

SGC HOLDINGS INC
Form 10QSB
August 09, 2005

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

FORM 10-QSB

(Mark One)

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

For the quarterly period ended: June 30, 2005

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: 333-100137

SGC HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of incorporation or
organization)

86-1047317
(I.R.S. Employer Identification No.)

15911 East Sunburst Drive

85268

Fountain Hills, Arizona

(Address of principal executive offices)

(Zip Code)

(480) 837-6029

(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 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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 81,600,000

SGC HOLDINGS, INC.

(A Development Stage Company)

Table of Contents

	<u>Page</u>
PART I - FINANCIAL INFORMATION	3
Unaudited Financial Statements	3
Consolidated Balance Sheet	4
Consolidated Statements of Operations	5
Consolidated Statements of Cash Flows	6
Notes	7
Management's Discussion and Plan of Operation	9
Controls and Procedures	11
PART II - OTHER INFORMATION	12
Submission of Matters to a Vote of Security Holders	12
Exhibits and Reports on Form 8-K	12
SIGNATURES	13

PART I - FINANCIAL INFORMATION

Unaudited Financial Statements

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting and pursuant to the rules and regulations of the Securities and Exchange Commission ("Commission"). While these statements reflect all normal recurring adjustments which are, in the opinion of management, necessary for fair presentation of the results of the interim period, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the financial statements and footnotes thereto, which are included in the Company's Annual Report on Form 10-KSB previously filed with the Commission on March 10, 2005, and subsequent amendments made thereto.

SGC Holdings, Inc. and Subsidiary

(a Development Stage Company)

Consolidated Balance Sheet

(unaudited)

	June 30, 2005
Assets	
Current assets:	
Cash	\$114
Total current assets	114
	\$114
Liabilities and Stockholder's Equity	
Current liabilities:	\$-
Stockholders' equity:	
Common stock, \$0.0001 par value, 300,000,000 shares authorized, 81,600,000 shares issued and outstanding	8,160
Additional paid-in capital	29,840
(Deficit) accumulated during development stage	(37,886)
	114
	\$114

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

SGC Holdings, Inc. and Subsidiary

(a Development Stage Company)

Consolidated Statements of Operations**(unaudited)**

	Three Months Ending		Six Months Ending		December 5, 2001
	<u>June 30,</u>		<u>June 30,</u>		(Inception) to
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>June 30, 2005</u>
Revenue	\$-	\$-	\$3,060	\$-	\$3,060
Operating expenses:					
General and administrative expenses	1,134	2,148	3,597	7,044	39,299
General and administrative expenses - related party	-	-	-	-	1,500
Total expenses	1,134	2,148	3,597	7,044	40,799
(Loss) before provision for income taxes	(1,134)	(2,148)	(537)	(7,044)	(37,739)
Provision for income taxes	-	-	(45)	(45)	(147)
Net (loss)	\$(1,134)	\$(2,148)	\$(582)	\$(7,089)	\$(37,886)
Weighted average number of common shares outstanding - basic and fully diluted	81,600,000	81,600,000	81,600,000	81,600,000	
Net (loss) per share - basic and fully diluted	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)	

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

SGC Holdings, Inc. and Subsidiary

(a Development Stage Company)

Consolidated Statements of Cash Flows**(unaudited)**

	Six Months Ending June 30,		December 5, 2001 (Inception) to June 30, 2005
	2005	2004	
Cash flows from operating activities			
Net (loss)	\$(582)	\$(7,089)	\$(37,886)
Adjustments to reconcile net (loss) to net cash (used) by operating activities:			
Shares issued for services	-	-	1,500
Changes in operating assets and liabilities:			
(Decrease) increase in accounts payable	-	(36)	-
Net cash (used) by operating activities	(582)	(7,125)	(36,386)
Cash flows from financing activities			
Issuances of common stock	-	-	36,500
Net cash provided by financing activities	-	-	36,500
Net increase (decrease) in cash	(582)	(7,125)	114
Cash - beginning	696	12,931	-
Cash - ending	\$114	\$5,806	\$114
Supplemental disclosures			
Interest paid	\$-	\$-	\$-
Income taxes paid	\$45	\$45	\$147
Non - cash transactions:			
Shares issued for services	\$-	\$-	\$1,500
Number of shares issued for services	-	-	1,500,000

