

Edgar Filing: SEAWRIGHT HOLDINGS INC - Form 10QSB

SEAWRIGHT HOLDINGS INC  
Form 10QSB  
August 13, 2004

U.S. 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, 2004

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: 333-56848

SEAWRIGHT HOLDINGS, INC  
(Exact name of Company as specified in its charter)

Delaware 54-1965220  
(State or jurisdiction of incorporation) (I.R.S. Employer or  
organization Identification No.)

600 Cameron Street, Alexandria, VA 22314  
(Address of principal executive offices) (Zip Code)

Company's telephone number: (703) 340-1629

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common  
Stock, \$0.001 Par Value

Indicate by check mark whether the Company (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 Company was required to file such reports),  
and (2) been subject to such filing requirements for the past 90  
days. Yes X No\_\_\_

Indicate the number of shares outstanding of each of the issuer's  
class of common stock. The Registrant had 5,828,000 shares of its  
common stock outstanding as of June 30, 2004.

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### PART I - FINANCIAL INFORMATION

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June 30, 2004

##### SEAWRIGHT HOLDINGS, INC. (A Development Stage Company) CONDENSED CONSOLIDATED BALANCE SHEETS

	(Unaudited) June 30, 2004	(Audited) December 31, 2003
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalent	\$ 411	\$ -
Total current assets	411	-
<b>Property and equipment:</b>		
Land	1,000,000	1,000,000
Equipment	583	-
Building improvement	6,780	6,780
Total property and equipment	1,007,363	1,006,780
<b>Other assets:</b>		
Discontinued operations, claimed receivable, net of allowance of \$0	6,000	6,000
<b>Total Assets</b>	<b>1,013,774</b>	<b>1,012,780</b>

##### LIABILITIES AND (DEFICIENCY IN) STOCKHOLDERS' EQUITY

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CURRENT LIABILITIES:		
Cash disbursed in excess of available funds	-	24,688
Accounts payable and accrued liabilities	168,009	148,548
Accrued dividend	12,500	-
Note payable, current portion	315,000	415,000
Shareholder advances	213,753	121,936
Total current liabilities	709,262	710,172
Note payable, long-term portion	400,000	400,000
COMMITMENTS AND CONTINGENCIES	-	-

(DEFICIENCY IN) STOCKHOLDERS' EQUITY		
Preferred stock, par value \$.001 per share; 100,000 shares authorized: Series A preferred stock, 60,000 shares authorized, 50,000 and 55,000 shares issued and outstanding at June 30, 2004 and December 31, 2003, respectively.	50	55
Common stock, par value \$.001 per share; 19,900,000 shares authorized; 5,828,000 and 5,368,000 shares issued and outstanding at June 30, 2004 and December 31, 2003, respectively	5,828	5,368
Additional paid-in-capital	605,918	463,873
Accumulated deficit during development stage	(707,284)	(566,688)
(Deficiency in) stockholders' equity	(95,488)	(97,392)
Total liabilities and (deficiency in) stockholders' equity	1,013,774	1,012,780

See accompanying notes to unaudited condensed consolidated financial information

SEAWRIGHT HOLDINGS, INC.  
(A Development Stage Company)  
CONDENSED CONSOLIDATED STATEMENTS OF LOSSES  
(UNAUDITED)

Costs and expenses:					
Selling, general and administrative	\$ 59,489	\$ 14,725	\$ 105,879	\$ 34,925	\$ 1,
Total operating expense	59,489	14,725	105,879	34,925	1,
Loss from operations	(59,489)	(14,725)	(105,879)	(34,925)	(1,
Other income (expenses):					
Extinguishment of debt	-	-	-	-	-
Interest income (expenses)	(17,714)	-	(34,717)	-	-
Total other income (expenses)	(17,714)	-	(34,717)	-	-
(Loss) from continuing operations, before income taxes and discontinued operations	(77,203)	(14,725)	(140,596)	(34,925)	(

