

Edgar Filing: SEAWRIGHT HOLDINGS INC - Form 10QSB

SEAWRIGHT HOLDINGS INC  
Form 10QSB  
November 14, 2003

U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED  
SEPTEMBER 30, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM  
\_\_\_\_\_ TO \_\_\_\_\_

COMMISSION FILE NUMBER: 333-56848

SEAWRIGHT HOLDINGS, INC  
Formerly PRE-SETTLEMENT FUNDING CORPORATION  
(Exact name of Company as specified in its charter)

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

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

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

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

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

Indicate by check mark whether the Company (1) has filed all  
Reports required to be filed by Section 13 or 15(d) of the Securities  
Exchange Act of 1934 during the preceding 12 months (or for such  
shorter period that the Company was required to file such reports),  
and (2) been subject to such filing requirements for the past 90  
days. Yes X No\_\_\_

Indicate the number of shares outstanding of each of the  
issuer's class of common stock. The Registrant had 5,368,000 shares of its  
common stock outstanding as of November 10, 2003.

TABLE OF CONTENTS

	Page
Part I - Financial Information	
Item 1. Financial Statements (Unaudited)	
Condensed Balance Sheets at September 30, 2003 and December 31, 2002	
Condensed Statement of Losses for the three and nine months to September 30, 2003 and September 30, 2002 and the Period October 14, 1999(Date of Inception) Through September 30, 2003	

## Edgar Filing: SEAWRIGHT HOLDINGS INC - Form 10QSB

Condensed Statement of Cash Flows for the nine months June 30,  
2003 and 2002 and the Period October 14, 1999 (Date of Inception)  
Through September 30, 2003

Notes to Condensed Financial Statements

Item 2. Management's Discussion And  
Analysis Of Financial Condition  
Or Plan Of Operations

Item 3. Controls and Procedures

Part II - Other Information

Item 1. Legal Proceedings

Item 2. Changes In Securities

Item 3. Defaults Upon Senior Securities

Item 4. Submission Of Matters To A Vote  
Of Security Holders

Item 5. Other Information

Item 6. Exhibits And Reports On Form 8-K

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED).

Index to Financial Statements	Page No.
Condensed Balance Sheets at September 30, 2003 and December 31, 2002	F-4
Condensed Statement of Losses for the three and nine months September 30, 2003 and September 30, 2002 and the Period October 14, 1999 (Date of Inception) Through September 30, 2003	F-5
Condensed Statement of Deficiency in Stockholders' Equity for the Period October 14, 1999 (Date of Inception) Through September 30, 2003	F-6
Condensed Statement of Cash Flows for the nine months September 30, 2003 and 2002 and the Period October 14, 1999 (Date of Inception) Through September 30, 2003	F-7
Notes to Condensed Financial Statements	F-8 to F-18

SEAWRIGHT HOLDINGS INC  
(Formerly PRE-SETTLEMENT FUNDING CORPORATION)  
(A Development Stage Company)  
CONDENSED BALANCE SHEETS

Edgar Filing: SEAWRIGHT HOLDINGS INC - Form 10QSB

ASSETS	September 30, 2003 ( Unaudited )	December 31, 2002 ( Audited )
Current assets:		
Cash and equivalents	\$ 43,585	\$ 1,000
Loans receivable	-	-
Claims advances	6,500	-
Prepaid expenses and other	-	-
Total current assets	50,085	1,000
LIABILITIES AND DEFICIENCY IN STOCKHOLDER'S EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	126,135	86,135
Advances from shareholder	113,106	2,000
Total current liabilities	239,241	88,135
Long Term Liabilities:		
Proceeds received for Preferred Stock to be issued	50,000	-
Preferred stock, par value, \$.001 per share; 100,000 shares authorized; none issued and outstanding at September 30, 2003 and December 31, 2002	-	-
Commitments and Contingencies	-	-
Deficiency in Stockholders' Equity		
Common stock, par value, \$.001 per share; 19,900,000 shares authorized; 5,368,000 shares issued and outstanding at September 30, 2003 and December 31, 2002	5,368	-
Additional paid-in-capital	183,652	183,652
Deficit accumulated during development stage	(428,176)	(1,070,000)
Deficiency in stockholder's equity	(239,156)	(886,348)
	50,085	1,000