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

SGC Holdings, Inc. and Subsidiary

(a Development Stage Company)

Notes

Note 1 - Basis of presentation

The interim financial statements included herein, presented in accordance with United States generally accepted accounting principles and stated in US dollars, have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

These statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for fair presentation of the information contained therein. It is suggested that these interim financial statements be read in conjunction with the financial statements of the Company for the year ended December 31, 2004 and notes thereto included in the Company's Form 10-KSB. The Company follows the same accounting policies in the preparation of interim reports.

Results of operations for the interim periods are not indicative of annual results.

Note 2 - Going concern

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As shown in the accompanying financial statements, the Company has incurred a net loss of (\$37,886) for the period from December 5, 2001 (inception) to June 30, 2005, and has incurred minimal sales of \$3,060. The future of the Company is dependent upon its ability to obtain financing and upon future profitable operations from the development of its new business opportunities. Management had planned to raise additional funds via an offering of convertible debentures; however, it was cancelled on March 17, 2005 and the \$200,000 held in escrow returned to the investors,

due to lack of subscriptions. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts of and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

In the event additional capital is required, some of the shareholders of the Company have agreed to provide sufficient funds as a loan over the next twelve-month period, as necessary. However, the Company is dependent upon its ability, and will continue to attempt to secure equity and/or debt financing. There are no assurances that the Company will be successful; without sufficient financing it would be unlikely for the Company to continue as a going concern.

These conditions raise substantial doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments that might arise from this uncertainty.

Note 3 - Convertible debentures

As part of its funding efforts, the Company has prepared a Private Placement Memorandum dated September 28, 2004 under the terms of which the Company intends to offer, on a "best-efforts" basis (the "Offering"), a minimum of \$1,250,000 and a maximum of \$1,750,000 of the Company's 7% Convertible Debentures due February 1, 2009 ("Convertible Debentures") in denominations of \$1,000 with a minimum investment of \$25,000. The holders of the convertible debentures may convert at any time in the event that the shares of the Company trade above \$2 for 30 calendar days at a conversion rate of 500 shares of common stock per \$1,000 principal amount of the convertible debentures. As of March 17, 2005, the Company has raised a total of \$200,000 and has decided to cancel and rescind the private placement. The Company has instructed the escrow agent to return the all funds raised to date.

SGC Holdings, Inc. and Subsidiary

(a Development Stage Company)

Notes

Note 4 - Stockholders' Equity

On May 31, 2005, the Company declared a forward stock split, whereby holders of the common stock of the Company received 30 newly issued shares for each one share held.

As of August 4, 2005, the Company reduced the par value of its common stock from \$0.001 per share to \$0.0001 per share. All stock numbers presented in the financial statements have been retroactively restated to reflect the change in par value.

Note 5 - Related party transactions

The Company does not lease or rent any property. Office space and services are provided without charge by a director and shareholder. Such costs are immaterial to the financial statements and, accordingly, have not been reflected therein. The officers and directors of the Company are involved in other business activities and may, in the future, become involved in other business opportunities. If a specific business opportunity becomes available, such persons may face a conflict in selecting between the Company and their other business interests. The Company has not formulated a policy for the resolution of such conflicts.

Management's Discussion and Plan of Operation

Forward-Looking Statements

This Quarterly Report contains forward-looking statements about SGC Holdings, Inc.'s business, financial condition and prospects that reflect management's assumptions and beliefs based on information currently available. We can give no assurance that the expectations indicated by such forward-looking statements will be realized. If any of our management's assumptions should prove incorrect, or if any of the risks and uncertainties underlying such expectations should materialize, SGC's actual results may differ materially from those indicated by the forward-looking statements.

The key factors that are not within our control and that may have a direct bearing on operating results include, but are not limited to, acceptance of our services, our ability to expand our customer base, managements' ability to raise capital in the future, the retention of key employees and changes in the regulation of our industry.

