

Edgar Filing: SGC HOLDINGS INC - Form 10KSB

SGC HOLDINGS INC
Form 10KSB
March 16, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended: December 31, 2003

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

For the transition period from:

Commission File No. 333-100137

SGC HOLDINGS, INC.

(Name of small business issuer in its charter)

Nevada

86-1047317

(State of 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)

Issuer's telephone number, including area code: (480) 837-6029

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

Title of each class	Name of exchange on which registered
-----	-----
None	None

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

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 (the "Act") 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

Edgar Filing: SGC HOLDINGS INC - Form 10KSB

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: None

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 3/11/04)

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933.

None.

-1-

[THIS PAGE LEFT BLANK INTENTIONALLY]

-2-

PART 1

Item 1. Description of Business

A. Business Development and Summary

Headquartered in Fountain Hills, Arizona, SGC Holdings, Inc. ("the Company") was organized by the filing of articles of incorporation with the Secretary of State of the State of Nevada on December 5, 2001. SGC Holdings, Inc. plans to: (1) open a concept restaurant under the name "St. George Clipper" and (2) expand the "St. George Clipper" concept into a restaurant chain. Christos E. Loukas, SGC Holdings, Inc.'s founder and President, previously owned and operated a diner named "St. George Clipper" in Staten Island, New York. The original St. George Clipper, which Mr. Loukas sold in 1994 after 25 years of owning and operating it, now serves as the prototype for SGC Holdings, Inc.'s restaurant concept.

SGC Holdings, Inc.'s business activities have been limited to date. SGC Holdings, Inc. was formed on December 5th, 2001 for the purpose of raising capital and opening St. George Clipper restaurants. SGC Holdings, Inc. wanted to raise capital but was unable to find investors until July 2002. SGC Holdings, Inc. closed a private offering of common stock in August 2002. In the offering, SGC Holdings, Inc. issued 720,000 shares of its \$0.001 par value common stock for cash at \$0.05 per share to 36 shareholders for total consideration of \$36,000.00. The intended uses of proceeds include a feasibility and demographics study; kitchen and architectural plans; manuals, handbooks and recipes; and working capital.

On October 20, 2003, the Company's Board of Directors authorized the formation of a wholly owned subsidiary to be named "St. George Clipper One, Inc." (the "Subsidiary"). The Subsidiary was incorporated under the laws of the State of Nevada on October 27, 2003. Christos E. Loukas is President, Secretary, Treasurer and sole Director of the Subsidiary. The purpose of the Subsidiary is to serve as the vehicle to fund and open the first restaurant for the Company.

St. George Clipper One, Inc., a wholly owned subsidiary, is currently in the process of locating a space to lease, hiring an architect for kitchen and restaurant

Edgar Filing: SGC HOLDINGS INC - Form 10KSB

design concepts, and procuring recipes and equipment.

As of the date of this Annual Report, SGC Holdings, Inc. is a company without revenue or substantive operations, with minimal assets, and its primary source of capital to date has been the sale of its own securities.

B. Business of Issuer

(1) Principal Services and Principal Markets

Principal Services

The concept of a St. George Clipper restaurant focuses primarily on a nautical theme expressed in a design reminiscent of a sailing ship. SGC Holdings, Inc. also believes that long operating hours from breakfast to dinner and signature offerings, such as Western ribs, may augment the concept and brand image.

-3-

St. George Clipper will be a sit-down restaurant with table service. It will have a salad bar and a dessert bar. The salad bar will include both hot and cold items and have dual usage for special events or holidays.

SGC Holdings, Inc. plans to provide a unique combination of excellent food at value prices with a fun and entertaining atmosphere. In a highly competitive casual-dining market, SGC Holdings, Inc. plans to differentiate its restaurants by offering a diverse menu including Italian, Greek, Mexican, and American dishes. Menu items will include Western beef baby-back ribs, chicken, seafood, appetizers, salads, sandwiches, burgers, eggs and omelets, pancakes, French toast, a menu for children age 12 and under, and specialty drinks. SGC Holdings, Inc.'s primary goal is to serve nothing but the highest quality food at low prices in a clean, fun environment.

The following is a list of features that, in SGC Holdings, Inc.'s view, will distinguish its concept from other casual dining restaurants:

- * 1/3-lb. Clipper Specialty Beefburger Lunch. This special treat will greet weekday lunch guests from 11:00 a.m. until 2:30 p.m. The Clipper Specialty Beefburgers will be ground fresh daily and seasoned with a custom blend of spices designed to enhance the taste. To complement the sandwiches, SGC Holdings, Inc. will have a "sandwich fixings" bar with sliced tomatoes, onions, chopped lettuce, pickles, relish, and other sandwich condiments.
- * Breakfast. Depending upon location, SGC Holdings, Inc. will serve a full breakfast, including fresh fruits in-

Edgar Filing: SGC HOLDINGS INC - Form 10KSB

season, cold juices, hot breakfast items, and cook-to-order omelets from a display grill.

- * Guided Tours. SGC Holdings, Inc. will offer every new guest a guided tour explaining the restaurant's concept. SGC Holdings, Inc. believes that by doing this it can exceed the guest's perception of service.
- * Dinner All Day on Saturdays and Sundays. SGC Holdings, Inc. will feature the dinner menu all day on Saturday and Sunday. Since both days are busy all day long, SGC Holdings, Inc. restaurants will not shut down at midday.
- * Reduced Dinner Pricing. On Monday through Thursday the dinner price will be slightly lower than on Friday through Sunday. On weekends, SGC Holdings, Inc. will add more expensive items to the menu, including fried shrimp and steaks.
- * Competitive Lunch Pricing. SGC Holdings, Inc. plans to keep lunch prices as low as possible to compete with fast-food restaurants. At lunch, SGC Holdings, Inc. will offer its customers "packaged" menu items, including a traditional sandwich with fries and a drink, but also with a salad, a dessert and a selection of hot food items.

-4-

Planned Facilities

SGC Holdings, Inc. restaurants will range in size from 7,000-10,000 square feet and will seat from 300 to 400 guests each. SGC Holdings, Inc. will equip the restaurants with state-of-the-art sound systems connected to old-fashioned jukeboxes, which the customers will be able to use for free to select their favorite Country and Western songs. Every restaurant will be built-out to SGC Holdings, Inc.'s general prototype specifications of such modules as the bar area, salad bar, dessert bar, etc.