See accompanying notes to unaudited condensed financial information

SEAWRIGHT HOLDINGS, INC.  
Formerly PRE-SETTLEMENT FUNDING CORPORATION  
(A Development Stage Company)  
CONDENSED STATEMENTS OF OPERATIONS  
(UNAUDITED)

	For The Three Months Ended September 30		For The Nine Months Ended September 30		For The period October 14, 1999 (Date of Inception) through September 2003
	2003	2002	2003	2002	
Revenues:	\$ 0	\$ 4375	\$ 1,125	\$ 8,102	\$ 16,000
Costs and Expenses:					
Selling, general and administrative	5815	99,610	102,871	312,301	1,194,000
Total Cost and Expense	5815	99,610	102,871	312,301	1,194,000
Income (Loss) from operations	(5,815)	(95,235)	(101,746)	(304,187)	(428,000)

Edgar Filing: SEAWRIGHT HOLDINGS INC - Form 10QSB

Other Income:					
Interest and other	0	0	0	12	2,
Extraordinary item					
Gain on extinguishment of debt	684,973	0	747,103	0	747,
Income (taxes) benefit	-	-			
Net Income (Loss)	679,157	(95,235)	(645,357)	(304,187)	(428,1
Income (Loss) per common share (basic and assuming dilution)	0.13	(0.02)	0.12	(0.06)	(0.
Weighted average shares outstanding					
Basic and Diluted	5,368,000	5,368,000	5,368,000	5,368,000	4,876,7

See accompanying notes to the unaudited condensed financial information

SEAWRIGHT HOLDINGS  
Formerly PRE-SETTLEMENT FUNDING CORPORATION  
(A Development Stage Company)  
STATEMENT OF DEFICIENCY IN STOCKHOLDERS' EQUITY  
FOR THE PERIOD OCTOBER 14, 1999 (Date of Inception) TO SEPTEMBER 30, 2003  
( UNAUDITED )

	Common Shares	Stock Amount	Additional Paid In Capital	Deficit Accumulated during Development Stage	
Net loss	-	\$ -	\$ -	\$ (1,291)	\$
Balance at December 31, 1999	-	-	-	(1,291)	
Common stock issued on September 30, 2000 in exchange for convertible debt at \$.50 per share	78,000	78	38,922	-	
Common stock issued on November 27, 2000 in exchange for convertible debt at \$.50 per share	26,000	26	12,974	-	
Net loss at December 31, 2000	-	-	-	(157,734)	
Balance at December 31, 2000	104,000	104	51,896	(159,025)	
Common stock issued on January 1, 2001 in exchange for convertible debt at \$.50 per share	174,000	174	86,826	-	
Common stock issued on January 2, 2001 to founders in exchange for services valued at \$ .001 per share	5,000,000	5,000	20	-	
Common stock issued on January 2, 2001 in exchange for services at \$.50 per share	90,000	90	44,910	-	
Net Loss at December 31, 2001	-	-	-	(556,921)	

Edgar Filing: SEAWRIGHT HOLDINGS INC - Form 10QSB

Balance at December 31, 2001	5,368,000	5,368	183,652	(715,946)
Net Loss at December 31,2002	-	-	-	(357,588)
Balance at December 31, 2002	5,368,000	5,368	183,652	(1,073,534)
Net surplus for the nine months ended September 30, 2003	-	-	-	645,357
Balance at September 30, 2003	5,368,000	5,368	183,652	(428,176)

