

LGA Holdings, INC  
Form 10-Q  
February 17, 2009

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended: December 31, 2008

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE  
EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

LGA HOLDINGS, INC.  
(Exact Name of Small Business Issuer as Specified in its Charter)

Utah (State or other jurisdiction of incorporation or organization)	0-18113 (Commission File No.)	87-0405405 I.R.S. Employer Identification Number
--	-------------------------------------	--

3380 North El Paso Street, Suite G, Colorado Springs, Colorado 80907  
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number including area code: (719) 630-3800

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 last 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "small reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input checked="" type="checkbox"/>

Edgar Filing: LGA Holdings, INC - Form 10-Q

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

The number of shares outstanding of the Registrant's common stock, as of the latest practicable date: February 6, 2009 was 9,366,541.

Transitional Small Business Disclosure Format: Yes [ X ] No [ X ]

---

LGA HOLDINGS, INC.  
Index to Financial Statements  
(Unaudited)

	Page
Condensed Balance Sheet at December 31, 2008 and June 30, 2008	F-1
Condensed Statements of Operations, for the six months ended December 31, 2008 and 2007 and for the three months ended December 31, 2008 and 2007	F-2
Condensed Statement of Changes in Shareholders' Equity for the period from July 1, 2008 through December 31, 2008	F-3
Condensed Statements of Cash Flows, for the six months ended December 31, 2008 and 2007	F-4
Notes to Condensed Financial Statements	F-5

LGA HOLDINGS, INC.  
Condensed Balance Sheet  
December 31, 2008  
(Unaudited)

	December 31 2008	June 30 2008
Assets		
Current assets:		
Cash	\$ 5,004	\$ 19,914
Account and notes receivable	18,190	85,914
Inventory, at lower of cost or market (Note 4)	249,460	303,048
Prepaid expenses	11,956	4,456
<b>Total current assets</b>	<b>284,610</b>	<b>413,332</b>
Property and equipment	296,693	297,456
Accumulated depreciation	(196,660)	(177,728)
Intangible Assets	120,647	120,646
Accumulated amortization	(25,534)	(23,856)
Other assets	—	2,686
<b>Total assets</b>	<b>\$ 479,757</b>	<b>\$ 632,536</b>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable (Note 6)	\$ 76,823	\$ 57,679
Unearned revenue (Note 5)	199,000	299,839
Accrued payroll	13,517	39,825
Accrued other liabilities (Note 2)	14,740	7,833
Inventory financing note payable (Note 6)	70,688	106,391
Notes payable, related party (Note 2)	55,000	55,000
<b>Total current liabilities</b>	<b>429,769</b>	<b>566,567</b>
Long term liabilities	—	—
<b>Total liabilities</b>	<b>429,769</b>	<b>566,567</b>
Shareholders' equity:		
Common stock	9,366	9,182
Additional paid-in capital	2,492,079	2,409,204
Accumulated deficit	(2,451,457)	(2,352,417)
<b>Total shareholders' equity</b>	<b>49,988</b>	<b>65,969</b>

Total liabilities and shareholders' equity	\$ 479,757	\$ 632,536
--	------------	------------

See accompanying notes to condensed financial statements

F - 1

---

LGA HOLDINGS, INC.  
Condensed Statements of Operations  
(Unaudited)

	Six months ended December 31,		Three months ended December 31,	
	2008	2007	2008	2007
Sales and revenue				
Product Sales (Note 7)	\$ 256,030	\$ 216,987	\$ 57,004	\$ 90,215
Royalties (Note 7)	115,771	5,106	57,702	4,903
<b>Total sales and revenue</b>	<b>371,801</b>	<b>222,093</b>	<b>114,706</b>	<b>95,118</b>
Costs of sales and revenue	195,182	169,152	44,329	69,802
Research and development	23,296	22,201	10,173	9,840
Selling, general and administrative	246,937	667,243	111,070	550,432
<b>Total operating expenses</b>	<b>465,415</b>	<b>858,596</b>	<b>165,572</b>	<b>630,074</b>
<b>Operating loss</b>	<b>(93,614)</b>	<b>(636,503)</b>	<b>(50,866)</b>	<b>(534,956)</b>
Other income (expense):				
Other income	11	—	5	—
Interest expense	(5,436)	(6,835)	(2,531)	(3,974)
<b>Loss before income taxes</b>	<b>(99,040)</b>	<b>(643,338)</b>	<b>(53,392)</b>	<b>(538,930)</b>
Income tax provision (Note 3)	—	—	—	—
<b>Net loss</b>	<b>\$ (99,040)</b>	<b>\$ (643,338)</b>	<b>\$ (53,392)</b>	<b>\$ (538,930)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.01)</b>	<b>\$ (0.07)</b>	<b>\$ (0.01)</b>	<b>\$ (0.06)</b>
Number of weighted average common shares outstanding	9,281,787	9,089,793	9,366,541	9,108,310