SGC Holdings, Inc. will base the site and building selection on the following criteria:

- * Minimum community size of 40,000 people within five miles
- * High visibility
- * Easy access to parking lot with a minimum of 120 parking spaces
- * Mid - to low-cost land not to exceed a total of \$600,000
- * Heavy blue-collar worker makeup in the community
- * No overabundance of competition in the trade area

SGC Holdings, Inc. is currently reviewing several locations, which it is considering for a lease. Until the first location is identified, it is extremely difficult to delineate the time frame it will take to open the first restaurant and begin operations. SGC Holdings, Inc. believes, once the location is identified and additional capital is raised, it will take four to five months to complete the build-out and begin operations. The first location is expected to be in Fountain Hills, Scottsdale,

Edgar Filing: SGC HOLDINGS INC - Form 10KSB

or Phoenix in Maricopa County, Arizona. Once SGC Holdings, Inc. identifies a suitable building for lease, it will seek a contractor and an architect to design and build out the space. No arrangements with a contractor or an architect are in place as of March 11, 2004.

SGC Holdings, Inc. considers the restaurant site selection process critical to its long-term success and plans to devote significant efforts to the investigation of new locations utilizing a variety of techniques. The site selection process will include the evaluation of trade area demographics, such as target population density and household income levels; physical site characteristics, such as visibility, accessibility and traffic volume; relative proximity to activity centers, such as shopping centers, hotel and motel complexes and office buildings; and supply and demand trends, such as proposed infrastructure improvements, new developments, and potential competition.

(2) Distribution Methods of the Products or Services Marketing and Advertising

SGC Holdings, Inc. believes that the best form of advertising is "word-of-mouth." In addition to word-of-mouth advertising, SGC Holdings, Inc. plans to employ a combination of local media and local store marketing programs at each location. In particular, SGC Holdings, Inc. will rely on the following (in order of decreasing feasibility):

-5-

1. Visual Media, including:

- * Grand opening advertising blitz involving banner and road-sign advertising on site;
- * Direct mail flyers (SGC Holdings, Inc. envisions a stand-alone folded piece measuring 6" by 7.5" in size, produced in full color on heavy-weight paper) containing pictures of the interior of the restaurant, prices, hours of operation, theme night announcements, and a locator map;
- * Table toppers explaining the concept, announcing theme nights, advertising gift certificates, announcing job openings, and possibly mentioning franchise opportunities;
- * Brochures and handouts listing special features and advertising service options for large parties, banquets, or buses;
- * Wall posters; and
- * Outdoor marquee message changed weekly.

Edgar Filing: SGC HOLDINGS INC - Form 10KSB

2. Promotional Events, including:

- * In-store tours offered to every new customer;
- * VIP parties, including a VIP lunch and a VIP dinner, which will serve as a way to introduce SGC Holdings, Inc. to the community just prior to the grand opening at each location (SGC Holdings, Inc. will run the lunch on a Monday, followed by the dinner on a Tuesday, with the Grand Opening on a Wednesday);
- * Yearly birthday parties for loyal customers;
- * Customer raffles for Western apparel or SGC Holdings, Inc. artifacts; and
- * Line dance contest with nominal prizes such as St. George Clipper T-shirts.

3. Local Mass Media, including:

- * Radio campaigns, which may include: (a) short and catchy radio ads; (b) live remotes on restaurant parking lots; (c) sponsored radio call-in contests with free meal coupons as the prize; (d) live "on-the-air" presentations of food products to disk jockeys;
- * Newspaper campaigns; and
- * Local cable TV.

-6-

Community Support

To enhance local awareness and promote a positive community image of SGC Holdings, Inc., the Company will run periodic Local Store Marketing (LSM) community campaigns. These low-budget campaigns will promote community support and awareness of its facilities. SGC Holdings, Inc. plans to run approximately two or three LSM campaigns per marketing quarter. Examples of possible LSM campaigns include a charity car wash (free car wash while you dine) and a school program (perfect attendance or honor roll students would receive a free meal).

SGC Holdings, Inc. will also consider running its VIP parties as local charity events. The Company may choose a local charity to be the beneficiary of the VIP parties, at which the guests will eat for a small contribution to the hosting charity.

Pricing Strategy

Edgar Filing: SGC HOLDINGS INC - Form 10KSB

SGC Holdings, Inc. plans to offer a moderately priced menu. While SGC Holdings, Inc. is not striving to be the lowest priced restaurant around, the Company is aiming to be the value leader. Presently, SGC Holdings, Inc. has no plans for coupon/discounting wars nor the birthday or frequent buyer clubs.

(3) Status of Any Announced New Product or Service

None.

(4) Competitive Business Conditions

SGC Holdings, Inc. plans to enter the casual dining market. The restaurant business in general and the casual dining segment in particular are highly competitive with respect to price, service, restaurant location and food quality, and are often affected by changes in consumer tastes, economic conditions, population and traffic patterns. SGC Holdings, Inc. will compete within each market with locally owned restaurants as well as national and regional restaurant chains. Examples of major competitors include such national restaurant chain operators as Applebee's, Darden Restaurants, and Brinker International.

Although SGC Holdings, Inc. will compete mainly against casual dining restaurants and family value restaurants, large fast-food chains, such as Burger King, McDonald's, and Taco Bell, may also present a competitive challenge.

SGC Holdings, Inc. plans to capture and retain its target customer groups by offering an attractive value/price relationship.

(5) Sources and Availability of Raw Materials

The ability of SGC Holdings, Inc. to ensure a consistent supply of high-quality food and supplies at competitive prices to its restaurants will depend upon procurement from reliable sources. Given a large number of competitive suppliers for the industry, SGC Holdings, Inc. does not expect that it will disproportionately depend on one or a group of suppliers. SGC Holdings, Inc. believes that most food products are available, or can be made available upon short notice, from a variety of qualified suppliers. Because of the relatively rapid turnover of perishable food products, inventories in the restaurants have a modest aggregate dollar value in relation to revenue.

Edgar Filing: SGC HOLDINGS INC - Form 10KSB

SGC Holdings, Inc. does not anticipate a significant overall impact from inflation. As operating expenses increase, the Company plans, to the extent permitted by competition, to recover increased costs by increasing menu prices, by reviewing, then implementing, alternative products or processes, or by implementing other cost-reduction procedures. There can be no assurance, however, that SGC Holdings, Inc. will be able to recover increases in operating expenses due to inflation in this manner.

As of the date of this Annual Report, SGC Holdings, Inc. has not entered into any agreements with suppliers of food products or other materials.

(6) Customers

SGC Holdings, Inc. believes that, with more money in their pockets than time on their hands, a growing number of working adults today are dining at their favorite casual restaurants. For most clients, eating out at family/casual dining restaurants appears to be primarily a matter of convenience: fewer and fewer households have the time to cook at home. That phenomenon makes it critical for restaurants to offer a wide range of menu options. In fact, menu choices, along with management and cleanliness/hygiene, are among the most vital issues in this category, meaning they are the issues most likely to be discussed among consumers.