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Provision for income tax	-	-	-	-
(Loss) from continuing operations, before discontinued operations	(77,203)	(14,725)	(140,596)	(34,925)
Income from discontinued operations	-	-	-	1,125
Net (loss)	(77,203)	(14,725)	(140,596)	(33,800)
Cumulative convertible preferred stock dividend requirements	(12,500)	-	(12,500)	-
Net (loss) attributable to common shareholders	(89,703)	(14,725)	(153,096)	(33,800)
Losses per common share (basic and assuming dilution)	(0.02)	(0.00)	(0.03)	(0.01)
Continuing operations	(0.02)	(0.00)	(0.03)	(0.01)
Discontinued operations	-	-	-	0.00
Weighted average common shares outstanding	5,724,652	5,368,000	5,580,308	5,368,000

See accompanying notes to unaudited condensed consolidated financial information

SEAWRIGHT HOLDINGS, INC.  
(A Development Stage Company)  
CONDENSED CONSOLIDATED STATEMENT OF DEFICIENCY IN STOCKHOLDERS' EQUITY  
FOR THE PERIOD OCTOBER 14, 1999 (DATE OF INCEPTION) TO JUNE 30, 2004

	Preferred Shares	Preferred Shares Amount	Common Shares	Common Shares Amount	Add'l Paid In Capital	Deficit Accumulated during Dev Stage	N
	-	\$ -	-	\$ -	\$ -	\$ (1,291)	\$
Balance at December 31, 1999	-	-	-	-	-	(1,291)	
Common stock issued on September 30, 2000 in exchange for convertible debt at \$.50 per share	-	-	78,000	78	38,922	-	
Common stock issued on November 27, 2000 in exchange for convertible debt at \$.50 per share	-	-	26,000	26	12,974	-	
Net loss	-	-	-	-	-	(157,734)	
Balance at December 31, 2000	-	-	104,000	104	51,896	(159,025)	

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Common stock issued on January 1, 2001 in exchange for convertible debt at \$.50 per share	-	-	174,000	174	86,826	-
Common stock issued on January 2, 2001 to founders in exchange for services at \$.001 per share	-	-	5,000,000	5,000	20	-
Common stock issued on January 2, 2001 in exchange for services at \$.50 per share	-	-	90,000	90	44,910	-
Net Loss	-	-	-	-	-	(556,921)
Balance at December 31, 2001	-	-	5,368,000	5,368	183,652	(715,946)
Net Loss	-	-	-	-	-	(357,588)
Balance at December 31, 2002	-	-	5,368,000	5,368	183,652	(1,073,534)
Stock options issued in exchange for services	-	-	-	-	5,276	-
Preferred stock issued in exchange for cash at \$5 per share	55,000	55	-	-	274,945	-
Net income	-	-	-	-	-	506,846
Balance at December 31, 2003	55,000	55	5,368,000	5,368	463,873	(566,688)
Common stock issued on April 8, 2004 in exchange for stock options exercised at \$.5625 per share	-	-	160,000	160	89,840	-
Preferred stock canceled in exchange for stock options exercised	(5,000)	(5)	-	-	(24,995)	-
Common stock issued on April 8, 2004 in exchange for cash at \$.30 per share, net of costs and fees	-	-	300,000	300	89,700	-
Preferred stock dividend Accrual	-	-	-	-	(12,500)	-
Net loss	-	-	-	-	-	(140,596)
Balance at June 30, 2004	50,000	50	5,828,000	5,828	605,918	(707,284)

See accompanying notes to unaudited condensed consolidated financial information

SEAWRIGHT HOLDINGS, INC.  
(A DEVELOPMENT STAGE COMPANY)  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

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	For the six months ended June 30,		For the period October 19, 1 (date of ince through June 30, 2
	2004	2003	
INCREASE (DECREASE) IN CASH AND EQUIVALENTS			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss for the period from continuing operations	\$ (140,596)	\$ (34,925)	\$ (72
Adjustments to reconcile net loss to net cash used for operating activities:			
Income from discontinued operations	-	1,125	1
Extinguishment of debt	-	-	(74
Common stock issued to founders	-	-	
Common stock issued in exchange for services rendered	-	-	4
Stock options issued in exchange for services rendered	-	-	
Common stock issued in exchange for financing costs	1,500	-	
Changes in assets and liabilities:			
Claims receivable	-	-	(
Cash disbursed in excess of available fund	(24,688)	-	
Accounts payable and accrued liabilities	19,461	(32,535)	91
NET CASH (USED IN) OPERATING ACTIVITIES	(144,323)	(66,335)	(48
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(100,583)	-	(40
NET CASH (USED IN) INVESTING ACTIVITIES	(100,583)	-	(40
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of capital notes, net	-	-	13
Proceeds from notes payable	-	-	11
Proceeds from issuance of common stock, net of costs and fees	153,500	-	15
Proceeds from issuance of preferred stock, net of costs and fees	-	-	27
Proceeds from shareholder advances, net of repayments	91,817	66,347	21
NET CASH PROVIDED BY FINANCING ACTIVITIES	245,317	66,347	89
NET (DECREASE) IN CASH AND EQUIVALENTS	411	12	
Cash and cash equivalents at the beginning of the period	-	18	
Cash and cash equivalents at the end of the period	411	30	
Supplemental Disclosures of Cash Flow Information			
Cash paid during the period for interest	-	-	
Income taxes paid	-	-	
Notes payable issued in connection with acquisition of land	-	-	70