See accompanying notes to condensed financial statements

LGA HOLDINGS, INC.  
Condensed Statement of Changes in Shareholders' Equity  
(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional paid-in capital	Accumulated deficit	Total
Balance at July 1, 2008	9,247,885	\$ 9,248	\$ 2,409,138	\$ (2,352,417)	\$ 65,969
Sale of shares of common stock, pursuant to exercise of warrants at \$0.70 per share	118,656	118	82,941	—	83,059
Net loss	—	—	—	(99,040)	(99,040)
Balance at December 31, 2008	9,366,541	\$ 9,366	\$ 2,492,079	\$ (2,451,457)	\$ 49,988

See accompanying notes to condensed financial statements

LGA HOLDINGS, INC.  
Condensed Statements of Cash Flows  
(Unaudited)

	Six months ended December 31,	
	2008	2007
Net cash used in operating activities	\$ (62,266)	\$ (249,837)
Cash flows from investing activities:		
Purchase of equipment and other assets	—	(19,200)
Net cash used in investing activities	—	(19,200)
Cash flows from financing activities:		
Proceeds from notes payable, related party	—	124,056
Proceeds from related party advance (Note 2)	2,000	—
Repayment of related party advance (Note 2)	(2,000)	—
Repayment of inventory financing note payable (Note 6)	(35,703)	—
Proceeds from exercise of warrants	83,060	25,100
Proceeds from sale of common stock	—	125,000
Net cash provided by financing activities	47,357	274,156
Net change in cash	(14,909)	5,119
Cash, beginning of period	19,914	—
Cash, end of period	\$ 5,005	\$ 5,119
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Income taxes	\$ —	\$ —
Interest	\$ 3,237	\$ —

See accompanying notes to condensed financial statements



LGA HOLDINGS, INC.  
Notes to Unaudited Condensed Financial Statements

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, 2008, and should be read in conjunction with the notes thereto.

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

Interim financial data presented herein are unaudited. The information as of June 30, 2008, however, has been derived from the Company's audited financial statements within the Annual Report to Shareholders (Form 10-K). The unaudited interim financial information presented herein has been prepared by the Company in accordance with the policies in its audited financial statements for the period ended June 30, 2008 and should be read in conjunction with the notes thereto.

The accompanying statements of operations and cash flows reflect the six-month period ended December 31, 2008 and the three-month period ended December 31, 2008. The comparative figures for the six-month period ended December 31, 2007 and the three-month period ended December 31, 2007 have been included in the accompanying statements of operations and cash flows for comparison on an unaudited basis.

Recent Accounting Pronouncements

In September 2006, FASB issued Statement 157, Fair Value Measurements ("SFAS 157"). This statement defines fair value and establishes a framework for measuring fair value in generally accepted accounting principles (GAAP). More precisely, this statement sets forth a standard definition of fair value as it applies to assets or liabilities, the principal market (or most advantageous market) for determining fair value (price), the market participants, inputs and the application of the derived fair value to those assets and liabilities. The effective date of this pronouncement is for all full fiscal and interim periods beginning after November 15, 2007. The Company is currently evaluating the impact of adopting SFAS 157 on its financial statements and related disclosures.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities ("SFAS 159") which permit entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of adopting SFAS 159 on its financial position, cash flows, and results of operations.

Reclassification

Certain prior period amounts have been reclassified to conform to the current period's presentation. The reclassification did not have an effect on total revenues, total costs and expenses, loss from operations, net loss and net loss per share.



LGA HOLDINGS, INC.  
Notes to Unaudited Condensed Financial Statements

Note 2: Related Party

During August 2008, an affiliate loaned the Company \$2,000 in the form of an unsecured note. The note was repaid in full in the same month and no interest was paid for the loan.

As of December 31, 2008, accrued interest payable to certain shareholders totalled \$10,034. Interest accrued for the three months ended December 31, 2008 totalled \$1,100. As of December 31, 2008, the Company was indebted to the shareholders in the amount of \$55,000.

In October 2008, an affiliate exercised warrants to purchase 118,656 shares of the Company's common stock. Proceeds from the warrant exercise totalled \$83,060. In addition, the Company granted to the affiliate a six-month extension on existing warrants to purchase an additional 118,656 shares of common stock. The extended warrants expire on 29 April, 2009, and are otherwise identical to the exercised warrants.