SGC Holdings, Inc. intends to capitalize on the perceived demand for casual restaurants with a widely diversified menu. SGC Holdings, Inc. plans to be the first mover in the "Italian, Greek, Mexican and American" concept with the goal of eventually becoming a national player.

SGC Holdings, Inc. has defined its target market segments by the following factors:

- * Demographics
- * Income
- * Occupation

Depending on the demographic, income, and occupation profile of a selected location, SGC Holdings, Inc. will structure its menu, operating hours, and marketing efforts to maximize its appeal in a particular area.

As of the date of this Annual Report, SGC Holdings, Inc. has not conducted any marketing studies. However, on April 1, 2003, SGC Holdings, Inc. contracted GEC Consultants, an independent consulting firm, to perform a feasibility study, which will include demographics. The main part of the study addressing financial requirements, break-even analysis, and projections was completed in June 2003. As SGC Holdings, Inc. has not yet selected its first location, no specific demographic studies are ready as of the date of this Annual Report. SGC Holdings, Inc. is currently reviewing a few locations and is trying to identify acceptable lease terms.

-8-

Intellectual Property

SGC Holdings, Inc. enters a highly competitive market with low barriers to entry. To a large extent the success of SGC Holdings, Inc. will depend on the Company's ability to build a strong brand based on the "St. George Clipper" name. Presently, the "St. George Clipper" name is not protected by a trademark or a similar legal right.

(7) Need for Government Approval

Each restaurant will be subject to regulation by federal agencies and to licensing and regulation by state and local health, sanitation, safety, fire, alcoholic control boards and other departments. Difficulties or failures in obtaining any required licensing or approval could result in delays or cancellations in the opening of new restaurants.

SGC Holdings, Inc. will also be subject to the Fair Labor Standards Act and various state laws governing such matters as minimum wages, overtime and other working conditions. A significant number of SGC Holdings, Inc.'s employees will be paid at rates related to the federal and state minimum wage and increases in the minimum wage will increase SGC Holdings, Inc.'s labor costs.

In addition, various proposals which would require employers to provide health insurance for all of their employees are being considered from time to time in the U.S. Congress and various states. The imposition of any such requirement would have a material adverse impact on the planned operations of SGC Holdings, Inc. and the financial condition of the fast-food restaurant industry.

SGC Holdings, Inc. will be subject to certain guidelines under the Americans with Disabilities Act of 1990 (ADA), and various state codes and regulations, which require restaurants to provide full and equal access to persons with physical disabilities. SGC Holdings, Inc. will also be subject to various evolving federal, state and local environmental laws governing, among other things, emissions to the air, discharge to waters and the generation, handling, storage, transportation, treatment and disposal of hazardous and non-hazardous substances and wastes.

(8) Effect of Existing or Probable Government Regulations

Each of SGC Holdings, Inc.'s restaurants will be subject to licensing and regulation by alcoholic beverage control, health, environmental, labor relations, sanitation, building, zoning, safety, fire and other

Edgar Filing: SGC HOLDINGS INC - Form 10KSB

agencies in the state and/or municipality in which the restaurant is located. Although SGC Holdings, Inc. does not anticipate to encounter any difficulties or failures in obtaining the required licenses or approvals that could delay or prevent the opening of a new restaurant, there can be no assurance that SGC Holdings, Inc. will not experience material difficulties or failures that could delay the opening of restaurants in the future.

-9-

Expenditures on Research and Development

None.

(9) Environmental Issues

Not applicable.

(10) Employees

SGC Holdings, Inc. presently has no employees. The management may add five to 35 employees over the next twelve (12) months period.

C. Reports to Security Holders

- (1) SGC Holdings, Inc. will furnish its shareholders with annual financial reports certified by SGC Holdings, Inc.'s independent accountants, and may, in SGC Holdings, Inc.'s discretion, furnish unaudited quarterly financial reports.
- (2) SGC Holdings, Inc. will file periodic and current reports with the Securities and Exchange Commission as required to maintain the fully reporting status.
- (3) The public may read and copy any materials SGC Holdings, Inc. files with the SEC at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of that site (<http://www.sec.gov>).

Risk Factors

1. Auditors Expressed Substantial Doubt About SGC Holdings, Inc.'s Ability to Continue as a Going Concern.

SGC Holdings, Inc. has yet to commence planned operations. As of the date of this Annual Report, SGC Holdings, Inc. has had only limited start-up operations and

Edgar Filing: SGC HOLDINGS INC - Form 10KSB

generated no revenue. Taking these facts into account, the independent auditors of SGC Holdings, Inc. have expressed substantial doubt about SGC Holdings, Inc.'s ability to continue as a going concern.

-10-

2. SGC Holdings, Inc. Will Not Be Able to Continue in Business Without Additional Funding, Which May Be Unavailable.

SGC Holdings, Inc. has limited capital resources. SGC Holdings, Inc. needs \$2 million to finance its first restaurant but, as of yet, has no funding sources available for the \$2 million. As part of its funding efforts, the Company has prepared a Private Placement Memorandum dated November 26, 2003 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. In addition, on December 3, 2003, the Company executed an Escrow Agreement under the terms of which the Company engaged an Escrow Agent to hold any funds received through the Offering along with the underlying offered securities until such time as all prerequisites and conditions to the final disbursements have occurred and to then facilitate the final disbursements to the Company and the Offering investors. The Company has not secured commitments to purchase the securities, and there is no assurance that all or any of the securities when offered will be sold.

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. A possibility of such outcome presents a risk of complete loss of investment in SGC Holdings, Inc.'s common stock.

3. SGC Holdings, Inc.'s Restaurant Might Not Prove Profitable.

As the restaurant business is highly risky, yielding a historically high failure rate, SGC Holdings, Inc.'s restaurant might not prove profitable.

4. Control by Current Management May Impede the Ability of Minority Shareholders to Exercise Control over SGC Holdings, Inc.

The current President and CEO beneficially owns

Edgar Filing: SGC HOLDINGS INC - Form 10KSB

approximately 74% of the outstanding common stock. As a result, by virtue of his control of a majority of the voting shares, this stockholder has a controlling influence over all matters requiring stockholder approval, including, among other things, the election of Directors, the ability to amend the Company's Certificate of Incorporation and By-Laws, and the approval of fundamental corporate transactions involving the Company. This concentration of ownership may have the effect of delaying or preventing a change in control of SGC Holdings, Inc.