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Repayment of notes payable issued in connection with acquisition of land	(100,000)	-	(10
Common stock issued to founders	-	-	
Common stock issued for services	-	-	4
Stock options issued in exchange for services rendered	-	-	
Preferred stock canceled in connection with purchase of common stock	25,000	-	2

See accompanying notes to unaudited condensed consolidated financial information

### SEAWRIGHT HOLDINGS, INC.

(A Development Stage Company)

### NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION JUNE 30, 2004

#### NOTE A-SUMMARY OF ACCOUNTING POLICIES

##### General

The accompanying unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10QSB. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Accordingly, the results from operations for the six-months period ended June 30, 2004, are not necessarily indicative of the results that may be expected for the year ending December 31, 2004. The unaudited condensed financial statements should be read in conjunction with the December 31, 2003 financial statements and footnotes thereto included in the Company's SEC Form 10 KSB.

##### Business and Basis of Presentation

Seawright Holdings, Inc. (the "Company") was formed on October 14, 1999 under the laws of the state of Delaware. The Company is a development stage enterprise, as defined by Statement of Financial Accounting Standards No. 7 ("SFAS No. 7") and is seeking to develop a business of spring water bottling and distribution. From its inception through the date of these financial statements the Company has recognized no revenues and has incurred significant operating expenses. Consequently, its operations are subject to all risks inherent in the establishment of a new business enterprise. For the period from inception through June 30, 2004, the Company has accumulated losses of \$707,284.

The consolidated financial statements include the accounts of the Company, and its wholly-owned subsidiary, Seawright Springs LLC. Significant intercompany transactions have been eliminated in consolidation.

##### Discontinued Operations

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As a result of the Company's acquisition of real property and improvements in October 2003, the Company restructured its operations to focus on the development of the spring water bottling and distribution business. This restructuring included the discontinuance of financing plaintiffs who are involved in personal injury claims. Accordingly, the Company's plaintiff's financing business segment is accounted for as a discontinued operation, and the amounts in the financial statements and related notes for all periods shown have been restated to reflect discontinued operations accounting. The Company has not allocated any previously incurred corporate overhead and selling, general and administrative expenses to the discontinued operation.

The financial statements reflect the operating results of the discontinued operations separately from continuing operations. Prior years have been restated. Operating results for the discontinued operations for the following periods were:

Revenues	\$	-	\$	-	\$	-	\$	1,125	\$	16
Net income before income taxes		-		-		-		1,125		16
Provision for income taxes		-		-		-		-		
Net income from discontinued operations		-		-		-		1,125		16

### Stock Based Compensation

In December 2002, the FASB issued SFAS No. 148, "Accounting for stock-based Compensation- Transition and Disclosure- an amendment of SFAS 123." This statement amends SFAS No.123, "Accounting for Stock based Compensation" to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock based employee compensation. In addition, this statement amends the disclosure requirements of SFAS No.123 to require prominent disclosures in both annual and interim financial compensation and the effect of the method used on reported results. The company has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in APB Opinion No.25 and related interpretations. Accordingly, compensation expense for stock options is measured as the excess, if any, of the fair market value of the Company's stock at the date of the grant over the exercise price of the related option. The Company has adopted the annual disclosure provisions of SFAS No.148 in its financial reports for the year ended December 31, 2003 and will adopt the interim disclosure provisions for its financial reports for the subsequent periods.