There may be other risks and circumstances that management may be unable to predict. When used in this Quarterly Report, words such as, "*believes*," "*expects*," "*intends*," "*plans*," "*anticipates*," "*estimates*" and similar expressions are intended to identify forward-looking statements, although there may be certain forward-looking statements not accompanied by such expressions.

Management's Discussion and Plan of Operation

We were incorporated on December 5, 2001, and have not yet begun our planned principal operations. Our efforts to date have focused primarily on formation and organization of our company, obtaining seed capital and setting for a business plan. Unfortunately, due to lack of subscriptions, we recently cancelled our Private Placement Offering dated September 28, 2004. The \$200,000 that was held in escrow was returned to the subscribers.

In the three months ended June 30, 2005 and 2004, we did not generate any revenues. During the six months ended June 30, 2005, we recognized revenues of \$3,060, which was earned in the previous quarter ended March 31, 2005. In the six months ended June 30, 2004, we did not generate any revenues.

Total expenses for the three months ended June 30, 2005 were \$1,134, consisting solely of general and administrative expenses. For the three months ended June 30, 2004, we incurred \$2,148 in expenses, all of which were general and administrative. During the six months ended June 30, 2005, we incurred \$3,597 in expenses, compared to \$7,044 in the same period a year ago. Total expenses since our inception to June 30, 2005 were \$40,799, all of which is accredited to general and administrative expenses. We expect to continue to incur general and administrative expenses for the foreseeable future, although we cannot estimate the extent of these costs.

As a result of our expenditures and limited amount of revenues, we have incurred net losses for all period reported. For the three months ended June 30, 2005, our net loss was \$1,134, compared to \$2,148 for the three months ended June 30, 2004. Our net loss for the six months ended June 30, 2005 was \$582, while during the six months ended June 30, 2004 our net loss totaled \$7,089. Our cumulative net loss from the date of our inception to June 30, 2005, was \$37,886. We do not anticipate maximizing income during the remainder of fiscal year 2005 because we have not fully begun our planned principal operations.

On April 1, 2003, SGC Holdings, Inc. contracted GEC Consultants, an independent consulting firm, to perform a feasibility study. The main part of the study addressing financial requirements, break-even analysis and projections was completed in June 2003. The cost of the study was \$4,000.

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The preliminary estimates indicate that SGC Holdings, Inc. will need approximately \$2,000,000 to satisfy its cash requirements to open the first restaurant of approximately 10,000 square feet in the next 12 months. With this amount of capital, SGC Holdings, Inc. intends to establish its first prototype restaurant, using the SGC Holdings, Inc. theme. The following table presents a summary breakdown of this cash requirement:

Professional development	\$ 300,145
Location site realty	600,000
Fixtures, equipment, and furnishings	397,900
Build-out & improvements	489,269
Working capital	<u>212,686</u>
Total Facilities Cost	\$2,000,000

The specific steps required to open the first restaurant are (time frames are included in parentheses):

1)

Feasibility study (already complete).

2)

Additional capital to be raised (the next three to six months).

3)

Determination of a location in Fountain Hills, Scottsdale or Phoenix in Maricopa County, Arizona (three to six months after funding).

4)

Demographic study of location selected (to be completed once location is found).

5)

Development of kitchen/architectural plans (to be completed once location and demographic study are completed).

6)

Construction (four to 12 months after completion of step 5).

The feasibility study concluded that a loan package of \$1,750,000 at 7% interest for a period of 240 months together with equity from shareholders of \$250,000 should permit the project to proceed. We had \$200,000 in subscriptions in Escrow from a Private Placement Offering of our 7% Convertible Debentures. These funds will not be dispersed unless the minimum offering amount of \$1,250,000 is achieved. In March of 2005 this offering was cancelled due to lack of subscriptions and the \$200,000 in Escrow was returned to the subscribers.

We believe that our cash on hand as of June 30, 2005 of \$114 is not sufficient to continue operations for the next 12 months unless we are able to generate significant revenues or obtain additional capital infusions. Since our incorporation, we have raised capital through sales of our common equity. All told, we raised \$36,500 in cash from sales of our common stock. In addition, we issued shares of our common stock in lieu of cash to pay for services rendered to us.