Note 3: Income taxes

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

Note 4: Inventory

Inventory consists of raw materials and finished inventory, which have been accounted for at lower of cost or market. At 31 December 2008, and 30 June, 2008, inventories consist of:

	December 31, 2008	June 30, 2008
Raw Materials	\$ 60,871	\$ 77,710
Finished Goods	188,589	225,339
Total Inventory	\$ 249,460	\$ 303,049

Note 5: Unearned Revenue and Royalty Income

In January 2008, we executed a license agreement (the "Agreement") with Cequent Towing Products ("Cequent"), a division of Trimas Corporation. Under the terms of the Agreement, we granted Cequent exclusive manufacturing and sales rights to our entire line of hitch-mounted cargo carriers, the Silent Hitch Pin, and the "Pixie" bicycle carrier, for a two-year period in exchange for a \$400,000 upfront fee and royalty rights for the life of the related patents. Following the two-year exclusive period, Cequent will have non-exclusive rights for the life of the related patents. The Agreement also gives Cequent a one-year right of first refusal on any license agreement that the Company may consider with other parties for the Company's GearWagon 125 and Little Giant trailer products. We recognize revenue from the upfront fee on a straight-line basis over the two-year exclusive license period. We recognized \$50,000 in royalty income from amortization of the upfront fee and \$7,702 of additional cash royalties from this license during the quarter ended December 31, 2008. The balance of unearned revenue, all from the upfront fee, was \$199,000 at December 31, 2008.



LGA HOLDINGS, INC.  
Notes to Unaudited Condensed Financial Statements

Note 6: Debt Financing

In August 2008, we borrowed \$24,000 on a company credit card for working capital, classified as an Account Payable.

In February, 2008, we purchased 60 completed GearWagon 125 Sport Utility Trailers costing \$116,140 from our outsource manufacturer, Elkhart Sales and Service ("ESS") of Elkhart, Indiana. We financed the purchase through ESS under terms calling for monthly interest payments at 6 percent. Principal payments are due upon the sale of trailers. The remaining balance of the loan, classified as a current liability, as of December 31, 2008 is \$70,688. All interest under the loan has been charged to expense in the accompanying financial statements. The outstanding balance on the note is secured by the remaining unsold trailers.

Note 7: Concentrations

Approximately 41% of product sales in the six months ended 31 December, 2008 were to Cequent Towing Products, the licensor of our Silent Hitch Pin and hitch-mounted cargo carrier products. The sales came pursuant to an inventory liquidation plan informally agreed upon with Cequent. Following a similarly-sized inventory liquidation to Cequent anticipated during the second half of Fiscal 2009, this program will be complete and no further high concentrations of product sales to Cequent will be anticipated.

100% of royalty revenues in the six months ended 31 December, 2008 resulted from our license agreement with Cequent, and came from Cequent. Since the agreement began in January, 2008, the bulk of these revenues have come from amortization of the already-received upfront fee. Going forward, we anticipate that ongoing cash royalties paid quarterly will grow both absolutely and as a proportion of total royalty revenues. If no further license agreements are made, then these ongoing cash royalties will constitute 100% of our royalty revenue subsequent to 31 December, 2009, when amortization of the upfront fee will have been completed.

Note 8: Subsequent Events

In January, 2009, we borrowed \$15,000 from an unaffiliated shareholder on an unsecured promissory note. The note bears interest at 12% and matures on March 6, 2009. This note further provides for issuance to the note-holder of warrants for 3000 shares of common stock in the event that the note has not been repaid by February 6, 2009. As the note had not been repaid as of February 6, 2009, the warrants were issued. The warrants are immediately exercisable upon issuance at \$1.50 per share, and expire on February 6, 2014.

As of January, 2009, the right of first refusal discussed in Note 5 above has expired.

As of February, 2009, approximately \$22,425 of the credit card loan discussed in Note 6 remains unpaid.

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

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

### Forward-Looking Statements

This Quarterly Report on Form 10-Q and the documents incorporated herein by reference contain forward-looking statements. Such forward-looking statements are based on current expectations, estimates, and projections about our industry, management beliefs, and certain assumptions made by our management. Words such as “anticipates”, “expects”, “intends”, “plans”, “believes”, “seeks”, “estimates”, variations of such words, and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties, and assumptions that are difficult to predict; therefore, actual results may differ materially from those expressed or forecasted in any such forward-looking statements. Unless required by law, we undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise. However, readers should carefully review the risk factors set forth herein and in other reports and documents that we file from time to time with the Securities and Exchange Commission, particularly the Annual Reports on Form 10-KSB, Quarterly reports on Form 10-Q and any Current Reports on Form 8-K.