Had compensation costs for the Company's stock options been determined based on the fair value at the grant dates for the awards, the Company's net loss and losses per share would have been as follows:

Net income (loss) - as reported	\$	(77,203)	\$	(14,725)	\$	(140,596)	\$	(33,
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Add: Total stock based employee compensation expense as reported under intrinsic value method (APB. No. 25)	-	-	-	
Deduct: Total stock based employee compensation expense as reported under fair value based method (SFAS No. 123)	-	-	-	
Net income (loss) - Pro Forma	(77,203)	(14,725)	(140,596)	(33,
Net income (loss) attributable to common stockholders - Pro forma	(89,703)	(14,725)	(153,096)	(33,
Basic (and assuming dilution) earning (loss) per share - as reported	(0.02)	(0.00)	(0.03)	(0
Basic (and assuming dilution) earning (loss) per share - Pro forma	(0.02)	(0.00)	(0.03)	(0

### NOTE B - CAPITAL STOCK

The Company was incorporated under the laws of the State of Delaware on October 14, 1999 under the name of Pre-Settlement Funding Corporation. The company has authorized 100,000 shares of preferred stock, with a par value of \$.001 per share. The Company has designated 60,000 of its preferred stock as Series A Convertible Preferred Stock. As of June 30, 2004 and December 31, 2003, the Company has 50,000 and 55,000 shares of Series A Convertible Preferred Stock issued and outstanding, respectively.

The Company has authorized 19,900,000 shares of common stock, with a par value of \$.001 per share. As of June 30, 2004 and December 31, 2003, there are 5,828,000 and 5,368,000 shares of common stock issued and outstanding, respectively.

In March 2000, the Company issued \$ 124,000 of notes payable convertible into common stock at a price equal to \$.50 per share. As of December 31, 2000, the holders of the notes payable elected to convert \$52,000 of the notes, net of costs, in exchange for 104,000 shares of the Company's common stock.

In January 2001, the holders of the \$ 72,000 of convertible Notes Payable, exercised their rights to convert the unpaid principal to 144,000 shares of the Company's common stock at the conversion price of \$.50 per share.

In January 2001, \$15,000 of convertible notes payable were issued and converted to 30,000 shares of the Company's common stock.

In January 2001, the Company issued 5,000,000 shares of its common stock to the Company's Founders in exchange for services provided to the Company from its inception. The Company valued the shares issued at \$.001 per share, which approximated the fair value of the services rendered. The compensation costs of \$5,020 were charged to income during the year ended December 31, 2001.

In January 2001, the Company issued 90,000 shares of its common stock to consultants in exchange for services provided to the Company. The Company valued the shares issued at \$ .50 per share, which approximated the fair value of the shares issued during the period the services were rendered. The compensation costs of \$ 45,000 were charged to income during the year ended December 31, 2001.

During the year ended December 31, 2003, the Company authorized the

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issuance of 60,000 shares of newly designated Series A Convertible Preferred stock, with a par value of \$0.001 per share. As of December 31, 2003 the Company issued 55,000 shares of the Series A Convertible Preferred stock in exchange for \$275,000.

The Series A Convertible Preferred shares are convertible into the Company's common stock at the option of the holder at a ratio of ten (10) shares of common stock for each share of preferred stock if converted before the first anniversary of the original issue date and at a ratio of five (5) shares of common stock for each share of preferred stock if conversion is made after the first anniversary but before the second anniversary. The preferred shares may be redeemed for cash at the option of the Company, any time after the first anniversary of the original issue date but before the second anniversary. The Preferred Shareholders shall be entitled to cumulative dividends when, as and if declared by the Company's Board of Directors at a per share rate of 10% per annum of the original issue price. At the option of the preferred shareholders, accrued and unpaid cumulative dividends may be applied to the purchase of additional shares of the Company's common stock upon conversion of the preferred shares to common shares.

The Company has accrued the unpaid \$ 12,500 Series A Preferred Stock dividend to the holders of the Preferred Shares during the period ended June 30, 2004. The aggregate unpaid Series A Preferred Stock dividends at June 30, 2004 is \$ 12,500

The Preferred Shares rank senior to the common stock. The Preferred Shares have a liquidation preference of, payment of the original purchase price of the Preferred Shares plus all accrued or declared but unpaid dividends on such shares.