5. Potential Conflicts of Interest May Jeopardize the Business of SGC Holdings, Inc.

The implementation of the business plan of SGC Holdings, Inc. depends substantially on the ideas, skills, and experience of Christos Loukas. Without an employment contract, SGC Holdings, Inc. may lose Mr. Loukas to other pursuits without a sufficient warning and, consequently, go out of business. Mr. Loukas is involved in other business activities and may, in the future, become involved in other business opportunities. If a specific business opportunity becomes available, Mr. Loukas may face a conflict in selecting between SGC Holdings, Inc. and his other business interests. SGC Holdings, Inc. has not and, at this time, does not anticipate that it will formulate a policy for the resolution of such conflicts.

-11-

6. Christos Loukas Will Not Work Full-Time for SGC Holdings, Inc. Until Such Time as SGC Holdings, Inc. Has Secured Funding Necessary for Its First Restaurant.

Mr. Loukas is a bartender at Fire Rock Golf & Country Club in Fountain Hills, Arizona. Mr. Loukas will continue to work at Fire Rock Golf & Country Club as a bartender until such time as SGC Holdings, Inc. has secured funding necessary for its first restaurant. Mr. Loukas will dedicate 20 hours a week towards that goal. Once funding is secured, Mr. Loukas will work full time for SGC Holdings, Inc. and quit his job at Fire Rock Golf & Country Club.

7. Should a Public Trading Market in the Stock of SGC Holdings, Inc. Fail to Develop or Be Sustained, Investors May Lose Their Entire Investment.

As of this date of this Annual Report, no public market for SGC Holdings, Inc.'s Common Stock has yet been established. The Company has been approved for listing on the OTC Bulletin Board effective March 8, 2004. There can be no assurance that a meaningful trading market will subsequently develop. Should a viable public trading market in the stock of SGC Holdings, Inc. fail to develop, investors in SGC Holdings, Inc.'s common stock may lose

their entire investment. In addition, in the event that a viable public trading market for SGC Holdings, Inc.'s common stock does develop, such trading, if and when transacted, may be subject to the low-priced security or so-called "penny stock" rules that impose additional sales practice requirements on broker-dealers who sell such securities. For any transaction involving a penny stock, the rules require, among other things, the delivery, prior to the transaction, of a disclosure schedule required by the SEC relating to the penny stock market. The broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Finally, monthly statements must be sent disclosing recent price information for the penny stocks held in the customer's account. As a result, characterization as a "penny stock" can adversely affect the market liquidity for the securities. Furthermore, the market price of the Company's common stock, if and when traded, may be subject to significant fluctuations, and such fluctuations, as well as economic conditions generally, may adversely affect the market price of our securities.

8. Our Success Depends on the Efforts of Our Founder.

Our founder, Christos E. Loukas, continues to serve as President, Chief Executive Officer, and Principal Financial Officer of the Company. We believe that our success is highly dependent on the continuing efforts of Mr. Loukas, as well as the

-12-

Company's ability to attract and retain other skilled managers and personnel as and when required. Mr. Loukas is not subject to an employment contract. The loss of the services of Mr. Loukas could have a material adverse effect on the Company.

9. Failure to Comply with Governmental Permit and Licensing Requirements Could Result in Our Inability to Obtain Such Permits and Licenses, and Changes in These Requirements Could Adversely Affect Us.

Our intended operations are subject to various state, local, and federal regulations that in many instances require permits and licenses. Our failure to obtain such required permits or licenses, or, once obtained, to comply with applicable regulations, could result in our inability to implement our initial business plan, or, once in operation, in fines or revocation of our operating authorities.

10. Our Stock Price Is Subject to Volatility.

Edgar Filing: SGC HOLDINGS INC - Form 10KSB

Effective March 8, 2004, the Company's common stock has been approved for listing on the OTC Bulletin Board. If and when a public market for the Company's common stock actually develops, the market price of our common stock may be subject to significant fluctuations. Such fluctuations, as well as economic conditions generally, may adversely affect the market price of our securities.

11. We Have No History of Paying Dividends.

SGC Holdings, Inc. has never declared or paid any cash dividends on its common stock. For the foreseeable future, SGC Holdings, Inc. intends to retain any earnings to finance the development and expansion of its business, and it does not anticipate paying any cash dividends on its common stock. Any future determination to pay dividends will be at the discretion of the Board of Directors and will be dependent upon then existing conditions, including SGC Holdings, Inc.'s financial condition and results of operations, capital requirements, contractual restrictions, business prospects, and other factors that the Board of Directors considers relevant.

12. Substantial Leverage and Debt Service Obligations Resulting from the Company's Plan to Offer 7% Convertible Debentures May Adversely Affect SGC's Cash Flow.

The Company's planned Offering of 7% Convertible Debentures, if successfully completed, will result in substantial amounts of outstanding indebtedness. There is the possibility that SGC may be unable to generate cash sufficient to pay the principal of, interest on, and other amounts due in respect to SGC's debt when due. The sale of the Maximum Offering would result in indebtedness of approximately \$2 million.

-13-

Such leverage could have significant negative consequences, including:

- * Increasing SGC's vulnerability to general adverse economic and industry conditions;
- * Limiting SGC's ability to obtain additional financing;
- * Requiring the dedication of a substantial portion of SGC's expected cash flow from operations to service the indebtedness, thereby reducing the amount of SGC's expected cash flow available for other purposes, including capital expenditures;
- * Limiting SGC's flexibility in planning for, or reacting to, changes in SGC's business and the industry in

Edgar Filing: SGC HOLDINGS INC - Form 10KSB

which the Company competes; and

- * Placing SGC at a possible competitive disadvantage compared to less leveraged competitors and competitors that have better access to capital resources.

Item 2. Properties

SGC Holdings, Inc. does not lease or rent any property. Mr. Loukas, President, provides office space and services at 15911 East Sunburst Drive, Fountain Hills, Arizona, 85268, without charge.

Item 3. Legal Proceedings

No Director, officer, significant employee, or consultant of SGC Holdings, Inc. has been convicted in a criminal proceeding, exclusive of traffic violations.

No Director, officer, significant employee, or consultant of SGC Holdings, Inc. has been permanently or temporarily enjoined, barred, suspended, or otherwise limited from involvement in any type of business, securities or banking activities.

No Director, officer, significant employee, or consultant of SGC Holdings, Inc. has been convicted of violating a federal or state securities or commodities law.

SGC Holdings, Inc. is not a party to any pending legal proceedings.

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

There was no submission of matters to a vote of security holders during the Company's fiscal year ended December 31, 2003.

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters Market Information for Common Stock

Effective March 8, 2004, the Company has been approved for listing on the OTC Bulletin Board under the symbol "SGCG". As of March 11, 2004, no public market in SGC Holdings, Inc.'s common stock has yet developed and there can be no assurance that a meaningful trading market will subsequently develop. SGC Holdings, Inc. makes no representation about the value of its common stock.