We currently do not have any recurring financial obligations that require immediate capital to finance. However, we expect to have negative cash flows for the fiscal year 2005. We may need to raise additional capital by issuing equity or debt securities in exchange for cash. There can be no assurance that we will be able to secure additional funds in the future to stay in business. Our principal accountants have expressed substantial doubt about our ability to continue as a going concern because we have limited operations and have not commenced planned principal operations.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on our revenues from continuing operations. Additionally, we do not believe that our business is subject to seasonal factors. Our management does not expect to incur costs related to research and development. We currently do not own any significant plant or equipment that we would seek to sell in the near future. Our management does not anticipate the need to hire additional full- or part- time employees.

Our management does not anticipate the need to hire additional full- or part-time employees over the next 12 months, as the services provided by our officers and directors appear sufficient at this time. We believe that our operations are currently on a small scale that is manageable by our officers and directors.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on our revenues from continuing operations. Additionally, we do not believe that our business is subject to seasonal factors.

We currently do not own any significant plant or equipment that we would seek to sell in the near future.

Our management does not expect to incur research and development costs.

We do not have any off-balance sheet arrangements.

We have not paid for expenses on behalf of any of our directors. Additionally, we believe that this fact shall not materially change.

Controls and Procedures

Within 90 days prior to the date of filing of this report, we carried out an evaluation, under the supervision and with the participation of our officers and directors, who also serves as our Chief Executive Officer and Chief Financial Officer, of the design and operation of our disclosure controls and procedures. Based on this evaluation, our sole officer and director, acting in the capacity of Chief Executive Officer and Chief Financial Officer, has concluded that

our disclosure controls and procedures are ineffective for the gathering, analyzing and disclosing the information we are required to disclose in the reports we file under the Securities Exchange Act of 1934, within the time periods specified in the SEC's rules and forms. There have been no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to the date of this evaluation.

Our management does not expect that our disclosure controls or internal controls over financial reporting will prevent all errors or all instances of fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be 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 in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our 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. Because of the inherent limitation of a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II - OTHER INFORMATION

Submission of Matters to a Vote of Security Holders

On May 31, 2005, shareholders holding a majority of the voting power of our common stock convened at a special meeting to ratify an amendment to our articles of incorporation and to authorize a forward split of our common stock. Resultantly, our articles of incorporation have been amended to increase the total number of shares we are authorized to issue from 100,000,000 shares of common stock to 300,000,000 shares of common stock. Additionally, a forward split was approved to increase our issued and outstanding common stock on a 30:1 ratio, whereby each holder of our common stock would be entitled to receive 30 newly issued shares for every one share held.

On August 4, 2005, shareholders holding a majority of the voting power of our common stock convened at a special meeting to ratify an amendment to our articles of incorporation, whereby the authorized par value of our common stock was lowered from \$0.001 per share to \$0.0001 per share.

Exhibits and Reports on Form 8-K

<u>Exhibit Number</u>	<u>Name and/or Identification of Exhibit</u>
3	Articles of Incorporation & By-Laws
	(a) Articles of Incorporation *
	(b) By-Laws adopted *

(c) Certificate of Amendment to Articles of Incorporation **

(d) Certificate of Amendment to Articles of Incorporation filed June 1, 2005

(e) Certificate of Amendment to Articles of Incorporation filed August 4, 2005

31 Rule 13a-14(a)/15d-14(a) Certifications

32 Certification under Section 906 of the Sarbanes-Oxley Act (18 U.S.C. Section 1350)

* Incorporated by reference herein filed as exhibits to the Company's Registration Statement on Form SB-2 previously filed with the SEC on September 27, 2002, and subsequent amendments made thereto.

** Incorporated by reference herein filed as exhibits to the Company's Quarterly Report on Form 10-QSB for the period ended March 31, 2005.

SIGNATURES

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

SGC HOLDINGS, INC.

(Registrant)

<u>Signature</u>	<u>Title</u>	<u>Date</u>
/s/ Christos E. Loukas Christos E. Loukas	President and Chief Executive Officer	August 8, 2005