In April 2004, the Company issued 160,000 shares of its common stock to an existing Company shareholder in exchange for previously issued stock options exercised at \$.5625 per share, or a total of \$90,000. In exchange for the shares, the holder of the option paid \$63,500 in cash, and tendered 5,000 shares of the Company's previously issued Series A preferred stock valued at \$ 5 per share. The preferred shares were subsequently canceled by the Company. The remaining balance of \$1,500 was accounted for as financing costs and was charged to operations during the period ended June 30, 2004.

In April 2004, the Company issued 300,000 shares of its restricted common stock to an investor in exchange for \$90,000 of proceeds, net of costs and fees.

### NOTE C - STOCK OPTIONS

The following table summarizes the changes in options outstanding and the related prices for the shares of the Company's common stock issued to the Company employees and consultants. These options were granted in lieu of cash compensation for services performed.

Exercise	Number Outstanding	Options Outstanding		Weighed Average Exercise Price	Options Exercisable	
		Weighted Average Remaining Contractual Life (Years)	Weighted Average		Number Exercisable	Weighted Average

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\$ 1.25	1,500,000	0.50	\$ 1.25	1,500,000	\$
\$ 0.56	677,500	2.50	\$ 0.56	837,500	\$
	2,177,500		\$ 1.04	2,337,500	\$

Transactions involving options issued to employees and consultants summarized as follows:

	Number of Shares	Weighted Average Price Per Share
Outstanding at January 1, 2002	3,020,000	\$ 1.25
Granted	-	-
Exercised	-	-
Canceled or expired	(1,500,000)	-
Outstanding at December 31, 2002	1,520,000	1.25
Granted	837,500	0.56
Exercised	-	-
Canceled or expired	(20,000)	-
Outstanding at December 31, 2003	2,337,500	\$ 1.00
Granted	-	-
Exercised	(160,000)	0.56
Canceled or expired	-	-
Outstanding at June 30, 2004	2,177,500	\$ 1.04

The estimated value of the options granted to consultants during the year ended December 31, 2003 was determined using the Black-Scholes option pricing model and the following assumptions: expected term of 3 years, a risk free interest rate of 2.65%, a dividend yield of 0% and volatility of 60%. The amount of the expense charged to operations in connection with granting the options was \$5,276 during the year ended December 31, 2003. There were no stock options granted during the period ended June 30, 2004.

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

When used in this Form 10-QSB and in our future filings with the Securities and Exchange Commission, the words or phrases, will likely result, management expects, or we expect, will continue, is anticipated, estimated, or similar expressions are intended to identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Readers are cautioned not to place undue reliance on any such forward-looking statements, each of which speak only as of the date made. These statements are subject to risks and uncertainties, some of which are described below. Actual results may differ materially from historical earnings and those presently anticipated or projected. We have no obligation to publicly release the result of any revisions that may be made to any forward-looking statements to reflect anticipated events or circumstances occurring after the date of such statements.

The following discussion contains forward-looking statements that are subject to significant risks and uncertainties about us, our current and planned products, our current and proposed marketing and sales, and our projected results of operations. There are several important factors that could cause actual results to differ materially from historical results and percentages and results anticipated by the

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forward-looking statements. We have sought to identify the most significant risks to our business, but cannot predict whether or to what extent any of such risks may be realized nor can there be any assurance that we have identified all possible risks that might arise. Investors should carefully consider all of such risks before making an investment decision with respect to our stock. The following discussion and analysis should be read in conjunction with the financial statements of our Company and notes thereto. This discussion should not be construed to imply that the results discussed herein will necessarily continue into the future, or that any conclusion reached herein will necessarily be indicative of actual operating results in the future. Such discussion represents only the best present assessment from our Management.

### Plan of Operation

In the previous year ended December 31, 2003 we entered a business involving the sale of bulk spring water. We purchased a property with a suitable source of water for the sum of \$1 million. We are still in the development stage and have yet to recognize any income from this business line. We are currently identifying customers and plan to begin selling water in the next quarter.

We discontinued our previous operations involving funding of personal injury cases.

As part of our reorganization of our business and to better reflect our current activities and plan of operations, the company name was changed from Pre-Settlement Funding Corporation to Seawright Holdings, Inc.

Our business plan is to sell our spring water to other bottlers and we may enter into co-packing arrangements whereby other bottlers will bottle Seawright Springs water under private labeling agreements with other retailers or distributors. Private label bottled water is Seawright Springs water bottled under another company's brand name.