-14-

As of March 11, 2004:

- * There are no outstanding options or warrants to

Edgar Filing: SGC HOLDINGS INC - Form 10KSB

purchase, or other instruments convertible into, common equity of SGC Holdings, Inc.;

- * There is no stock that SGC Holdings, Inc. agreed to register for sale; after December 2002, all of the Company's 2,720,000 shares of common stock currently issued and outstanding are eligible for sale, some shares of which may remain subject to certain restrictions of Rule 144 under the Securities Act; and
- * There is no stock that has been proposed to be publicly offered resulting in dilution to current shareholders.

As of December 31, 2003, SGC Holdings, Inc. has approximately 2,720,000 shares of \$0.001 par value common stock issued and outstanding held by approximately 37 shareholders of record. SGC Holdings, Inc.'s Transfer Agent is: Holladay Stock Transfer, Inc., 2939 N. 67th Place, Suite C, Scottsdale, AZ 85251, phone: (480) 481-3940, fax: (480) 481-3941.

SGC Holdings, Inc. has never declared or paid any cash dividends on its common stock. For the foreseeable future, SGC Holdings, Inc. intends to retain any earnings to finance the development and expansion of its business, and it does not anticipate paying any cash dividends on its common stock. Any future determination to pay dividends will be at the discretion of the Board of Directors and will be dependent upon then existing conditions, including SGC Holdings, Inc.'s financial condition and results of operations, capital requirements, contractual restrictions, business prospects, and other factors that the Board of Directors considers relevant.

Planned Sale of Convertible Debentures

The Company has prepared a Private Placement Memorandum dated November 26, 2003 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 would be able to convert the Convertible Debentures into shares of the Company's common stock par value \$0.001 per share (the "common stock") 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. Interest on the Convertible Debentures would be payable on February 15 and August 15 of each year, commencing on August 15, 2004. The Company would not be able to redeem the Convertible Debentures, unless the specific conditions described in the "Description of Securities" section of the Confidential Private Placement Memorandum are met.

The proceeds of the Offering will be applied primarily to financing the establishment of the Company's first restaurant.

-15-

Item 6. Selected Financial Data

	For the year ended December 31, 2003	For the year ended December 31, 2002	For the year ended December 31, 2001	December 5, 2001 (Inception) to December 31, 2003
Revenue	\$ --	\$ --	\$ --	\$ --
Total expenses	\$ 15,059	\$ 8,264	\$ 1,782	\$ 25,105
Net (Loss)	\$ (15,059)	\$ (8,264)	\$ (1,782)	\$ (25,105)
Net (Loss) per common share	\$ (0.01)	\$ (0.00)	\$ (0.00)	
Total assets	\$ 12,931	\$ 28,458	\$ 218	
Liabilities	\$ 36	\$ 504	\$ --	
Stockholders' equity	\$ 12,895	\$ 27,954	\$ 218	

Item 7. Management's Discussion and 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

Edgar Filing: SGC HOLDINGS INC - Form 10KSB

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 Annual 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.

-16-

Overview

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

- * Secured initial capitalization through equity offerings;
- * Developed a business plan;
- * Completed a financial feasibility study;
- * Incorporated a wholly owned subsidiary to obtain funding and operate the Company's first restaurant;
- * Prepared a Private Placement Memorandum to offer up to a maximum of \$1,750,000 of the Company's 7% Convertible Debentures, and
- * 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
- * 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 25-month operating period

Edgar Filing: SGC HOLDINGS INC - Form 10KSB

from December 5, 2001 (inception) to December 31, 2003, SGC Holdings, Inc. generated no revenue and incurred \$25,105 in total general and administrative expenses. The resulting cumulative net loss for the period from December 5, 2001 (inception) to December 31, 2003 was \$(25,105), 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.

B. 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.

-17-

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

Edgar Filing: SGC HOLDINGS INC - Form 10KSB

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 twelve months after completion of step 5).

-18-

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

Edgar Filing: SGC HOLDINGS INC - Form 10KSB

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 December 31, 2003, SGC Holdings, Inc. had \$12,931 in current assets (consisting entirely of cash) and \$36 in current liabilities. Thus, the working capital as of December 31, 2003 was equal to \$12,895. 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 7a. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 8. Financial Statements and Supplementary Data

The financial statements and supplementary data required by this Item 8 are included in the Company's Consolidated Financial Statements listed in Item 15(a) of this Annual Report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

-19-

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures.

As required by Rule 13a-15 under the Act, within the 90 days prior to the filing date of this report, the Company carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of the Company's President, Chief Executive Officer and Principal Financial Officer. Based upon that evaluation, the Company's President, Chief Executive Officer, and Principal Financial Officer has concluded that the Company's disclosure controls and procedures are effective in timely alerting him to material information relating to the Company required to be included in the Company's periodic SEC filings.

Edgar Filing: SGC HOLDINGS INC - Form 10KSB

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.

Item 10. Directors and Executive Officers of the Registrant

Each of SGC Holdings, Inc.'s Directors is elected by the stockholders to a term of one (1) year and serves until his or her successor is elected and qualified. Each of the officers is appointed by the Board of Directors to a term of one (1) year and serves until his or her successor is duly elected and qualified, or until he or she is removed from office. The Board of Directors has no nominating, auditing, or compensation committees.

The following table sets forth certain information regarding the Chief Executive Officer and Director of SGC Holdings, Inc.:

Name	Age	Position
Christos E. Loukas	61	President, Chief Executive Officer, Principal Financial Officer and Director

-20-

Christos E. Loukas has held his office/position since inception, and is expected to hold his office/position until the next annual meeting of SGC Holdings, Inc.'s stockholders.

Christos E. Loukas, President and Chief Executive Officer, Director, brought his Greek heritage to the United

Edgar Filing: SGC HOLDINGS INC - Form 10KSB

States when he moved there in 1969. In the same year, Mr. Loukas purchased the Bay Street Diner & Bar, renamed "St. George Clipper," located in Staten Island, New York. After 25 years of running St. George Clipper, Mr. Loukas sold the restaurant in 1994. From January 1998 to July 1999, Mr. Loukas was a bartender at Desert Forest Golf & Country Club in Scottsdale, Arizona. From July 1999 to present, Mr. Loukas has been a bartender at Fire Rock Golf & Country Club in Fountain Hills, Arizona.

Mr. Loukas will continue to work at Fire Rock Golf & Country Club as a bartender until such time as SGC Holdings, Inc. has secured funding necessary to open its first restaurant. Mr. Loukas will dedicate 20 hours a week towards that goal. Once funding is secured, Mr. Loukas will work full time for SGC Holdings, Inc. and quit his job at Fire Rock Golf & Country Club.