### Overview and History

Aero, LGA's wholly owned subsidiary, is LGA's only operating business. Aero is in the business of designing and selling gear management solutions for automotive, recreation and commercial uses. Aero's family of products uses patented designs, and includes the GearWagon(R) line of Sport Performance Trailers(R), the GearSpace(TM) line of hitch-mount cargo carriers, the Silent Hitch Pin line, the LittleGiant Trailer line and the GullWing line of RV technology. Aero was formed in 1998.

Aero was founded as a product design, development and engineering company. It specializes in providing novel solutions for vehicular cargo carrying enhancements. Aero has patents issued and pending that protect its intellectual property. These patents and claims relate to how cargo can be attached and carried on a vehicle's hitch receiver, frame, or body surface. Some examples are:

- o Silent Hitch Pin(TM) rigidly couples the connection between the trailer hitch receiver and any inserted ball mount or accessory;
- o TwinTube(TM) provides a universal mounting structure for carrying gear and equipment with a receiver style hitch;
- o The fully-enclosed, encapsulated, and easy-opening designs of Aero's product enclosures for cargo safety, security, and accessibility; and

Aero also has numerous product extensions and accessories that complement and expand these core technologies.

Aero's intellectual property has broad application in the automotive industry, and several automotive Original Equipment Manufacturers are in various stages of integrating aspects of Aero's technology into their product

lines. Aero has developed and will continue to develop intellectual property for the Automotive, RV and commercial industries. It is Aero's intent to license its technology to the industry leaders that can most effectively bring the licensed technology to market. Aero plans to license the production and sales of its products for up-front fees and ongoing royalties based on unit sales.

- 3 -

---

## Products

Aero currently has several product lines that it has been selling for several years and other product lines that are emergent. These product lines are described as follows:

- o GearWagon 125 Sport Performance Trailers(R). Aero's GearWagon(R) line of Sport Performance Trailers(R) are designed for carrying all types of personal, recreational, and commercial gear in an aerodynamic, weather-resistant, secure and attractive transport.
- o GearSpace(TM) Carriers. The GearSpace(TM) hitch based carrier line consists of two fully enclosed cargo carrier models, GearSpace 34(TM) and GearSpace 20(TM), with three structural options to choose from for varying function while on the vehicle's hitch receiver. These designs offer versatility, security and safety.
- o SILENT HITCH PIN(TM). This anti-vibration device takes all movement out of the connection between the vehicle towing system and what's being towed or carried. In short, it freezes the attachment securely in place. It works with most consumer vehicle towing systems.
- o TwinTube(TM) System. The TwinTube(TM) ("TT(TM)") System is a patented design that was included in the technology licensed to Sport Rack International/Valley Industries, Inc. as discussed above. TwinTube(TM) is a universal mounting structure for carrying gear and equipment with a hitch receiver. TwinTube(TM) is also available as a UBI(TM) system (U-Build-It).
- o GearDeck(TM) System. Incorporating Aero's novel TwinTube(TM) technology, GearDeck(TM) is a modular carrier that functions as an open platform carrier or a fully-enclosed carrier through the use of a modular hardtop lid enclosure that is easily attached and removed. The open platform can carry bicycles, among many other large items; the full enclosure system carries all kinds of general cargo as well as items such as power generators.
- o GearCrate(TM)/LittleGiant Trailer System(TM). New design for both a stand alone recyclable shipping crate, a stand alone utility trailer and the novel function of a shipping crate that can be easily converted into a trailer at destination for the device being shipped; for example, ATV's, motorcycles, generators, welders, etc. The design debuted at the April, 2005, Canton Fair in Guangzhou, China.
- o GullWing(TM) camper. Derivative of Little Giant Trailer(TM). New design for personal motor sport and RV applications. The GullWing(TM) design allows a cargo trailer to convert into a new category of camping trailer. GullWing(TM) intellectual property also has application for pickup toppers and pickup campers. On October 7, 2006 the U.S. Patent and Trade Office notified LGA of its acceptance of LGA's GullWing claims, and the patent was issued on February 20, 2007. LGA is in discussions with several RV Original Equipment Manufacturers regarding the GullWing/Foldout intellectual property.
- o TENTRIS(TM) tent and portable structure. New design for tent and portable enclosure applications.
- o GearDeck APU(TM). New derivative of Aero's GearDeck 17 system. APU is an all-in-one electrical generator storage, transportation and organization solution designed initially for



recreational vehicles. The APU system may also have application with the broader portable generator market.

