-KSB with financial statements dated June 30, 2005, and should be read in conjunction with

Edgar Filing: LGA, INC - Form 10QSB

the notes thereto.

In our opinion, all adjustments (consisting only of normal recurring adjustments) which are necessary to provide a fair presentation of operating results for the interim period presented have been made. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the year.

Financial data presented herein are unaudited.

Note 2: Income taxes

We record income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes". We have incurred net operating losses during all periods presented resulting in a deferred tax asset, which was fully allowed for; therefore, the net benefit and expense resulted in \$-0- income taxes.

Note 3: Inventory

Inventory consists of raw materials and finished inventory, which have been accounted for at lower of cost or market. We have made no provision for inventory obsolescence, as our management has deemed this unnecessary.

| | |
|----------------|-----------|
| Raw materials | \$ 22,650 |
| Finished goods | 77,068 |
| | ----- |
| | \$ 99,718 |
| | ===== |

Note 4: Stock Options

During the quarter ended September 30, 2005, an investor exercised common stock options to purchase 43,148 shares of restricted common stock for \$29,988 cash at \$0.7 per share.

A summary of changes in the number of stock options outstanding during the three months ended September 30, 2005 is as follows:

F-5

LGA HOLDINGS, INC.
(Formerly Tenet Information Systems, Inc.)
Notes to Condensed Consolidated Financial Statements
(Unaudited)

| | Number of Shares Exercisable | Weighted Average Exercise Price |
|--|------------------------------------|--|
| | ----- | ----- |
| Outstanding at July 1, 2005 | 3,276,008 | \$ 0.68 |
| Granted | -- | -- |
| Exercised | 43,148 | 0.70 |
| Canceled | -- | -- |
| | ----- | ----- |
| Outstanding at September 30, 2005 | 3,232,860 | \$ 0.68 |
| | ===== | ===== |
| Options exercisable at September 30, 2005 | 3,232,860 | \$ 0.68 |

Edgar Filing: LGA, INC - Form 10QSB

Summarized information about stock options outstanding as of September 30, 2005 is as follows:

| Exercise Price at: | Outstanding | | Exercisable |
|--------------------|---------------------------|-------------------|-------------|
| Number of Options | Remaining Life (in years) | Number of Options | |
| \$ 0.40 | 200,000 | 9.3 | 200,000 |
| \$ 0.60 | 150,000 | 9.1 | 150,000 |
| \$ 0.70 | 2,882,860 | 4.7 | 2,882,860 |
| | 3,232,860 | | 3,232,860 |
| | 3,232,860 | | 3,232,860 |

F-6

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

| | 1Q 05 | 1Q 04 |
|-----------------|----------|----------|
| Revenue | 123,037 | 77,250 |
| Cost of Revenue | 53,730 | 38,417 |
| SGA | 84,102 | 135,413 |
| Net Loss | (16,454) | (73,532) |

September Quarter 2005 Compared with September Quarter 2004

During the first Quarter of Fiscal 2006, the Company had revenues of \$123,037, which represented an increase of \$45,787 or 59% over the comparable quarter's revenue of \$77,250.

Cost of revenue increased \$15,313 or 40% from \$38,417 in 2004 to \$53,730 in 2005.

Gross margin on product sales increased to 56% for the current quarter from 50% during last year's first Quarter. The increase in gross margin reflects a higher percentage of direct to customer sales, relative to total sales, for the current quarter.

SG&A expenses decreased to \$84,102 for the current Quarter, compared to \$135,413 for last year's comparable Quarter. The \$51,311 decrease in SG&A expenses for the current Quarter, is attributable to the non-recurring costs associated with the Tenet Information Services combination completed during the prior year's September quarter, and efforts by the Company to control expenses.

Net loss for the current quarter was (\$16,454) or (\$0.00) per share as compared to (\$73,532) or (\$0.01) per share for the Quarter ending Sept. 30, 2004.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position decreased from \$25,880 at June 30, 2005 to \$19,706 at September 30, 2005. During the first Quarter of fiscal 2005, the Company used

Edgar Filing: LGA, INC - Form 10QSB

\$36,164 of cash to fund its operating activities.

LGA Capital Requirements

The Company reported a working capital deficit of \$124,811 as of September 30, 2005, and a working capital deficit of \$141,518 as of June 30, 2005. The June 2005 and September 2005, working capital deficits include the recording of \$100,000 and \$115,000, respectively, of liabilities for unearned royalty income.

The Company is seeking additional operating capital from either financing activities or from product licensing revenue. The Company is currently engaged in re-tooling two of its legacy products, the GearSpace 34 carrier and the GearWagon AT trailer in order to reduce the manufacturing cost and retail price points of these products. The remaining 2005 inventory of these products is low and both products, based on current sales experience, will be on backorder before the new counterparts are available for sale starting in the March quarter of 2006. The Company's sales revenue will be negatively affected when this occurs.

7

The Company is working on numerous product licensing opportunities, that if completed, have the potential to generate significant operating capital for our business. However, no assurance can be given as to whether these discussions will result in a completed transaction, nor can the Company give any assurances as to the timing or financial magnitude of these transactions.

Subsequent to the end of the September, 2005 quarter, the Company received a request to submit an exclusive product licensing proposal for its GearDeck 17 system and related intellectual property to the dominant supplier of electrical generators to the North American RV industry. This opportunity relates to a product development effort begun one year ago with the manufacturer for several new categories of generator STO (Storage, Transportation and Organization) designs. This GearDeck 17 derivative system, which this manufacturer displayed at the 2005 RVIA trade show, is expected to begin selling during 2006.

The Company is experiencing a growing level of interest from consumers, dealers and OEM's for the Company's various products and intellectual property. It will take time and capital to convert this interest into product sales and/or licensing revenue. Therefore, even though the Company anticipates higher sales revenue going forward, it is not able to forecast when its sales volume will be sufficient to support the Company's operating expenses.

The Company will need additional operating capital in order to continue growing. This growth capital can come from either investor equity or revenue derived from intellectual property licenses. The Company is pursuing opportunities in both of these areas. There can be no assurance given as to whether we will be successful at generating the additional operating capital we will need from either of these sources.

While a portion of the current liabilities, approximately \$95,415, is owed to present officers and/or directors, there can be no assurances that these officers/directors will not seek payment in the near term.

Inflation has not had a significant impact on the Company's operations.

8

Edgar Filing: LGA, INC - Form 10QSB

Item 3. Controls and Procedures.

Based on the evaluation of the Company's controls and procedures required by Rule 13a-15 or Rule 15d-15 under the Exchange Act, the Company's Chief Executive Officer and Treasurer believe that the Company's controls and other procedures that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the United States securities laws is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms were adequate as of the end of the period covered by this Form 10-QSB. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the securities laws is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

None

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

None

Item 3. Defaults Upon Senior Securities.

None.

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

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

(i) Exhibits

Exhibit

| No. | Description |
|-----|---|
| 31 | Certification required under Section 302 of Sarbanes- Oxley Act of 2002 |
| 32 | Certification required under Section 906 of Sarbanes- Oxley Act of 2002 |

(ii) Reports on Form 8-K

None

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

Edgar Filing: LGA, INC - Form 10QSB

undersigned thereunto duly authorized.

Dated: December 16, 2005

LGA Holdings, Inc

/s/ Marty Williams

Chairman of the Board of Directors
Marty Williams

10