

SGC HOLDINGS INC
Form 10QSB
May 14, 2004

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 period ended: March 31, 2004

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

For the transition period from _____ to _____

Commission File No. 333-100137

SGC HOLDINGS, INC.

(Exact name of small business issuer as specified in its charter)

Nevada

86-1047317

(State or other jurisdiction of

(IRS Employer Identification No.)

incorporation or organization)

15911 East Sunburst Drive, Fountain Hills, AZ

85268

(Address of principal executive offices)

(Zip Code)

(480) 837-6029

(Issuer's telephone number, including area code)

Securities issued pursuant to Section 12(b) of the Act:

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's class of common equity, as of the latest practicable date:
2,720,000 (as of 5/7/04)

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

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PART I FINANCIAL INFORMATION

Item 1.

Financial Statements

The following unaudited financial statements are included as part of this report:

*

Balance Sheet as of March 31, 2004

*

Statements of Operations for the three months ended March 31, 2004 and 2003, and for the period December 5, 2001 (Inception) to March 31, 2004

*

Statements of Cash Flows for the three months ended March 31, 2004 and 2003, and for the period December 5, 2001 (Inception) to March 31, 2004

*

Notes to Financial Statements

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

SGC Holdings, Inc. and Subsidiary**(a Development Stage Company)****Consolidated Statements of Operations**

	For the three months ended March 31,		December 5, 2001 (Inception) to March 31,
	2004	2003	2004
Revenue	\$ --	\$ --	\$ --
Expenses:			
General & administrative expenses	4,941	2,096	28,546
General & administrative expenses related party	-	-	1,500
Total expenses	4,941	2,096	30,046
Net (loss)	\$ (4,941)	\$ (2,096)	\$ (30,046)
Weighted average number of common shares outstanding - basic and fully diluted	2,720,000	2,720,000	
Net (loss) per share - basic and fully diluted	\$ (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**

	For the three months ended		December 5, 2001
	March 31,		(Inception) to
	2004	2003	March 31,
			2004
Cash flows from operating activities			
Net (loss)	\$ (4,941)	\$ (2,096)	\$ (30,046)
Shares issued for services	--	--	1,500
Adjustments to reconcile net (loss) to			
net cash (used) by operating activities:			
(Decrease) in accounts payable	(36)	(504)	--
Net cash (used) by operating activities	(4,977)	(2,600)	(28,546)
Cash flows from financing activities			
Issuances of common stock	--	--	36,500
Net cash provided by financing activities	--	--	36,500
Net increase (decrease) in cash	(4,977)	(2,600)	7,954
Cash - beginning	12,931	28,458	--
Cash - ending	\$ 7,954	\$ 25,858	\$ 7,954
Supplemental disclosures:			
Interest paid	\$ --	\$ --	\$ --
Income taxes paid	\$ --	\$ --	\$ --

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, 2003 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 \$(30,046) for the period from December 5, 2001 (inception) to March 31, 2004, and has no sales. 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 believes that it has raised enough funds to sustain operations for a period of 12 months. 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.

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 Related party transactions

Office space is provided without charge by an officer, 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.

Item 2.

Management's Discussion and Analysis or Plan of Operation

A.

Management's Discussion

Forward-Looking Statements

The statements contained in all parts of this document that are not historical facts are, or may be deemed to be, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements include, but are not limited to, those relating to the following: the Company's ability to secure necessary financing; plans for opening one or more restaurant units (including the scope, timing, impact and effects thereof); expected growth; future operating expenses; future margins; fluctuations in interest rates; ability to continue growth and implement growth and regarding future growth, cash needs, operations, business plans and financial results and any other statements that are not historical facts.

When used in this document, the words "anticipate," "estimate," "expect," "may," "plans," "project," and similar expressions are intended to be among the statements that identify forward-looking statements. SGC Holdings, Inc.'s results may differ significantly from the results discussed in the forward-looking statements. Such statements involve risks and uncertainties, including, but not limited to, those relating to costs, delays and difficulties related to the Company's dependence on its ability to attract and retain skilled managers and other personnel; the intense competition within the restaurant industry; the uncertainty of the Company's ability to manage and continue its growth and implement its business strategy; its vulnerability to general economic conditions; accuracy of accounting and other estimates; the Company's future financial and operating results, cash needs and demand for its services; and the Company's ability to maintain and comply with permits and licenses; as well as other risk factors described in this report. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual outcomes may vary materially from those projected.

Overview

SGC Holdings, Inc. was incorporated in the State of Nevada on December 5, 2001. To date, SGC Holdings, Inc. has:

h

Secured initial capitalization through equity offerings;

h

Developed a business plan;

h

Completed a financial feasibility study;

h

Incorporated a wholly owned subsidiary to obtain funding and operate the Company's first restaurant;

h

Prepared a Private Placement Memorandum to offer up to a maximum of \$1,750,000 of the Company's 7% Convertible Debentures, and

h

Executed an Escrow Agreement to hold any funds received through the Offering along with the underlying offered securities and to facilitate the final disbursements to the Company and the Offering investors if, as and when such time as all prerequisites and conditions have occurred, and

h

Been approved for listing of its common stock for trading on the OTC Bulletin Board under the symbol SGCG effective March 8, 2004.