- o ONAN JUICEBOX. During 2006, Aero completed a product development effort with the Onan division of Cummins, Inc. resulting in Onan's JuiceBox product. The licensed design is based on LGA's Silent Hitch Pin, TwinTube, GearDeck and LandingGear Intellectual Property. LGA began receiving product royalties in July, 2006. During fiscal 2007, a formal licensing agreement with Onan was signed that specifies per-unit royalty payments and the precise extent of licensing rights for Onan for the life of LGA's patents. Since the signing of this agreement, revenues resulting from it have been immaterial.
  
- o PIXIE <sup>TM</sup> BICYCLE CARRIER. During 2007, Aero developed and patented a new technology for bicycle carriers. Aero licensed this technology to Cequent Towing Products, a division of Trimas Corp., at the prototype stage of development, in January 2008. Aero expects to receive royalties from this license as Cequent brings products based upon this technology to market.

## The Future

Aero's future focus is on market, partner and product development. There is a large consumer market for Aero's products, and Aero's approach to this market is to enter it through partnership arrangements with large existing participants. The license with Cequent discussed above typifies that approach. We are offering licenses to all of our existing products under terms similar to the Cequent license. Royalties and other payments stemming from such licenses are currently allocated to fund continuing development of our newer ideas.

## Objectives and Sales

### Objectives

- \* To establish manufacturing, sales and marketing for Aero's products domestically and internationally
- \* To continue product development and invention work where a clear payoff is predictable
- \* To establish positive operating cash flow and earnings

## Customer Direct Sales

Historically, close to 80% of Aero's revenue has come from direct-to-end-user sales that resulted from the customer finding Aero's web site. This proportion has declined and is expected to continue declining as a result of the Cequent license and other similar licenses the company may issue in the future. We make our products available directly to consumers primarily to prove our products' market viability to potential licensing partners, such as Cequent.

Aero has promoted its products primarily through a "Public Relations" approach. As a result of these efforts, Aero has spent little on direct advertising, yet has been featured in many national magazines, newspapers, and TV and radio shows. Because Aero's product designs are novel, publishers of magazines frequently feature them in the magazines' "New Product Review" sections along with Aero's address and web site. This approach has been important to Aero's products getting discovered, while keeping its promotional expenses low.

Aero's customers also provide great leads for product sales. In addition to current owners giving Aero positive reviews to prospective new owners, Aero's products all feature its web site address on its product logo. Aero regularly gets inquiries from individuals who have seen Aero products in the field.

### Market for Products

For many years, people have been increasing their recreation time and recreation interests. This trend has spurred a dramatic increase in the purchase of sport utility vehicles (SUV's), mini-vans, and pick-up trucks. The purchase of these style vehicles reflects, in part, the consumers' perceived need for increased cargo capacity.

The installed base of receiver style hitches presents a large latent market for Aero's products. Further, Aero believes that the automotive Original Equipment Manufacturers would like to migrate the accessories currently being carried on the roofs of SUVs to the receiver hitch in order to reduce the roll-over risk of SUVs and provide consumers with more convenient cargo carrying solutions.

### Competition

The sport equipment carrier market is a competitive environment with more than ten participants that are larger than Aero and have the following advantages relative to Aero:

Name recognition

Several competitors, like Yakima Products and Thule have established names with the public. Aero is still relatively unknown. It can take years to establish a Brand name, and Aero is at the beginning of exposing its products and brand to the public. Aero's success against these competitors can not be assured.

- 5 -

---

## Product Lines

Several competitors have broad product lines compared to Aero. Aero participates in the roof top cargo carrier market in a limited way with a roof top version of its GearCage line and with GearBag, a full enclosure cargo bag that works well both on roof tops and as a full-enclosure accessory to GearCage.

In terms of product strength, Aero believes it has several distinct advantages over the competition:

- \* Large cargo capacities and lightweight designs easily surpass the cargo transport capabilities of roof-top products and other receiver based products currently on the market.
- \* The opening systems enable Aero products to enclose space more efficiently.
- \* Aero enclosed carrier products offer increased security over open carriers.
- \* Aero products are safer than rooftop carriers.
- \* Patent filings protect Aero products' ergonomics and efficiencies.
- \* Aero products' aerodynamic efficiencies reduce impact on fuel economy.
- \* Multiple product offerings provide consumers with various options and price consideration.

## Opening Systems

Aero's GearWagon(R) and GearSpace(TM) capsules represent a new category of container. These containers have shells that are concave so that the lids open by dropping and "nesting" under the base. This allows easy content access for customers. When closed, the shells are "self-reinforcing" and very tough.