SEAWRIGHT HOLDINGS, INC.  
FORMERLY PRE-SETTLEMENT FUNDING CORPORATION  
(A Development Stage Company)  
CONDENSED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	For The Nine Months Ended September 30		For The period October 14, 19 (Date of Incep through September 2003
	2003	2002	
Net cash from operating activities	(6,433)	(21,059)	(240,
Cash flows from investing activities	-	-	
Net cash from financing activities	50,000	20,333	284,
Net increase (decrease) in cash and equivalents	43,567	(726)	43,
Cash and cash equivalents at beginning of period	18	1,003	
Cash and cash equivalents at end of period	43,585	277	43,
Supplemental Information:			
Cash paid during the period for interest	-	-	
Cash paid during the period for taxes	-	-	
Common Stock issued in exchange for capital notes	-	-	139,
Common Stock issued to founders in exchange for services	-	-	5,
Common Stock issued in exchange for Services	-	-	45,

See accompanying notes to unaudited condensed financial information

SEAWRIGHT HOLDINGS, INC.  
FORMERLY PRE-SETTLEMENT FUNDING CORPORATION  
(A Development Stage Company)  
Notes to Financial Statements  
( Unaudited )

NOTE A-SUMMARY OF ACCOUNTING POLICIES

General

The accompanying unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted

## Edgar Filing: SEAWRIGHT HOLDINGS INC - Form 10QSB

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

In the opinion of management, all adjustments ( consisting of normal recurring accruals ) considered necessary for a fair presentation have been included. Accordingly, the results from operations for the three months period ended September 30, 2003, are not necessarily indicative of the results that may expected for the year ending December 31, 2003. The unaudited condensed financial statements should be read in conjunction with the December 31, 2002 financial statements and footnotes thereto included in the Company's SEC Form 10 QSB.

### Business and Basis of Presentation

SEAWRIGHT HOLDINGS, Inc. formerly Pre-Settlement Funding Corporation ("Company") was formed on October 14, 1999 under the laws of the state of Delaware. The name change from Pre- Settlement Funding Corporation took place September 26th, 2003. The Company is a development stage enterprise, as defined by Statement of Financial Accounting Standards No. 7 ("SFAS No. 7"). The company's initial business was seeking to provide financing to plaintiffs who are involved in personal injury claims. From its inception through the date of these financial statements the Company has recognized limited revenues and has incurred significant operating expenses. As of the previous quarter the personal injury settlement business is discontinued and the company is pursuing alternative business opportunities. Consequently, its operations are subject to all risks inherent in the establishment of a new business enterprise. For the period from inception through September 30, 2003, the Company has accumulated losses of \$428,176. During the quarter ended September 30, 2003 the Company took actions involving acquiring property, enabling it to enter a business which involves spring water bottling and sale. The sale was completed in October 2003.

The property acquired is known as Seawright Springs, located in Mt Sidney in the Shenandoah Valley area of Virginia. The spring has a flow in excess of 1 million gallons of water daily. The company is in the business of selling its spring water to other bottlers and may enter into co-packaging arrangements whereby other bottlers will bottle Seawright Springs water under its name or under private labeling agreements with other retailers or distributors.

### New Accounting Pronouncements

Effective January 1, 2002, the Company adopted SFAS No.142. Under the new rules, the Company will no longer amortize goodwill and other intangible assets with definitive lives, but such assets will be subject to periodic testing for impairment. On an annual basis, and when there is reason to suspect that their values have been diminished or impaired, these assets must be tested for impairment, and write downs to be included in results from operations may be necessary. SFAS No.142 also requires the Company to complete a transitional goodwill impairment test six months from the date of adoption. Any goodwill impairment loss recognized as a result of the transitional goodwill impairment test is recorded as a cumulative effect of a change in accounting principle. The adoption of SFAS 142 had no material impact on the Company's condensed financial statements.

SFAS No. 143 establishes accounting standards for the recognition and measurement of an asset retirement obligation and its associated

## Edgar Filing: SEAWRIGHT HOLDINGS INC - Form 10QSB

asset retirement cost. It also provides accounting guidance for legal obligations associated with the retirement of tangible long-lived assets. SFAS No. 143 is effective in fiscal years beginning after June 15, 2002, with early adoption permitted. The Company expects that the provisions of SFAS No. 143 will not have a material impact on its consolidated results of operations and financial position upon adoption. The Company plans to adopt SFAS No. 143 effective January 1, 2003.