SGC Holdings, Inc.'s Board of Directors does not yet include any "independent" Directors, and the Company does not have a separate Audit Committee or a Compensation Committee.

Item 11. Executive Compensation

Summary Compensation Table

The following table sets forth, for the fiscal years ended December 31, 2003, 2002 and 2001, the cash compensation paid by the Company, as well as certain other compensation paid with respect to those years and months, to the Chief Executive Officer and, to the extent applicable, each of the three other most highly compensated executive officers of the Company in all capacities in which they served:

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards, Restricted Stock Awards (\$)
Christos E. Loukas, President and Chief Executive Officer, Director	2001	0	0	0	1,500
	2002	0	0	0	0
	2003	0	0	0	0

-21-

Employment Agreements

SGC Holdings, Inc. does not have employment agreements with its President and Chief Executive Officer.

Edgar Filing: SGC HOLDINGS INC - Form 10KSB

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matter

The following table sets forth certain information regarding shares of common stock beneficially owned as of December 29, 2003, by (i) each person, known to the Company, who beneficially owns more than 5% of the common stock, (ii) each of the Company's Directors and (iii) all officers and Directors as a group:

Name and Address of Beneficial Owner	Shares Beneficially Owned	Percentage of Stock Outstanding (1)
Christos E. Loukas 15911 East Sunburst Drive Fountain Hills, AZ 85268	2,000,000	73.53%
All Officers and Directors as a Group (1 person)	2,000,000	73.53%

(1) All of these shares are owned of record.

Common Stock

SGC Holdings, Inc., a Nevada corporation, is authorized to issue 25,000,000 shares of common stock, \$0.001 par value. The Company's principal officer, Christos E. Loukas, individually owns 2,000,000 common shares, equivalent to 73.53% of the issued and outstanding common stock. The holders of common stock (i) have equal rights to dividends from funds legally available therefore, ratably when, as and if declared by the Board of Directors of SGC Holdings, Inc.; (ii) are entitled to share ratably in all assets of SGC Holdings, Inc. available for distribution to holders of common stock upon liquidation, dissolution, or winding up of the affairs of SGC Holdings, Inc.; (iii) do not have preemptive, subscription or conversion rights and there are no redemption or sinking fund provisions applicable thereto; (iv) are entitled to one non-cumulative vote per share of common stock, on all matters which stockholders may vote on at all meetings of shareholders; and (v) the holders of common stock have no conversion, preemptive or other subscription rights. There is no cumulative voting for the election of Directors.

Transfer Agent

Edgar Filing: SGC HOLDINGS INC - Form 10KSB

The Company's current Transfer Agent is: Holladay Stock Transfer, Inc., 2939 N. 67th Place, Suite C, Scottsdale, AZ 85251, phone: (480) 481-3940, fax: (480) 481-3941

Item 13. Certain Relationships and Related Transactions

In December 2001, SGC Holdings, Inc. issued 500,000 shares of its \$0.001 par value common stock as founder's shares to Christos E. Loukas, an officer and Director of SGC Holdings, Inc., for total cash in the amount of \$500.

In December 2001, SGC Holdings, Inc. issued 1,500,000 shares of its \$0.001 par value common stock as founder's shares to Christos E. Loukas, an officer and Director of SGC Holdings, Inc., in exchange for services valued at \$1,500.

In August 2002, SGC Holdings, Inc. issued 60,000 shares of its \$0.001 par value common stock to three children of the President of SGC Holdings, Inc. for total cash of \$3,000 in a private placement.

SGC Holdings, Inc. does not lease or rent any property. Mr. Loukas, President, provides office space and services at 15911 East Sunburst Drive, Fountain Hills, Arizona, 85268, without charge.

Item 14. Principal Accounting Fees and Services

Audit Fees

The aggregate fees billed by Beckstead and Watts, LLP for the annual audit were \$2,000 and \$1,500 for the fiscal years ended December 31, 2003 and 2002, respectively, and their fees for review of the interim financial statements were \$1,800 and \$0 for the fiscal years ended December 31, 2003 and 2002, respectively.

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 10-K.

(a) Financial Statements.

Independent Auditors' Report

Consolidated Balance Sheets as at December 31, 2003 and 2002

Consolidated Statements of Operations for the Years Ended December 31, 2003 and 2002 and for the period of December 5, 2001 (Date of Inception) through December 31, 2003

Consolidated Statements of Changes in Stockholders' Equity for the Years Ended December 31, 2003 and 2002 and for the period of December 5, 2001 (Date of Inception) through December 31, 2003

Consolidated Statements of Cash Flows for the Years Ended December 31, 2003 and 2002 and for the period of December 5, 2001 (Date of Inception) through December 31, 2003

Edgar Filing: SGC HOLDINGS INC - Form 10KSB

Notes to Consolidated Financial Statements

-23-

(b) Reports on Form 8-K.

SGC Holdings, Inc. filed a Form 8-K report on November 6, 2003.

(c) Exhibits.

23.1 Consent of Beckstead and Watts, LLP

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

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

(d) Financial Statement Schedules.

Schedules are omitted because they are not applicable, are not required or because the information is included in the Company's Consolidated Financial Statements or notes thereto.

-24-

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.

March 11, 2004

SGC HOLDINGS, INC.

Edgar Filing: SGC HOLDINGS INC - Form 10KSB

By: /s/ Christos E. Loukas President, Chief Executive Officer
----- and Principal Financial Officer
Christos E. Loukas,

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report been signed below by the following person on behalf of the Registrant and in the capacities and on the date indicated.

/s/ Christos E. Loukas President, Chief Executive March 11, 2004
----- Officer and Director
Christos E. Loukas

-25-

Financial Statements.