## Content Security

Aero's GearWagon® trailers, GearSpace™, and GearDeck™ carriers are lockable and fully enclosed so the owner's gear is in a water and dust free environment. When traveling, having gear out of sight is one of the best theft-prevention steps to take. This means high-value, lightweight objects like cameras and computers can be stowed out of sight in Aero's carriers.

## Safety Factor

Safety comes in many forms for Aero customers. When compared to roof-based systems, Aero carriers do not raise a vehicle's center of gravity and therefore, when compared to a similar weight on the roof of a vehicle, make the vehicle less prone to rollover.

Aero's carriers are also loaded by standing on the ground. Roof carriers are commonly loaded by standing on a running board, a doorsill or a stepladder--all precarious positions from which to be lifting and moving gear. Most roof systems are limited to 100 pounds of gear weight. Most SUV hitch receivers are rated for 500 pounds of load carrying.

## Patent Protection

Starting in 1998, Aero has been diligent at protecting its technology with "utility" patent protection, which is the highest form of invention protection. Utility patents are issued for truly novel technological achievements. The method by which Aero's product capsules open, the way Aero's GearSpace(TM) carrier platforms telescope and pivot, and the features of the Silent Hitch Pin(TM) are all patented aspects of Aero's products. All Aero's patents have at least 11 years remaining in their respective terms. Aero has eight issued patents and nine pending patents.

Aero has patents issued and patents pending protecting its GearBed intellectual property. Nissan Motor Company has challenged certain GearBed claims with the US Patent and Trademark Office. While Aero intends to pursue its claims vigorously, it cannot forecast the outcome of the GearBed patent review at this time.

#### Aerodynamic Efficiencies and Fuel Economy

It appears from informal evidence that Aero's GearWagon(R) line of Sport Performance Trailers(R) is fuel efficient. It also appears from informal evidence that Aero's GearSpace(TM) carriers have no noticeable effect on fuel economy. When used on an SUV, these carriers sit in the vehicle's draft.

#### Volume and Weight Advantages

Because of Aero's capsular designs, its products offer high "space-to-weight" ratios relative to other cargo carrying products currently on the market. The GearWagon(R) 125 weighs 480 pounds empty, encloses approximately 125 cubic feet and has a carrying capacity of 1,000 pounds. A standard "box" trailer with similar storage capability typically weighs close to 1,000 pounds empty, meaning that a fully loaded GearWagon(R) 125 weighs only 480 pounds more than a comparable empty box trailer. Aero's GearSpace(TM) line attaches to one of the strongest points on a vehicle, the hitch receiver. Aero rates its GearSpace(TM) carriers for 300 pounds of cargo carrying, which gives the owner of a standard SUV more than twice the weight carrying ability of a typical roof top box.

#### Manufacturing and Development

##### Manufacturing

Aero's focus is on product and technology development. As a result of the Cequent license, all significant product assembly operations formerly performed in-house have been taken over by Cequent. In the future, Aero may assemble new products, some trailer accessories, and possibly the GearWagon 125 trailer, in-house.

Aero purchased its initial inventory of LGT-7 trailers from AutoTek China, and anticipates a continuing and growing supplier relationship with Autotek China for the LGT-7 and other products utilizing that core technology.

Aero is actively engaged in specifying sources for all its assembly services, raw materials and parts in order to ensure that its products meet its quality and performance standards. All specified raw materials and parts or acceptable substitutions are available from many suppliers, and Aero does not rely on any one supplier the loss of which would cause any long term adverse consequences to Aero.

##### Shipping

The shipping cost of Aero's products is reasonable considering some of the products' sizes. Aero has shipped over 1,000 units from Elkhart, Indiana, to destinations throughout the United States. Aero has had few freight claims for damaged goods and believes it has the packaging adequate to properly protect the product.

Aero utilizes the shipping services of Yellow, DATS, FedEx, National, LTL, and Old Dominion among others.

##### Research and Development

Aero's expenditures for research and development have been \$94,095 and \$42,654. for the fiscal years ended June 30 2007 and 2008, respectively. See Management's Discussion and Analysis, below. Aero will continue product

development and invention work where a clear payoff is anticipated. Aero is considering numerous ways to branch and grow its current products depending on market opportunity and demand. Aero continues to work on new product designs and improvements to protect and expand Aero's existing intellectual property.

