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LGA, INC
Form 10QSB
February 14, 2006

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

FORM 10-QSB

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2005

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

For the transition period from _____ to _____

0-18113

Commission File No.

LGA HOLDINGS, INC.

(Exact name of small business issuer in its charter)

Utah

(State or other jurisdiction of incorporation or organization)

87-0405405

(I.R.S. Employer Identification No.)

3380 North El Paso Street, Suite G, Colorado Springs, Colorado 80907

(Address of principal executive offices)

(719) 630-3800

(Issuer's telephone number)

NO CHANGE

(Former name, former address and former fiscal year, if changed since last report)

Check whether the Issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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.

(1) Yes X No (2) Yes X No
--- --- --- ---

As of December 31, 2005, the Company had 8,162,222 shares of common stock issued and outstanding.

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Transitional Small Business Disclosure Format (Check one) Yes No

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

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(Unaudited)

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LGA HOLDINGS, INC.
(Formerly Tenet Information Systems, Inc.)
Condensed Balance Sheet
(Unaudited) December 31, 2005

Assets

Current assets:	
Accounts and notes receivable	\$ 26,644
Inventory, at lower of cost or market (Note 4)	91,185
Prepaid expenses	2,234

Total current assets	120,063

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Property and Equipment	141,293
Accumulated depreciation	(99,232)
Intangible assets	90,762
Accumulated amortization	(18,142)
Other assets	2,604

Total assets	\$ 237,348
	=====
Liabilities and Shareholders' Deficit	
Current liabilities:	
Accounts payable	\$ 56,611
Unearned revenue	85,000
Accrued payroll	119,415
Other current liabilities	38,333

Total current liabilities	299,359

Shareholders' deficit:	
Common stock (Note 2)	8,162
Additional paid-in capital	650,911
Retained loss	(721,084)

Total shareholders' deficit	(62,011)

	\$ 237,348
	=====

See accompanying notes to condensed financial statements

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

	Six Months Ended December 31,		Three Months Ended December 31,	
	2005	2004	2005	2004
	-----	-----	-----	-----
Sales and revenue	\$ 168,085	\$ 123,235	\$ 45,048	\$ 45,
	-----	-----	-----	-----
Costs of revenue	85,666	55,714	31,936	17,
Selling, general and administrative ..	141,730	229,466	61,251	94,
Research and development	3,743	11,099	120	11,
	-----	-----	-----	-----
Total operating expenses ..	231,139	296,279	93,307	122,
	-----	-----	-----	-----

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Operating loss	(63,054)	(173,044)	(48,259)	(76,
Other income (expense):				
Other income (expense)	1,289	16,359	528	(7,
Interest expense	(6,183)	(2,809)	(3,763)	(1,
	-----	-----	-----	-----
Loss before income taxes	(67,948)	(159,494)	(51,494)	(85,
	-----	-----	-----	-----
Income tax provision (Note 3)	--	--	--	--
	-----	-----	-----	-----
Net loss	\$ (67,948)	\$ (159,494)	\$ (51,494)	\$ (85,
	=====	=====	=====	=====
Basic and diluted income (loss) per share	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0
	=====	=====	=====	=====
Number of weighted average common shares outstanding	8,144,963	6,862,412	8,162,222	7,070,
	=====	=====	=====	=====

See accompanying notes to condensed financial statements

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

	Common Stock		Additional	Retained	
	Shares	Par Value	Paid-in Capital	Deficit	
	-----	-----	-----	-----	-----
Balance at					
July 1, 2005	8,119,074	\$ 8,119	\$ 620,966	\$ (653,136)	\$
Common stock options exercised (Note 2)	43,148	43	29,945	--	
Net loss	--	--	--	(67,948)	
	-----	-----	-----	-----	-----
Balance at					
December 31, 2005	8,162,222	\$ 8,162	\$ 650,911	\$ (721,084)	\$
	=====	=====	=====	=====	=====

See accompanying notes to condensed financial statements

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

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Condensed Statements of Cash Flows (Unaudited)

