

Edgar Filing: LGA, INC - Form 10QSB

LGA, INC
Form 10QSB
May 15, 2006

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 March 31, 2006

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)

Indicate by check mark whether the registrant (1) 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 .

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

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Large accelerated filer Accelerated filer Non-accelerated filer .

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

As of March 31, 2006, the Company had 8,377,960 shares of common stock issued and outstanding.

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

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(Unaudited)

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LGA HOLDINGS, INC.
(Formerly Tenet Information Systems, Inc.)
Condensed Balance Sheet
(Unaudited)
March 31, 2006

Assets	
Current assets:	
Cash	\$ 5,272
Accounts and notes receivable	17,244
Inventory, at lower of cost or market (Note 4)	79,046
Prepaid expenses	14,734

Total current assets	116,296
Property and Equipment	213,654
Accumulated depreciation	(100,202)
Intangible assets	94,062
Accumulated amortization	(18,913)
Other assets	6,003

Total assets	\$ 310,900
	=====

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Liabilities and Shareholders' Equity

Current liabilities:	
Accounts payable	\$ 95,979
Unearned revenue	70,000
Accrued payroll	107,103
Other current liabilities	24,030

Total current liabilities	297,112

Shareholders' equity:	
Common stock	8,378
Additional paid-in capital	800,633
Retained loss	(795,223)

Total shareholders' equity	13,788

Total liabilities and shareholders' equity	\$ 310,900
	=====

See accompanying notes to condensed financial statements

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

	Nine Months Ended March 31,		Three Months Ended March 31,	
	2006	2005	2006	2005
	-----	-----	-----	-----
Sales and revenue	\$ 236,985	\$ 174,969	\$ 68,900	\$ 51,7
	-----	-----	-----	-----
Costs of revenue	114,727	78,617	29,061	22,9
Selling, general and administrative .	255,244	294,940	111,685	65,4
Stock based compensation (Note 5) ...	--	309,756	--	309,7
Research and development	3,861	15,195	118	4,0
	-----	-----	-----	-----
Total operating expenses .	373,832	698,508	140,864	402,2
	-----	-----	-----	-----
Operating loss	(136,847)	(523,539)	(71,964)	(350,4
Other income (expense):				
Other income (expense)	671	17,133	(346)	7
Interest expense	(5,911)	(2,813)	(1,829)	
	-----	-----	-----	-----
Loss before income taxes ...	(142,087)	(509,219)	(74,139)	(349,7

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Income tax provision (Note 3)	-----	-----	-----	-----
	--	--	--	--
	-----	-----	-----	-----
Net loss	\$ (142,087)	\$ (509,219)	\$ (74,139)	\$ (349,7
	=====	=====	=====	=====
Basic and diluted loss per share	\$ (0.02)	\$ (0.07)	\$ (0.01)	\$ (0.
	=====	=====	=====	=====
Number of weighted average common shares outstanding	8,182,357	7,086,635	8,377,960	8,044,0
	=====	=====	=====	=====

See accompanying notes to condensed financial statements

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LGA HOLDINGS, INC.
(Formerly Tenet Information Systems, Inc.)
Condensed Statement of Changes in Shareholders' Equity
(Unaudited)

	Common Stock		Additional Paid-in Capital	Retained Deficit	
	Shares	Par Value			
Balance at					
July 1, 2005	8,119,074	\$ 8,119	\$ 620,966	\$ (653,136)	\$
Common stock options exercised (Note 2)	258,886	259	179,667	--	
Net loss	--	--	--	(142,087)	
	-----	-----	-----	-----	-----
Balance at					
March 31, 2006	8,377,960	\$ 8,378	\$ 800,633	\$ (795,223)	\$
	=====	=====	=====	=====	=====

See accompanying notes to condensed financial statements

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

Nine Months Ended
March 31,

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	2006	2005
	-----	-----
Net cash used in operating activities	\$ (115,804)	\$ (400,640)
	-----	-----
Cash flows from investing activities:		
Purchase of equipment and other assets	(84,732)	(31,185)
	-----	-----
Net cash used in investing activities	(84,732)	(31,185)
	-----	-----
Cash flows from financing activities:		
Payment for long-term debt	--	(10,142)
Sale of common stock (Note 2)	179,926	312,550
	-----	-----
Net cash provided by financing activities	179,926	302,408
	-----	-----
Net change in cash	(20,610)	(129,417)
Cash, beginning of period	25,882	180,619
	-----	-----
Cash, end of period	\$ 5,272	\$ 51,202
	=====	=====
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Income taxes	\$ --	\$ --
	=====	=====
Interest	\$ 5,911	\$ --
	=====	=====

See accompanying notes to condensed financial statements

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

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results to be expected for the year.

Financial data presented herein are unaudited.