SFAS No. 144 establishes a single accounting model for the impairment or disposal of long-lived assets, including discontinued operations. SFAS No. 144 superseded Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" (SFAS No. 121), and APB Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions". The Company adopted SFAS No. 144 effective January 1, 2002. The adoption of SFAS No. 144 had no material impact on Company's consolidated financial statements.

In April 2002, the FASB issued Statement No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." This Statement rescinds FASB Statement No. 4, "Reporting Gains and Losses from Extinguishment of Debt", and an amendment of that Statement, FASB Statement No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements" and FASB Statement No. 44, "Accounting for Intangible Assets of Motor Carriers". This Statement amends FASB Statement No. 13, "Accounting for Leases", to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that a similar to sale-leaseback transactions. The Company does not expect the adoption to have a material impact to the Company's financial position or results of operations.

In June 2002, the FASB issued Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This Statement Addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." The provisions of this Statement are effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. The Company does not expect the adoption to have a material impact to the Company's financial position or results of operations.

In May 2003, the FASB issued SFAS no. 150 "Accounting for Certain Instruments with Characteristics of both Liabilities and Equity" or SFAS No. 150, which establishes standards for how companies classify and measure certain financial instruments with characteristics of both liabilities and equity. It requires companies to classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). SFAS No. 150 is effective beginning with the second quarter of fiscal 2004. The Company does not believe the adoption of SFAS No 150 will have a material future impact on its financial statements.

In October 2002, the FASB issued Statement No. 147, "Acquisitions of Certain Financial Institutions—an amendment of FASB Statements No. 72 and 144 and FASB Interpretation No. 9", which removes acquisitions of financial institutions from the scope of both Statement 72 and Interpretation 9 and requires that those transactions be accounted for

## Edgar Filing: SEAWRIGHT HOLDINGS INC - Form 10QSB

in accordance with Statements No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets. In addition, this Statement amends SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, to include in its scope long-term customer relationship intangible assets of financial institutions such as depositor- and borrower-relationship intangible assets and credit cardholder intangible assets. The requirements relating to acquisitions of financial institutions are effective for acquisitions for which the date of acquisition is on or after October 1, 2002. The provisions related to accounting for the impairment or disposal of certain long-term customer-relationship intangible assets are effective on October 1, 2002. The adoption of this Statement did not have a material impact to the Company's financial position or results of operations as the Company has not engaged in either of these activities.

In December 2002, the FASB issued Statement No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure", which amends FASB Statement 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 Statement 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 transition guidance and annual disclosure provisions of Statement 148 are effective for fiscal years ending after December 15, 2002, with earlier application permitted in certain circumstances. The interim disclosure provisions are effective for financial reports containing financial statements for interim periods beginning after December 15, 2002. The adoption of this statement did not have a material impact on the Company's financial position or results of operations as the Company has not elected to change to the fair value based method of accounting for stock-based employee compensation.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities." Interpretation 46 changes the criteria by which one company includes another entity in its consolidated financial statements. Previously, the criteria were based on control through voting interest. Interpretation 46 requires a variable interest entity to 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 entitled to receive a majority of the entity's residual returns or both. A company that consolidates a variable interest entity is called the primary beneficiary of that entity. The consolidation requirements of Interpretation 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements apply in all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The Company does not expect the adoption to have a material impact to the Company's financial position or results of operations.

In April 2003, the FASB issued Statement No.149, " Amendment of Statement of 133 on Derivative Instruments and Hedging Activities". Which amends Statement 133, Accounting for Derivative Instruments and Hedging Activities. The adoption of this statement did not have a material impact on the Company's financial position.