	Six Months Ended December 31,	
	2005	2004
Net cash used in operating activities	\$ (55,870)	\$ (247,477)
Cash flows from investing activities:		
Purchase of equipment and other assets	--	(30,395)
Net cash used in investing activities	--	(30,395)
Cash flows from financing activities:		
Payment for long-term debt	--	(10,142)
Sale of common stock	29,988	250,000
Net cash provided by financing activities	29,988	239,858
Net change in cash	(25,882)	(38,014)
Cash, beginning of period	25,882	180,619
Cash, end of period	\$ --	\$ 142,605
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Income taxes	\$ --	\$ --
Interest	\$ 6,183	\$ 2,809

See accompanying notes to condensed financial statements

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

Note 1: Basis of presentation

The condensed financial statements presented herein have been prepared by our Company in accordance with the accounting policies in its Form 10-KSB with financial statements dated June 30, 2005, and should be read in conjunction with the notes thereto.

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In our opinion, all adjustments (consisting only of normal recurring adjustments) which are necessary to provide a fair presentation of operating results for the interim period presented have been made. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the year.

Financial data presented herein are unaudited.

Note 2: Stock Options - Related Party

During the six months ended December 31, 2005, a director exercised common stock options to purchase 43,148 shares of restricted common stock for \$29,988 cash at \$0.7 per share.

A summary of changes in the number of stock options outstanding during the six months ended December 31, 2005 is as follows:

	Number of Shares Exercisable	Weighted Average Exercise Price
	-----	-----
Outstanding at July 1, 2005	3,276,008	\$ 0.68
Granted	--	--
Exercised	(43,148)	0.70
Canceled	--	--
	-----	-----
Outstanding at December 31, 2005	3,232,860	\$ 0.68
	=====	=====
Options exercisable at December 31, 2005	3,232,860	\$ 0.68
	=====	=====

Summarized information about stock options outstanding as of December 31, 2005 is as follows:

	Outstanding		Exercisable
Exercise Price at:	Number of Options	Remaining Life (in Years)	Number of Options
\$ 0.40	200,000	9.3	200,000
\$ 0.60	150,000	9.1	150,000
\$ 0.70	2,882,860	4.7	2,882,860
	-----		-----
	3,232,860		3,232,860
	=====		=====

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

Note 3: Income taxes

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We record income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes". We have incurred net operating losses during all periods presented resulting in a deferred tax asset, which was fully allowed for; therefore, the net benefit and expense resulted in \$-0- income taxes.

Note 4: Inventory

Inventory consists of raw materials and finished inventory, which have been accounted for at lower of cost or market. We have made no provision for inventory obsolescence, as our management has deemed this unnecessary.

Raw materials	\$23,621
Finished goods	67,564

	\$91,185
	=====

Note 5: Subsequent Event

Subsequent to the end of the December 31, 2005 quarter, an existing LGA shareholder exercised options for 215,738 shares of restricted common stock equal to \$149,937.91 or \$0.695 per share.

Subsequent to the end of the December 31, 2005 quarter, the Company's entire remaining GearWagonAT and GearSpace34 inventory was sold out, depleted. The Company is retooling these two products, starting with GearSpace34, in order to reduce overall product cost, simplify assembly and add new product features. The Company expects the new GearSpace34 to begin shipping near the end of the current quarter, and the new GearWagonAT to begin shipping during the June, 2006 quarter. The Company will experience lower revenue from product sales during this transition.

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

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

Results of Operations	Six Months Ended December 31,	
	----- 05	04 -----
Revenue	168,085	123,235
Cost of Revenue	85,666	55,714
SGA	141,730	229,466
R & D	3,743	11,099

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Other Income (expense)	1,289	16,359
Interest Expense	(6,183)	(2,809)
Net Loss	(67,948)	(159,494)

Six Months Ended December 31, 2005, Compared with Six Months Ended December 31, 2004

During the first six months of Fiscal 2006, the Company's revenue grew 36% to \$168,085, compared to \$123,235 in revenue for the similar period of Fiscal 2005. During the current period the Company's sales resulted primarily from inquiries generated by our web site and customer referrals.