Selling to the private labeled bottled water market will allow us to sell our water without the expense of an advertising budget that is required to establish brand recognition and market identity.

In our initial operations, we will focus on bulk water sales. Bulk water sales are achieved by the arrival of a tanker at our spring site. The buyer loads the water at the spring site and takes it to the bottling and packaging facility used by the private label bottler. We are in the process of installing a state of the art bulk water loading facility.

We currently do not have our own bottling and packaging facilities. Should we sell water under the Seawright label we will do so by using outside bottling and packaging facilities. Currently there are no plans to build bottling and packaging facilities.

### Comparison of Financial Results

Three Months and Six Months Ended June 30, 2004 versus Three Months and Six Months Ended June 30, 2003

#### Revenues

No revenues have yet been generated from the Spring. We plan to begin making sales in the next quarter.

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### Costs and Expenses

From our inception through June 30, 2004, we have incurred expenses of \$1,421,788, \$747,103 of these expenses were accrued but legally released from the creditors in agreements during the year ended December 31, 2003. The expenses incurred were associated principally with stock issuances to our founders, legal, consulting and accounting fees and costs in connection with the development of our business plan, market research, and the preparation of our registration statement as well as the accrual of salary to our director. In the quarter ended June 30, 2004 operating expenses were \$59,490 and interest expenses were \$17,714. In the six months ended June 30, 2004 operating expenses amounted \$105,879 and interest expenses amounted \$34,717. The expenses and interests were incurred in connection with the establishment of our spring water business including consulting and engineering services, testing and spring maintenance and costs associated with the administration and overhead of our business such as accounting, legal and office expenses.

### Liquidity and Capital Resources

As of June 30, 2004, we had a working capital deficit of \$708,851. As a result of our operating losses from our inception through June 30, 2004, we generated a cash flow deficit of \$488,480 from operating activities. We met our cash requirements during the six months ended June 30, 2004 through \$153,500 of proceeds from the issuance of common stock and approximately \$91,800 in advances from our principal shareholder. In respect of the common stock issuances, in April 2004 300,000 shares were issued for \$90,000. We also issued 160,000 shares of common stock to a shareholder in exchange for previously issued stock options exercised at \$.5625 per share. In exchange for the shares, the holder of the option paid \$63,500 in cash, and tendered 5,000 shares of our previously issued Series A preferred stock valued at \$5 per share. Our accounts payable and accrued liabilities of approximately \$181,000, is composed predominantly of liabilities to our consultants and vendors associated with the Spring, our accountants and lawyers, and accrued payroll, representing liabilities to our remaining employee.

While we have raised the capital necessary to meet our working capital and financing needs in the past, additional financing is required if we are to grow alternative business interests and fund the transactions and business we have currently contracted for.

Our independent certified public accountants have stated in their report included in our December 31, 2003 Form 10-KSB, that we have incurred operating losses since its inception, and that we are dependent upon management's ability to develop profitable operations. These factors among others may raise substantial doubt about our ability to continue as a going concern.

### Purchase of Seawright Springs

In October 2003, we took title to the property known as Seawright Springs in Mt Sidney, Virginia for \$1 million and a \$50,000 assignment fee. Stafford Street Capital LLC, a business entirely owned by our principal shareholder Joel P. Sens, contracted to purchase the property in June, 2003 and assigned all its interests in the contract in October 2003 to Seawright Springs LLC, an entity wholly owned by Seawright Holdings Inc. \$300,000 was immediately due on settlement, with a further \$700,000 subject to a Promissory Note

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carrying a rate of 6% per annum. Under the terms of the note, \$100,000 plus interest was re-paid in April 2004 and \$200,000 plus interest will be due in October 2004. \$162,500 plus interest will be due in October 2006 and the remaining principal of \$237,500 and interest will be due in October 2008, the fifth anniversary of the acquisition. A note was issued in respect of the \$50,000 assignor fee to Stafford Street Capital. A further Promissory Note was issued in October 2003 to Joel P Sens, for \$65,000 with interest accruing at a rate of 10% per annum and payable in October 2004. Proceeds from the Joel Sens note and the Series A Convertible Preferred Stock described below were used to meet the immediate liability under the purchase agreement for Seawright Springs.