In May 2003, the FASB issued Statement No. 150, " Accounting for certain Financial Instruments with Characteristics of both



## Edgar Filing: SEAWRIGHT HOLDINGS INC - Form 10QSB

Liabilities and Equity. The adoption of this statement did not have a material impact on the Company's financial position.

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

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

The following discussion contains forward-looking statements that are subject to significant risks and uncertainties about us, our current and planned products, our current and proposed marketing and sales, and our projected results of operations. There are several important factors that could cause actual results to differ materially from historical results and percentages and results anticipated by the forward-looking statements. We have sought to identify the most significant risks to its business, but cannot predict whether or to what extent any of such risks may be realized nor can there be any assurance that we have identified all possible risks that might arise. Investors should carefully consider all of such risks before making an investment decision with respect to our stock. The following discussion and analysis should be read in conjunction with the financial statements of our Company and notes thereto. This discussion should not be construed to imply that the results discussed herein will necessarily continue into the future, or that any conclusion reached herein will necessarily be indicative of actual operating results in the future. Such discussion represents only the best present assessment from our Management.

#### Plan of Operation

Seawright Holdings Inc., formerly Pre-settlement Funding Corp, is still in the development stage and has earned only a small amount of revenue, approximately \$16,000, from its previous operations involving funding of 40 personal injury cases. Due to the down turn in the financial markets and consequent lack of outside investment interest in the business of advancing cash to plaintiffs involved in personal injury claims, as well as to plaintiffs involved in other types of claims such as divorce cases, we are not seeking to continue this business line.

During the next twelve months, to the extent it is feasible and profitable, we intend to develop other business interests and investment opportunities, which are not related to the litigation funding business. The further development of the other businesses may include, but may not be limited to, developing marketing materials, renting additional office space, and interviewing and hiring administrative, and marketing personnel. Also, where appropriate we will seek outside financing for new activities in the forms of loans and equity investment. In the quarter ending September 30, 2003 we

## Edgar Filing: SEAWRIGHT HOLDINGS INC - Form 10QSB

made arrangements to enter a business involving the sale of bulk spring water. In the quarter we negotiated agreements to purchase a property with a suitable source of water for the sum of \$1 million. The property acquisition and related loan agreements were completed in October 2003. We intend to identify customers and begin selling water within the year.

As part of our reorganization of our business and to better reflect our current activities and plan of operations, the company name was changed from Pre-Settlement Funding Corporation to Seawright Holdings, Inc. Darryl Reed resigned as President and is no longer involved in our business and Joel P Sens, our principal shareholder assumed the office of President and Chief Executive Officer.

We may experience fluctuations in operating results in future periods due to a variety of factors including, but not limited to, market acceptance of our services, our ability to obtain additional financing in a timely manner and on terms favorable to us, our ability to successfully integrate prospective asset acquisitions to our existing business operation, delays or errors in our ability to upgrade and develop our systems and infrastructure in a timely and effective manner, technical difficulties, system downtime or utility brownouts, our ability to attract customers at a steady rate and maintain customer satisfaction, seasonality of advertising sales, the amount and timing of operating costs and capital expenditures relating to the expansion of our business, operations and infrastructure and the implementation of marketing programs, key agreements and strategic alliances, the number of products offered or type of investment entered into.

For the period from our inception through September 30, 2003, we have:

- Formed our company and established our initial structure
- Entered the market for litigation funding services and decided to discontinue that business.
- Issued cash advances to 40 clients
- Settled and received proceeds with respect to 29 cases
- We remain focused on pursuing collection on the outstanding 11 cases where advances to plaintiffs are still outstanding. We know of no reason with respect to these cases why they should not be collected. Some revenue may still result from the litigation funding line of business as a result.
- We have reorganized our company and investigated other business opportunities including the market for spring water and the associated costs of production.
- We have identified and contracted to purchase a property, called Seawright Springs capable of producing 1 million gallons per day of water.
- We have identified and obtained sources of funding to cover initial purchase costs for the Seawright Springs.