Beckstead and Watts, LLP

Certified Public Accountants

3340 Wynn Road, Suite B
Las Vegas, NV 89102
702.257.1984
702.362.0540 (fax)

INDEPENDENT AUDITORS' REPORT

Board of Directors
SGC Holdings, Inc. and Subsidiary

Edgar Filing: SGC HOLDINGS INC - Form 10KSB

We have audited the Consolidated Balance Sheets of SGC Holdings, Inc. and Subsidiary (the "Company") (A Development Stage Company), as of December 31, 2003 and 2002, and the related Consolidated Statements of Operations, Stockholders' Equity, and Cash Flows for the years then ended and for the period December 5, 2001 (Date of Inception) to December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement presentation. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SGC Holdings, Inc. and Subsidiary (A Development Stage Company) as of December 31, 2003 and 2002, and the results of its operations and cash flows for the years then ended and for the period December 5, 2001 (Date of Inception) to December 31, 2003, in conformity with generally accepted accounting principles in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company has had limited operations and have not commenced planned principal operations. This raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

March 4, 2004

Edgar Filing: SGC HOLDINGS INC - Form 10KSB

SGC Holdings, Inc. and Subsidiary
(A Development Stage Company)

Consolidated Balance Sheets
as of
December 31, 2003 and 2002

and

Consolidated Statements of Operations,
Stockholders' Equity, and
Cash Flows
for the years ended
December 31, 2003 and 2002,
and
for the period of
December 5, 2001 (Date of Inception)
through
December 31, 2003

-F2-

SGC Holdings, Inc. and Subsidiary
(a Development Stage Company)

Consolidated Balance Sheets

	December 31,	
	2003	2002
Assets	-----	-----
Current assets:		
Cash	\$ 12,931	\$ 28,458
	-----	-----

Edgar Filing: SGC HOLDINGS INC - Form 10KSB

Total current assets	12,931	28,458
	-----	-----
	\$ 12,931	\$ 28,458
	=====	=====
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 36	\$ 504
	-----	-----
Total current liabilities	36	504
	-----	-----
Stockholders' equity:		
Common stock, \$0.001 par value, 25,000,000 shares authorized, 2,720,000 and 2,720,000 shares issued and outstanding as of 12/31/03 and 12/31/02, respectively	2,720	2,720
Additional paid-in capital	35,280	35,280
(Deficit) accumulated during development stage	(25,105)	(10,046)
	-----	-----
	12,895	27,954
	-----	-----
	\$ 12,931	\$ 28,458
	=====	=====

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

-F3-

SGC Holdings, Inc. and Subsidiary
(a Development Stage Company)

Consolidated Statements of Operations

	For the years ended	December 5, 2001
	December 31,	(Inception) to
	2003	December 31,
	2002	2003
	-----	-----
Revenue	\$ -	\$ -

Edgar Filing: SGC HOLDINGS INC - Form 10KSB

	-----	-----	-----
Expenses:			
General & administrative expenses	15,059	8,264	23,605
General & administrative expenses - related party	-	-	1,500
	-----	-----	-----
Total expenses	15,059	8,264	25,105
	-----	-----	-----
Net (loss)	\$ (15,059)	\$ (8,264)	\$ (25,105)
	=====	=====	=====
Weighted average number of common shares outstanding - basic and fully diluted	2,720,000	2,242,630	
	=====	=====	
Net (loss) per share - basic and fully diluted	\$ (0.01)	\$ (0.00)	
	=====	=====	

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

-F4-

SGC Holdings, Inc. and Subsidiary
(a Development Stage Company)

Consolidated Statement of Stockholders' Equity

Common Stock Shares	Amount	Additional Paid-in Capital	(Deficit) Accumulated During Development Stage	Total Stockholders' Equity

Edgar Filing: SGC HOLDINGS INC - Form 10KSB

December 2001						
Founder shares						
issued for cash	500,000	\$ 500	\$ -	\$ -	\$ 500	
December 2001						
Founder shares						
issued for services	1,500,000	1,500	-		1,500	
Net (loss)						
December 5, 2001						
(inception) to						
December 31, 2001				(1,782)	(1,782)	

Balance, December						
31, 2001	2,000,000	2,000	-	(1,782)	218	
August 2002						
506 offering						
issued for cash	720,000	720	35,280		36,000	
Net (loss)						
For the year ended						
December 31, 2002				(8,264)	(8,264)	

Balance, December 31,						
2002	2,720,000	2,720	35,280	(10,046)	27,954	
Net (loss)						
For the year ended						
December 31, 2003				(15,059)	(15,059)	

Balance, December 31,						
2003	2,720,000	\$ 2,720	\$ 35,280	\$ (25,105)	\$ 12,895	
	=====					

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

-F5-

SGC Holdings, Inc. and Subsidiary
(a Development Stage Company)

Consolidated Statements of Cash Flows

Edgar Filing: SGC HOLDINGS INC - Form 10KSB

	For the years ended December 31,		December 5, 2001 (Inception) to December 31,
	2003	2002	2003
Cash flows from operating activities			
Net (loss)	\$ (15,059)	\$ (8,264)	\$ (25,105)
Shares issued for services	-	-	1,500
Adjustments to reconcile net (loss) to net cash (used) by operating activities:			
Increase (decrease) in accounts payable	(468)	504	36
Net cash (used) by operating activities	(15,527)	(7,760)	(23,569)
Cash flows from financing activities			
Issuances of common stock	-	36,000	36,500
Net cash provided by financing activities	-	36,000	36,500
Net increase (decrease) in cash			
Cash - beginning	(15,527) 28,458	28,240 218	12,931 -
Cash - ending	\$ 12,931	\$ 28,458	\$ 12,931
Supplemental disclosures:			
Interest paid	\$ -	\$ -	\$ -
Income taxes paid	\$ 57	\$ -	\$ 57
Non-cash transactions:			
Shares issued for services provided	\$ -	\$ -	\$ 1,500
Number of shares issued for services	-	-	1,500,000

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

Edgar Filing: SGC HOLDINGS INC - Form 10KSB

SGC Holdings, Inc. and Subsidiary
(a Development Stage Company)

Notes to Consolidated Financial Statements

Note 1 - History and organization of the company

The Company was organized December 5, 2001 (Date of Inception) under the laws of the State of Nevada, as SGC Holdings, Inc. The Company has no operations and in accordance with SFAS #7, the Company is considered a development stage company. The Company is authorized to issue 25,000,000 shares of its \$0.001 par value common stock.

On October 27, 2003, the Company formed a wholly owned subsidiary, St. George Clipper One, Inc., whose plan of operation is to open restaurants.

Note 2 - Accounting policies and procedures

Cash and cash equivalents

The Company maintains a cash balance in a non-interest-bearing account that currently does not exceed federally insured limits. For the purpose of the statements of cash flows, all highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. There were no cash equivalents as of December 31, 2003 and 2002.

Impairment of long-lived assets

Long-lived assets held and used by the Company are reviewed for possible impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable or is impaired. No such impairments have been identified by management at December 31, 2003 and 2002.

Revenue recognition

The Company reports revenue as invoiced on an accrued basis. Costs of sales are recorded as items are sold and are comprised of product purchases and shipping costs. The Company will reserve 10% of revenue and will assess its return policy on an ongoing basis and reserve for charge backs and returns based on historical percentages. As of December 31, 2003 and 2002 no reserve has been made.

Advertising costs

The Company expenses all costs of advertising as incurred. There were no advertising costs included in selling, general and administrative expenses in 2003 or 2002.