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

## Results of Operations

	Three Months Ended		Six Months Ended	
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
Revenue	\$ 114,706	\$ 95,118	\$ 371,801	\$ 222,093
Cost of Revenue	(44,329)	(69,802)	(195,182)	(169,152)
Gross Margin	70,377	25,316	176,619	52,941
Research and Development	(10,173)	(9,840)	(23,296)	(22,201)
SGA (less Stock Based Compensation)	(111,070)	(96,532)	(246,937)	(213,343)
Stock-Based Compensation	0	(453,900)	0	(453,900)
Other (Expense)	(2,526)	(3,974)	(5,425)	(6,835)
Net (Loss)	(53,392)	(538,930)	(99,040)	(643,338)

## Second Quarter 2009 Compared with Second Quarter 2008

During the second quarter of Fiscal 2009, the Company had revenues of \$114,706, which represented an increase of \$19,588 or 21% over the comparable quarter's revenue of \$95,118. During the second quarter of Fiscal 2009, the Company recognized \$50,000 of royalty income from amortization of a multi-year license fee and received \$7702 of additional cash royalty payments, versus only \$4903 of such licensing revenues in the second quarter of Fiscal 2008. Product sales in the 2009 quarter were \$57,004 versus \$90,215 in 2008. The decline of our product sales reflects (1) generally depressed conditions in the Company's major markets this year compared to last year and (2) substantially lower sales of the hitch-mounted cargo carrier products that the Company licensed to Cequent in January, 2009. The substantial shift of our revenue mix from product sales to royalties is in line with the Company's business model and was anticipated.

Cost of revenue decreased \$25,473 or 36% from \$69,802 in Fiscal 2008 to \$44,329 in 2009. The decrease in product costs was due primarily to lower product sales volume.

Gross margin increased substantially in the second quarter of 2009 versus the second quarter of 2008, both absolutely and in percentage terms, from \$25,316 in 2008 to \$70,377 in 2009, primarily due to the shift in revenue mix from product sales to royalties. Royalty revenues, of which the Company recognized \$57,702 in 2009 versus \$4903 in 2008, carry 100% gross margins.

SG&A expenses (less Stock-Based Compensation) increased from \$96,532 in 2008 to \$111,070 in 2009, due primarily to rent, other overhead, and closing costs of the Company's Elkhart, Indiana leased facility incurred during the Fiscal 2009 quarter, versus no such costs in the Fiscal 2008 quarter. In October 2008, the Company terminated its lease on the Elkhart facility and returned the facility to its owner. The Company's inventory of GearWagon 125 trailers remains in the former Elkhart facility and payments continue to be made to the facility for specific services rendered in regard to that inventory, at a level substantially reduced from that facility's previous fixed cost to the



Company.

Net loss for the quarter ended December 31, 2008 decreased to (\$53,392) or (\$0.01) per share as compared to (\$538,930) or (\$0.06) per share for the quarter ended December 31, 2007 primarily due to (1) the reduction to -0- of Stock-Based Compensation versus \$453,900 of same the year prior, and (2) the increase in Gross Margin discussed above, offset by the increase in SGA discussed above.

- 8 -

---

### First Six Months 2009 Compared with First Six Months 2008

During the first six months of Fiscal 2009, the Company had revenues of \$371,801, which represented an increase of \$149,708 or 67% over the comparable six months' revenue of \$222,093. During the first six months of Fiscal 2009, the Company recognized \$100,000 of royalty income from amortization of a multi-year license fee and received \$15,771 of additional cash royalty payments, versus only \$5106 of such licensing revenues in the first six months of Fiscal 2008. Product sales in the 2009 first six months were \$256,030 versus \$216,987 in 2008. The increase in our product sales primarily reflects substantial liquidation of inventories to Cequent during the most recent six months versus no such unusual liquidations in the prior year period. The substantial shift of our revenue mix from product sales to royalties is in line with the Company's business model and was anticipated.

Cost of revenue increased \$26,030 or 15% from \$169,152 in Fiscal 2008 to \$195,182 in 2009. The increase in product costs was due primarily to increased product sales volume.

Gross margin increased substantially in the first six months of 2009 versus the first six months of 2008, both absolutely and in percentage terms, from \$52,941 in 2008 to \$176,619 in 2009, primarily due to the shift in revenue mix from product sales to royalties. Royalty revenues, of which the Company recognized \$115,771 in 2009 versus \$5,106 in 2008, carry 100% gross margins.