In the initial approximately 29-month operating period from December 5, 2001 In the initial approximately 29-month operating period from December 5, 2001 (inception) to March 31, 2004, SGC Holdings, Inc. generated no revenue and incurred \$30,046 in total general and administrative expenses. The resulting cumulative net loss for the period from December 5, 2001 (inception) to March 31, 2004 was \$(30,046), or approximately \$(0.01) per share. That loss is attributable primarily to the costs of start-up operations.

SGC Holdings, Inc. financed its initial operations by issuing common stock in exchange for cash and services.

A.

Plan of Operation

SGC Holdings, Inc.'s start-up plan includes feasibility and demographic studies aimed at selecting the location for the new St. George Clipper restaurant. Depending on the results of such studies, SGC Holdings, Inc. plans to develop specific kitchen/architectural plans and take steps towards opening the new St. George Clipper. Such steps may include the purchase or lease of an existing structure. To finance these steps, SGC Holdings, Inc. will seek additional financing. SGC Holdings, Inc. needs \$2 million to finance its first restaurant but as of yet has no funding sources available for the \$2 million. SGC Holdings, Inc. currently does not have enough cash to satisfy the opening of its first restaurant. The intention is to raise additional money and open a restaurant. If such funding is not secured, the Company will not be able to conduct business operations. In the event SGC Holdings, Inc. is unable to raise sufficient funds, it will go out of business and will be forced to liquidate.

SGC Holdings, Inc. has no current material commitments. SGC Holdings, Inc. depends upon capital to be derived from future financing activities such as subsequent offerings of its stock or debt. There can be no assurance that SGC Holdings, Inc. will be successful in raising the capital it requires. SGC Holdings, Inc. does not expect to achieve liquidity or profitability within the first 12 months of operation.

SGC Holdings, Inc. does not expect the purchase or sale of plant or any significant equipment, except for the initial purchase of restaurant equipment for the prototype, and it does anticipate hiring at least 24 minimum wage employees and three full-time managers to run the prototype restaurant.

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.

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

Buildout & improvements

489,269

Working capital

212,686

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 raise (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. If the dining rooms can maintain at least a 60% customer capacity for every meal period, the restaurant should provide a positive cash flow for the first full year's operation and for the next two years thereafter. The break-even proforma, using the smallest cash flow as the break-even determinant, shows that at about 45% customer capacity the restaurant should break-even.

SGC Holdings, Inc.'s long-term objective is to expand its St. George Clipper restaurant concept by opening Company-operated units in strategically desirable markets. SGC Holdings, Inc. intends to concentrate on the development of certain identified markets to achieve penetration levels deemed desirable by SGC Holdings, Inc., thereby improving the SGC Holdings, Inc.'s competitive position, marketing potential, and profitability.

As of March 31, 2004, SGC Holdings, Inc. had \$7,954 in current assets (consisting entirely of cash) and no current liabilities. Thus, the working capital as of March 31, 2004 was equal to \$7,954. SGC Holdings, Inc. believes that its current working capital will be sufficient to continue as a going concern for the next 12 months. However, the independent auditors of SGC Holdings, Inc. have issued a going concern opinion despite SGC Holdings, Inc.'s positive working capital position.

Item 3.

Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4.

Controls and Procedures

Evaluation of Disclosure Controls and Procedures.

Based on his most recent review, which was completed within ninety days of the filing of this report, the Company's Chief Executive Officer and Principal Financial Officer has concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports it files or submits under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to the Company's management, including its Chief Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure and are effective to ensure that such information is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. There were no significant changes in the Company's internal controls or in other factors that could significantly affect those controls subsequent to the date of the evaluation.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in Company reports filed or submitted under the Act is recorded, processed, summarized and reported, within the time periods specified in the SEC rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in Company reports filed under the Exchange Act is accumulated and communicated to the Company's Chief Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Controls.

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

PART II OTHER INFORMATION

Item 1.

Legal Proceedings

Not applicable.

Item 2.

Changes in Securities and Use of Proceeds

Not applicable.

Item 3.

Defaults Upon Senior Securities

Not applicable.

Item 4.

Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of shareholders during the first quarter ended March 31, 2004.

Item 5.

Other Information

Not applicable.

Item 6.

Exhibits, Financial Statement Schedules, and Reports on Form 10-K.

(a)

Form 10-KSB

SGC Holdings, Inc. filed a Form 10-KSB report on March 14, 2004.

(b)

Exhibits.

23.1

Consent of Beckstead and Watts, LLP

1

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

2

Certification pursuant to 18 U.S.C. §1350

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

SGC HOLDINGS, INC.

Date: May 12, 2004

By: /s/ Christos E. Loukas

Christos E. Loukas

President, Chief Executive Officer and

Principal Financial Officer