### Series A Convertible Preferred Shares

In October 2003, 55,000 Series A Convertible Preferred shares were issued and proceeds of \$275,000 received. In total 60,000 shares were dedicated for the Series A with a par value of \$0.001 and sale price of \$5 per share, of which 55,000 have been sold to date. The shares are convertible into common stock at the option of the holder at a ratio of 10 Common Shares for each preferred share if converted before the first anniversary of the original issue date and at a ratio of 5 Common Shares for each Preferred Share if conversion is made after the first anniversary but before the second anniversary. The preferred series may be redeemed for cash at the option of the company, any time after the first anniversary of the original issue date but before the second anniversary. The preferred shareholders shall be entitled to cumulative dividends when, as and if declared by the board at a per share rate of 10% per annum of the original issue price. At the option of the preference shareholder, accrued and unpaid cumulative dividends may be applied to the purchase of additional shares of Common Shares upon conversion of the Preferred Shares to Common Shares. In event of a liquidation of our company the Preferred Shares ranks higher than the Common Shares in determining the distribution of assets and surplus funds.

In the quarter ended June 30, 2004, 5000, Series A Convertible Preferred shares were cancelled as part payment for exercise of stock options in exchange for common stock.

There are no assurances we will be successful in raising the funds required to operate our business. Within the next year further funds will be needed to meet our obligations under the purchase agreement for the Seawright Springs property as described above, and to fund improvements to that property and its initial operations.

While we develop our new business strategy and seek further funding we plan to use our existing capital resources and collection of receivables from the discontinued litigation funding business to fund our current level of operating activities.

If we are not successful in generating sufficient liquidity from operations or in raising sufficient capital resources, on terms acceptable to us, this could have a material adverse effect on our business, results of operations liquidity and financial condition.

### Product Research and Development

We do anticipate reviewing other lines of investment and business.

### Acquisition or Disposition of Plant and Equipment

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We do not anticipate the sale of any significant property, plant or equipment during the next twelve months. We anticipate the acquisition of plant and equipment and other improvements for the Seawright Spring. We will need to raise additional funds to meet these acquisition needs.

### Number of Employees

As of June 30, 2004, we have one employee. In order for us to attract and retain quality personnel, we anticipate we will have to offer competitive salaries to future employees. Any future increase in personnel will depend upon the line of business or investment entered into and the availability of funding for those operations.

### Trends, Risks and Uncertainties

We have sought to identify what we believe to be the most significant risks to its business as discussed in "Risk Factors" above, but cannot predict whether or to what extent any of such risks may be realized nor can there be any assurances that we have identified all possible risks that might arise. Investors should carefully consider all of such risk factors before making an investment decision with respect to our stock.

### Limited operating history; anticipated losses; uncertainty of future results

We have only a limited operating history upon which an evaluation of our business and its prospects can be based. Our prospects must be evaluated with a view to the risks encountered by a company in an early stage of development, particularly in light of the uncertainties relating to our future operations and line of business and investment.

### Potential fluctuations in quarterly operating results

Our quarterly operating results may fluctuate significantly in the future as a result of a variety of factors, most of which are outside our control, including: seasonal trends in demand; the amount and timing of capital expenditures and other costs relating to the expansion of our operations; the introduction of new services and products by us or our competitors; price competition or pricing changes in the industry; technical difficulties; general economic conditions, and economic conditions specific to the Spring water market. Our quarterly results may also be significantly affected by the impact of the accounting treatment of acquisitions, financing transactions or other matters. Particularly at our early stage of development, such accounting treatment can have a material impact on the results for any quarter. Due to the foregoing factors, among others, it is likely that our operating results will fall below our expectations or investors' expectations in some future quarter.

### Management of Growth

Our future success will be highly dependent upon our ability to successfully manage the expansion of our operations. There can be no assurance that we will be able to achieve or manage any such growth.

Our future success depends upon our ability to address potential market opportunities while managing our expenses to match our ability to finance our operations. This need to manage our expenses will place a significant strain on our management and operational resources. If we are unable to manage our expenses effectively, our

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business, results of operations, and financial condition will be materially adversely affected.