Note 2: Stock Options - Related Party

During the nine months ended March 31, 2006, a director exercised common stock options to purchase 258,886 shares of restricted common stock for \$179,926 in cash or \$0.695 per share.

A summary of changes in the number of stock options outstanding during the nine months ended March 31, 2006 is as follows:

	Number of Shares Exercisable	Weighted Average Exercise Price
	-----	-----
Outstanding at July 1, 2005 .	3,276,008	\$ 0.68
Granted	--	--
Exercised	(258,886)	0.70
Forfeited	(679,575)	0.70
	-----	-----
Outstanding at March 31, 2006	2,337,547	\$ 0.68
	=====	=====
 Options exercisable at March 31, 2006	 2,337,547	 \$ 0.68

Summarized information about stock options outstanding as of March 31, 2006 is as follows:

	Outstanding	Remaining Life	Exercisable
Exercise Price at:	Number of Options	(in years)	Number of Options
	-----	-----	-----
\$ 0.40	200,000	9.3	200,000
\$ 0.60	150,000	9.1	150,000
\$ 0.70	1,987,547	4.7	1,987,547
	-----	-----	-----
	2,337,547		2,337,547
	=====		=====

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

Note 3: 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.

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Note 4: 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.

Materials	\$69,488
Assembled products.....	9,558

	\$ 79,046
	=====

Note 5: Stock options

During the nine months ended March 31, 2005, we granted five consultants options to purchase a total of 768,000 shares of the Company's common stock. The options carry exercise price ranging from \$0.40 to \$0.70 per share and are vested at the date of grant. We determined the fair value of the options ranging from \$0.35 to \$0.46 per share and recorded stock based compensation of \$309,756 in accordance with SFAS 123.

The fair value for these options was estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions:

Risk-free interest rate.....	3.60%
Dividend yield	0.00%
Volatility factor.....	103.120%
Weighted average expected life	Ranging from
	1,740 to
	3,650 days

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

Certain statements made herein are forward-looking statements under the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and estimates; actual results may differ materially due to certain risks and uncertainties. For example, the ability of LGA to achieve expected results may be affected by external factors such as competitive price pressures, conditions in the economy and industry growth, and internal factors, such as future financing of the acquired operations and the ability to control expenses.

Results of Operations

	Nine Months Ended	
	March 31,	
	06	05
	-----	-----
Revenue	236,985	174,969
Cost of Revenue	114,727	78,617
SGA	255,244	294,940
R & D	3,861	15,195
Other Income (expense)	671	17,133

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Interest Expense	(5,911)	(2,813)
Stock based compensation Note 5	-0-	(309,756)
Net Loss	(142,087)	(509,219)

Nine Months Ended March 31, 2006, Compared with Nine Months Ended March 31, 2005

During the first nine months of Fiscal 2006, the Company's revenue grew 35% to \$236,985 compared to \$174,969 in revenue for the similar period of Fiscal 2005. During the current period the Company's sales resulted primarily from inquiries generated by our web site.

License revenue accounted for 26% of overall revenue in 2005 and 19% in 2006.

Cost of revenue for the nine months ended March 31, 2006, as a percentage of revenue increased slightly from 44% to 48% while sales, general and administrative expenses had a marked decrease as a percentage of revenue. This favorable decrease in SGA was due to cost controls and a reduction in costs related to the Company's public status.

Gross margin on product sales decreased to 52% for the current period from 55% during last years comparable period. This was primarily due to the additional cost of 2,500 square feet of added production space acquired in January, 2006.

SG&A expenses decreased to \$255,244 for the nine months ended March 31, 2006, compared to \$294,920 for the comparable period of 2005.

Net loss for the nine months ended March 31, 2006, was (\$142,087) or (\$0.02) per share as compared to (\$509,219) or (\$0.07) per share for the nine months ending March 31, 2005. \$309,756, or 61% of the fiscal 2005 period Net Loss was attributable to the accounting treatment of stock option grants during that period.

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LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position increased from \$-0- at December 31, 2005 to \$5,272 at March 31, 2006. During the first nine months of fiscal 2006, the Company used \$115,804 of cash to fund its operating activities and \$84,732 for the purchase of tooling and patent related expenditures. For the comparable period in fiscal 2005, the Company used \$400,640 in cash to fund operations and \$31,185 for inventory, tooling and patent related expenditures. Tooling and Patent related expenditures were \$24,971 and \$71,709 for 2005 and 2006, respectively. The dramatic reduction in the use of cash to fund operations is the result of the company selling all its remaining inventory of GearWagon and GearSpace 34 product during the nine month period ending March, 2006, along with generally higher sales levels for the Company's Silent Hitch Pin, TwinTube-UBI (U-Build-It) and GearDeck products, when compared to the 2005 period.