SG&A expenses (less Stock-Based Compensation) increased from \$213,343 in 2008 to \$246,937 in 2009, due primarily to rent, other overhead, and closing costs of the Company's Elkhart, Indiana leased facility incurred during the Fiscal 2009 first six months, versus no such costs in the Fiscal 2008 first six months. In October 2008, the Company terminated its lease on the Elkhart facility and returned the facility to its owner. The Company's inventory of GearWagon 125 trailers remains in the former Elkhart facility and payments continue to be made to the facility for specific services rendered in regard to that inventory, at a level substantially reduced from that facility's previous fixed cost to the Company.

Net loss for the six months ended December 31, 2008 decreased to (\$99,040) or (\$0.01) per share as compared to (\$643,338) or (\$0.07) per share for the six months ended December 31, 2007 primarily due to (1) the reduction to -0- of Stock-Based Compensation versus \$453,900 of same the year prior, and (2) the increase in Gross Margin discussed above, offset by the increase in SGA discussed above.

### Liquidity and Capital Resources

The Company's cash position decreased from \$19,914 at June 30, 2008 to \$5,004 at December 31, 2008. During the second quarter of Fiscal 2009, the Company used (\$62,266) of cash to fund operating activities. Negative cash flows from operating activities and reductions of the balance on our inventory financing note payable were funded primarily by proceeds from exercise of warrants, and draw-down of cash on hand.

### LGA Capital Requirements

The Company reported shareholder equity of \$49,988 as of December 31, 2008, as compared to \$65,969 as of June 30, 2008.

The Company anticipates that licensing and product sales revenues, and borrowings will be sufficient to fund all of our operating activities and present growth plans. In the event that revenues fall short of our anticipation, or the Company decides to respond to expanding growth opportunities in the future, additional capital may be required. The Company cannot give any assurance that such additional capital would be available on terms acceptable to shareholders.

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

While a portion of the current liabilities, approximately \$55,000, is owed to present officers and/or directors, there can be no assurance that these officers/directors will not seek payment in the near term.

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

- 9 -

---

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

None.

ITEM 4. CONTROLS AND PROCEDURES

Not applicable

ITEM 4T. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, based on an evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15(d)-15(e) under the Exchange Act), our Chief Executive Officer and the Chief Financial Officer each have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized, and reported within the applicable time periods specified by the SEC's rules and forms, and that information required to be disclosed by us in the reports that we file or submit under the Act is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosure.

There were no changes in our internal controls over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

This report does not include an attestation report of the company's registered public accounting firm regarding internal control over financial reporting. Identified in connection with the evaluation required by paragraph (d) of Rule 240.13a-15 or Rule 240.15d-15 of this chapter that occurred during the registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

- 10 -

---

## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS.

None.

### ITEM 1A. RISK FACTORS.

You should carefully consider the risks and uncertainties described below; and all of the other information included in this document. Any of the following risks could materially adversely affect our business, financial condition or operating results and could negatively impact the value of your investment.

The occurrence of any of the following risks could materially and adversely affect our business, financial condition and operating result. In this case, the trading price of our common stock could decline and you might lose all or part of your investment.

#### Risk Factors

Inherent in our business are various risks and uncertainties, including historical operating losses and dependence upon strategic alliances.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. We have experienced negative cash flow from operations since our inception and we have expended, and expect to continue to expend, substantial funds to continue our research and development and marketing efforts. As a result, we have suffered recurring losses through June 30, 2008. Based on our current operating plans, management believes that proceeds from future revenues, future debt financing, and future sales of common stock will be sufficient to meet operating needs for the foreseeable future. The actual funds that we will need to operate during this period will be determined by many factors, some of which are beyond our control. Lower than anticipated sales of our products or higher than anticipated expenses could require us to need.

Various factors outside of the Company's control may affect the Company's stock price and results of operations.

The market price of the Common Stock could be subject to wide fluctuations in response to quarterly variations in operating results of the Company or its competitors, changes in earnings estimates by analysts, developments in the industry or changes in general economic conditions. In addition, the recent turmoil in the financial markets may have an adverse effect on consumer spending patterns. A recessionary economic cycle, higher levels of unemployment, higher consumer debt levels, higher tax rates and other changes in tax laws or other economic factors could adversely affect consumer demand for the Company's services and in particular discretionary or elective dental services, which could adversely affect the Company's results of operations. In addition, current or worsening economic conditions could adversely affect the Company's collection of accounts receivable.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None



ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None

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

None

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

(a) Exhibits

31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of Chief Executive Officer Pursuant to Section 18 U.S.C. Section 1350

32.2 Certification of Chief Financial Officer Pursuant to Section 18 U.S.C. Section 1350

- 12 -

---

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LGA Holdings, Inc.  
(Registrant)

Date: February 13, 2009

By: /s/ Marty Williams

- 13 -

---

---