### Risks associated with acquisitions

As part of our business strategy in the future, we could acquire assets and businesses relating to or complementary to our operations. Any

acquisitions would involve risks commonly encountered in acquisitions of companies. These risks would include, among other things, the following: we could be exposed to unknown liabilities of the acquired companies; we could incur acquisition costs and expenses higher than it anticipated; fluctuations in our quarterly and annual operating results could occur due to the costs and expenses of acquiring and integrating new businesses or technologies; we could experience difficulties and expenses in assimilating the operations and personnel of the acquired businesses; our ongoing business could be disrupted and its management's time and attention diverted; we could be unable to integrate successfully.

The foregoing Managements Discussion and Analysis of Financial Condition and Results of Operations "forward looking statements" within the meaning of Rule 175 under the Securities Act of 1933, as amended, and Rule 3b-6 under the Securities Act of 1934, as amended, including statements regarding, among other items, the Company's business strategies, continued growth in the Company's markets, projections, and anticipated trends in the Company's business and the industry in which it operates. The words "believe," "expect," "anticipate," "intends," "forecast," "project," and similar expressions identify forward-looking statements. These forward-looking statements are based largely on the Company's expectations and are subject to a number of risks and uncertainties, including but not limited to, those risks associated with economic conditions generally and the economy in those areas where the Company has or expects to have assets and operations; competitive and other factors affecting the Company's operations, markets, products and services; those risks associated with the Company's ability to successfully negotiate with certain customers, risks relating to estimated contract costs, estimated losses on uncompleted contracts and estimates regarding the percentage of completion of contracts, associated costs arising out of the Company's activities and the matters discussed in this report; risks relating to changes in interest rates and in the availability, cost and terms of financing; risks related to the performance of financial markets; risks related to changes in domestic laws, regulations and taxes; risks related to changes in business strategy or development plans; risks associated with future profitability; and other factors discussed elsewhere in this report and in documents filed by the Company with the Securities and Exchange Commission. Many of these factors are beyond the Company's control. Actual results could differ materially from these forward-looking statements. In light of these risks and uncertainties, there can be no assurance that the forward-looking information contained in this Form 10-QSB will, in fact, occur. The Company does not undertake any obligation to revise these forward-looking statements to reflect future events or circumstances and other factors discussed elsewhere in this report and the documents filed or to be filed by the Company with the Securities and Exchange Commission.

### ITEM 3. CONTROLS AND PROCEDURES

The Company's management, have evaluated, within 90 days prior to the filing of this quarterly report, the effectiveness of the design, maintenance and



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operation of the Company's disclosure controls and procedures. Management determined that the Company's disclosure controls and procedures were effective in ensuring that the information required to be disclosed by the Company in the reports that it files under the Exchange Act is accurate and is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and regulations.

Disclosure controls and procedures, no matter how well designed and implemented, can provide only reasonable assurance of achieving an entity's disclosure objectives. The likelihood of achieving such objectives is affected by limitations inherent in disclosure controls and procedures. These include the fact that human judgment in decision making can be fully faulty and that breakdowns in internal control can occur because of human failures such as errors or mistakes or intentional circumvention of the established process.

There have been no significant changes in internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation thereof, including any corrective actions with regard to significant deficiencies and material weaknesses.

### PART II.

#### ITEM 1. LEGAL PROCEEDINGS.

NONE

#### ITEM 2. CHANGES IN SECURITIES.

In April 2004, we issued an aggregate of 460,000 shares of our Common Stock to two shareholders in exchange for cash and stock options exercised. These transactions were exempt from registration pursuant to Section 4(2) of the Securities Act of 1933

#### ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not Applicable.

#### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There were not any matters submitted requiring a vote of security holders during the three month period ending June 30, 2004.

#### ITEM 5. OTHER INFORMATION.

None.

#### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Reports on Form 8-K. No reports on Form 8-K were filed during the three-month period covered in this Form 10-QSB.

(b) Exhibits.

32.1 Certification of Joel Sens pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Joel Sens pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Seawright Holdings, Inc.  
Formerly Pre-Settlement Funding Corp.

Dated: August 12, 2004

By: /s/ Joel Sens  
Joel Sens, President

### CERTIFICATIONS

I, Joel Sens, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Seawright Holdings, Inc.
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14 for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions);
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize, and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

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b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions, with regard to significant deficiencies and material weaknesses.

Date: August 12, 2004

/s/ Joel Sens  
Joel Sens, President