LGA Capital Requirements -----

During the March, 2006 quarter, the Company sold its remaining inventory of GearSpace 34 and GearWagon product. The Company intends to continue selling product based on these designs, and is in the process of re-engineering the

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designs to utilize more efficient plastic forming techniques that simplify the production of the products, strengthen the products and significantly reduce the product's manufacturing cost. During the March, 2006 quarter, GearSpace 34 (GS-34) was successfully re-tooled and the Company expects close to a 50% reduction in the manufactured cost of a GS-34 system. The Company has a backlog of orders for GS-34 carriers that it will begin filling during the second half of May, 2006. GS-34 is one of LGA's marquee products. The Company intends to reduce GS-34's MSRP from \$1,350 to \$999.95. As such, the Company expects GS-34 unit sales to increase moving forward.

The Company is in the process of re-engineering the GearWagon AT (GW-AT) trailer. The Company has an order backlog for this product. The Company expects to begin shipping GW-AT's during the September, 2006 quarter. In addition, GW-AT will be available in four different configurations, depending on the customers needs, at MSRP prices significantly below GW-AT's legacy pricing. The manufacturing cost of GW-AT will be significantly reduced, relative to former design.

The reductions in manufacturing costs will allow LGA to more successfully utilize distribution, dealer and retail channels in the selling processes for GW-AT and GS-34. The Company believes the improved product cost basis and resulting improved margin available to resellers, will significantly improve the sales volumes of the GW-AT and GS-34 products moving forward.

LGA and a division of Cummins Power Generation, Onan Corporation, have been in a joint development effort since January of 2005. The result of this effort, introduced in April, 2006, is Onan's new JuiceBox product that can be viewed at this URL:

<http://www.funroads.com/articles/juicebox.jhtml>

JuiceBox utilizes LGA's Silent Hitch Pin, TwinTube, GearDeck, HardPoint and LandingGear intellectual property (IP) in a novel solution to generator portability. Onan is the dominant supplier of generators to the RV industry. LGA has licensed Onan to manufacture JuiceBox product, based on LGA's IP. Because of the JuiceBox product and the increased market visibility LGA's IP is receiving, LGA is experiencing increased interest in the IP contained in JuiceBox from consumers, distributors, dealers and from other manufacturing OEM's interested in utilizing this IP in conjunction with their product lines.

LGA has numerous patent applications pending with the U.S. Patent and Trade Office (USPTO) for various LGA inventions. During the March, 2006 quarter, the USPTO published two of the Company's pending applications, that can be viewed at the following URL links:

<http://appft1.uspto.gov/netacgi/nph-Parser?Sect1=PTO1&Sect2=HITOFF&d=PG01&p=1&u=%2Fnetacgi%2FPTO%2FSrchnum.html&r=1&f=G&l=50&s1=%2220060081630%22.PGNR.&OS=DN/20060081630&RS=DN/20060081630>

<http://appft1.uspto.gov/netacgi/nph-Parser?Sect1=PTO1&Sect2=HITOFF&d=PG01&p=1&u=%2Fnetacgi%2FPTO%2FSrchnum.html&r=1&f=G&l=50&s1=%2220060027618%22.PGNR.&OS=DN/20060027618&RS=DN/20060027618>

The Company is working on numerous product licensing opportunities, that if completed, have the potential to generate significant growth 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.

Due to the timing of anticipated inventory additions, tooling costs and operating expenses, the Company is seeking to raise capital from either financing or licensing sources to fund the Company's growth through the end of the 2006 fiscal year and beyond.

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The Company is experiencing a growing level of product interest from consumers, dealers and OEM's. 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. Therefore, for the next two quarters LGA will pursue raising additional growth capital from either finance or licensing related sources. There can be no assurance given as to whether LGA will be successful at generating the additional growth capital it will need from either of these sources.

During the nine months ended March 31, 2006, a director exercised common stock options to purchase 258,886 shares of restricted common stock for \$179,926 in cash or \$0.695 per share. This Company director is also the managing partner of the acquiring investment partnership.

While a portion of the current liabilities, approximately \$89,032, 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.

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.

During the nine month period ending March, 2006, 258,886 shares of Common Stock were sold pursuant to exercise of purchase options for total proceeds of \$179,926 in cash or \$0.695 per share. No sales commissions were paid relative to the sale. The securities were sold pursuant to Section 4(2) and /or 4(6) of the Securities Act of 1933 and/or Regulation D." The acquiring entity is an investment partnership managed by a director of the Company.

Item 3. Defaults Upon Senior Securities.

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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 undersigned thereunto duly authorized.

Dated: May 15, 2006

LGA Holdings, Inc

/s/ Marty Williams

Chairman of the Board of Directors
Marty Williams