Cost of revenue for the six months ended December 31, 2005, increased \$29,952 or 54% from \$55,714 during the 2004 period, to \$85,666 for the 2005 period.

Gross margin on product sales decreased to 49% for the current period from 55% during the prior years comparable period.

SG&A expenses decreased to \$141,730 for the six months ended December 31, 2005, compared to \$229,466 for the comparable period of 2004. The decrease in SG&A expenses for the current six month period, is primarily attributable to the one time costs associated with the Tenet Information Services combination completed during the prior year period.

Net loss for the six months ended December 31, 2005, was (\$67,948) or (\$0.01) per share as compared to (\$159,494) or (\$0.02) per share for the six months ending December 31, 2004.

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LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position decreased from \$142,605 at December 31, 2004 to \$-0- at December 31, 2005. During the first half of fiscal 2006, the Company used \$55,870 of cash to fund its operating activities.

LGA Capital Requirements

During the six months ended December 31, 2005, an LGA shareholder exercised common stock options to purchase 43,148 shares of restricted common stock for \$29,988 or \$0.695 per share. The Company is seeking to raise additional operating capital from either financing activities or from product licensing revenue to fund the Company's operations and continued growth. Subsequent to the end of the December 31, 2005 quarter, an existing LGA shareholder exercised 215,738 options for 215,738 shares of restricted common stock equal to \$149,937.91 or \$0.695 per share.

Subsequent to the end of the December 31, 2005 quarter, the Company's remaining GearWagonAT and GearSpace34 inventory was sold to customers and thus, depleted. The Company is re-tooling these two products, starting with GearSpace34, in order to reduce overall product cost, simplify assembly and add new product features. The Company expects the new GearSpace34 to begin shipping near the end of the current quarter, and the new GearWagonAT to begin shipping during the June, 2006 quarter. The Company will experience lower revenue from product sales during this transition.

The Company is working on several product licensing opportunities, that if

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completed, have the potential to generate significant growth capital for our business. However, no assurance can be given as to whether these discussions will result in a completed transaction, nor can the Company give any assurances as to the timing or financial magnitude of these transactions.

The Company is experiencing a growing level of product interest from consumers, dealers and OEM's. It will take time and capital to convert this interest into product sales and/or licensing revenue. Therefore, even though the Company anticipates the sales trends of the last two years continuing, it is not able to forecast when its sales volume will be sufficient to support the Company's operating expenses.

LGA is pursuing additional growth capital from finance and/or licensing related sources. There can be no assurance given as to whether LGA will be successful at generating the additional growth capital it will need from either of these sources.

While a portion of the current liabilities, approximately \$99,867, is owed to present officers and/or directors, there can be no assurances that these officers/directors will not seek payment in the near term.

Inflation has not had a significant impact on the Company's operations.

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Item 3. Controls and Procedures.

Based on the evaluation of the Company's controls and procedures required by Rule 13a-15 or Rule 15d-15 under the Exchange Act, the Company's Chief Executive Officer and Treasurer believe that the Company's controls and other procedures that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the United States securities laws is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms were adequate as of the end of the period covered by this Form 10-QSB. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the securities laws is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

None

Item 2. Unregistered Sales of Securities and Use of Proceeds.

None

Item 3. Defaults Upon Senior Securities.

None.

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

None.

Item 5. Other Information.

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None.

Item 6. Exhibits.

(i) Exhibits

Exhibit

Exhibit No.	Description
31	Certification required under Section 302 of Sarbanes- Oxley Act of 2002
32	Certification required under Section 906 of Sarbanes- Oxley Act of 2002

(ii) Reports on Form 8-K

None

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SIGNATURES

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

Dated: February 13, 2006

LGA Holdings, Inc

/s/ Marty Williams

Chairman of the Board of Directors
Marty Williams

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