Loss per share

Net loss per share is provided in accordance with Statement of Financial Accounting Standards No. 128 (SFAS #128) "Earnings Per Share". Basic loss per share is computed by dividing losses available to common stockholders by the weighted average number of common shares outstanding during the period. The Company had no dilutive common stock equivalents, such as stock options or warrants as of December 31, 2003 and 2002.

Edgar Filing: SGC HOLDINGS INC - Form 10KSB

Reporting on the costs of start-up activities

Statement of Position 98-5 (SOP 98-5), "Reporting on the Costs of Start-Up Activities," which provides guidance on the financial reporting of start-up costs and organizational costs, requires most costs of start-up activities and organizational costs to be expensed as incurred. SOP 98-5 is effective for fiscal years beginning after December 15, 1998. With the adoption of SOP 98-5, there has been little or no effect on the Company's financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

-F7-

Fair value of financial instruments

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of December 31, 2003 and 2002. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments include cash and accounts payable. Fair values were assumed to approximate carrying values for cash and payables because they are short term in nature and their carrying amounts approximate fair values or they are payable on demand.

Income Taxes

Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable on the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Segment reporting

The Company follows Statement of Financial Accounting Standards No. 130, "Disclosures About Segments of an Enterprise and Related Information". The Company operates as a single segment and will evaluate additional segment disclosure requirements as it expands its operations.

Dividends

The Company has not yet adopted any policy regarding payment of dividends. No dividends have been paid or declared since inception.

Edgar Filing: SGC HOLDINGS INC - Form 10KSB

Recent pronouncements

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities", which addresses financial accounting and reporting for costs associated with exit or disposal activities and supersedes EITF No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF No. 94-3, a liability for an exit cost was recognized at the date of an entity's commitment to an exit plan. SFAS No. 146 also establishes that the liability should initially be measured and recorded at fair value. The provisions of SFAS No. 146 will be adopted for exit or disposal activities that are initiated after December 31, 2003 and 2002.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure-an amendment of SFAS No. 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 statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The adoption of SFAS No. 148 is not expected to have a material impact on the company's financial position or results of operations.

In November 2002, the FASB issued FASB Interpretation ("FIN") No. 45, "Guarantors Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees and Indebtedness of Others", an interpretation of FIN No. 5, 57 and 107, and rescission of FIN No. 34, "Disclosure of Indirect Guarantees of Indebtedness of Others". FIN 45 elaborates on the disclosures to be made by the guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also requires that a guarantor recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of this interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2003 and 2002; while, the provisions of the disclosure requirements are effective for financial statements of interim or annual periods ending after December 15, 2002. The company believes that the adoption of such interpretation will not have a material impact on its financial position or results of operations and will adopt such interpretation during fiscal year 2003, as required.

Edgar Filing: SGC HOLDINGS INC - Form 10KSB

In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities", an interpretation of Accounting Research Bulletin No. 51. FIN No. 46 requires that variable interest entities be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or is entitled to receive a majority of the entity's residual returns or both. FIN No. 46 also requires disclosures about variable interest entities that companies are not required to consolidate but in which a company has a significant variable interest. The consolidation requirements of FIN No. 46 will apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements will apply to entities established prior to January 31, 2003 in the first fiscal year or interim period beginning after June 15, 2003. The disclosure requirements will apply in all financial statements issued after January 31, 2003. The company will begin to adopt the provisions of FIN No. 46 during the first quarter of fiscal 2003.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." SFAS No. 150 changes the classification in the statement of financial position of certain common financial instruments from either equity or mezzanine presentation to liabilities and requires an issuer of those financial statements to recognize changes in fair value or redemption amount, as applicable, in earnings. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and with one exception, is effective at the beginning of the first interim period beginning after June 15, 2003. The effect of adopting SFAS No. 150 will be recognized as a cumulative effect of an accounting change as of the beginning of the period of adoption. Restatement of prior periods is not permitted. SFAS No. 150 did not have any impact on the Company's financial position or results of operations.

Stock-Based Compensation

The Company accounts for stock-based awards to employees in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations and has adopted the disclosure-only alternative of SFAS No. 123, "Accounting for Stock-Based Compensation." Options granted to consultants, independent representatives and other non-employees are accounted for using the fair value method as prescribed by SFAS No. 123.

Year end

The Company has adopted December 31 as its fiscal year end.

Note 3 - 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 \$25,105 for the period from December 5, 2001 (inception) to December 31, 2003, 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 plans to raise additional funds via an offering of convertible debentures. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the

Edgar Filing: SGC HOLDINGS INC - Form 10KSB

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 4 - Income taxes

The Company accounts for income taxes under Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"), which requires use of the liability method. SFAS No. 109 provides that deferred tax assets and liabilities are recorded based on the differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, referred to as temporary differences. Deferred tax assets and liabilities at the end of each period are determined using the currently enacted tax rates applied to taxable income in the periods in which the deferred tax assets and liabilities are expected to be settled or realized.

-F9-

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to income before provision for income taxes. The sources and tax effects of the differences are as follows:

U.S federal statutory rate	(34.0%)
Valuation reserve	34.0%

Total	-%
	=====

As of December 31, 2003, the Company has a net operating loss carry forward as follows:

Year	Amount	Expiration
----	-----	-----
2001	\$ 1,782	2021
2002	\$ 8,264	2022
2003	\$ 15,059	2023

During the year ended December 31, 2003, the Company paid \$57 in Arizona state income taxes.

Note 5 - Stockholders' equity

The Company is authorized to issue 25,000,000 shares of its \$0.001 par value common stock.

In December 2001, the Company issued 500,000 shares of its \$0.001

Edgar Filing: SGC HOLDINGS INC - Form 10KSB

par value common stock as founders' shares to an officer and director in exchange for total cash in the amount of \$500.

In December 2001, the Company issued 1,500,000 shares of its \$0.001 par value common stock as founders' shares to an officer and director for total services rendered in the amount of \$1,500.

In August 2002, the Company issued 720,000 shares of its \$0.001 par value common stock for total cash of \$36,000 in a private placement pursuant to Regulation D, Rule 506, of the Securities Act of 1933, as amended. (See Note 7)

As of December 31, 2003, there have been no other issuances of common stock.

Note 6 - Warrants and options

As of December 31, 2003 and 2002, there were no warrants or options outstanding to acquire any additional shares of common stock.

Note 7 - Related party transactions

In August 2002, the Company issued 60,000 shares of its \$0.001 par value common stock to three children of the president of the Company for total cash of \$3,000 in a private placement pursuant to Regulation D, Rule 506, of the Securities Act of 1933, as amended. (See Note 5)

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.