### Comparison of Financial Results

Three Months and Nine Months Ended September 30, 2003 versus Three

## Edgar Filing: SEAWRIGHT HOLDINGS INC - Form 10QSB

and Nine Months Ended September 30, 2002 and

### Revenues

Revenue represents the net proceeds to from the settlement of cases. We have generated revenues of approximately \$16,400 from the now discontinued operations of litigation funding from the inception of our business. During the quarter ended September 30, 2003, we have generated \$0 revenue from monetary settlements, as compared to \$4375 in revenue for the quarter ended September 30, 2002. In the nine months ended September 30, 2003 we generated \$1,125 in revenue compared to \$8,102 in the nine months ending September 30, 2002. We began advancing funds to personal injury plaintiffs in February 2001. We began recognizing revenues from the realization and receipt of monetary settlements related to the settlement of these specific litigation claims during the last six months of 2001. In the nine months ending September 30, 2003 no advances were made due to the discontinuance of the business line, but 3 cases were settled with a value of \$2,625. The margin achieved on net settlements, of 42% -45%, has remained relatively constant.

### Costs and Expenses

From our inception through September 30, 2003, we have incurred expenses of \$1,194,173 \$747,103 of these expenses were cancelled in agreements made during the nine month period ended September 30, 2003. The expenses incurred were associated principally with stock issuances to our founders, legal, consulting and accounting fees and costs in connection with the development of our business plan, market research, and the preparation of our registration statement as well as the accrual of salary to our director. In the quarter ended September 30, 2003 expenses of \$5,815 were incurred in connection with the administration of our business and represent accounting, legal and accommodation expenses. This compares with expenses of \$99,610 recorded in the quarter to September 30, 2002, which includes salary accruals. The expense for the nine months ended September 30, 2003 was \$102,871, and includes accrual of salary for the director and legal and accounting fees.. In the nine months ending September 30, 2002 expenses of \$312,301 were recorded including legal and accounting fees and accrued salaries.

### Gain on Extinguishment of Debt

During the nine months ended September 30, 2003 we settled on previous recorded liabilities resulting in a gain on extinguishment of debt totaling \$747,103. The largest component was generated principally due to the agreement of our directors to give up claims to all but \$90,000, due to Joel P Sens, of unpaid earned salary totaling \$630,000, and the reversal of accrued employer tax costs of approximately \$30,000 related to that accrued salary. Additionally, a \$89,358 reduction in previously accrued or billed legal fees was agreed. This was offset by an agreement to cancel amounts owed by director Darryl Reed of approximately \$3000.

### Liquidity and Capital Resources

As of September 30, 2003, we had a working capital deficit of \$189,156. As a result of our operating losses from our inception through September 30, 2003, we generated a cash flow deficit of \$240,651 from operating activities. We met our cash requirements during the nine months ended September 30, 2003 through approximately \$80,000 in advances from our principal shareholder and a receipt of

## Edgar Filing: SEAWRIGHT HOLDINGS INC - Form 10QSB

\$50,000 for preferred shares described below. Our accounts payable, which was composed predominantly of liabilities to our accountants and lawyers in connection with our registration statement, was reduced by \$128,698 during the nine months ended September 30, 2003 to \$25,290 at September 30, 2003. The reductions were the result of payments made by our principal shareholder of some \$66,000 on behalf of the company and settlements of approximately \$65,000. In agreements made during the quarter ended September 30 2003, approximately \$690,000 of payroll liability was eradicated from the books. This represents all the salary and related employer taxes accrued but unpaid for Darryl Reed, our former President, who resigned September 23rd, 2003 and all but \$90,000 due to Joel Sens. Accrued payroll, representing liabilities to our remaining employee, now stands at \$ 96,750 at September 30, 2003. Accrued liabilities now stands at \$4,095 at September 30, 2003 after the balance due for legal fees was reduced by \$24,000 by agreement in July 2003 and a further \$20,000 was paid by the director and major shareholder Joel Sens.

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

### Purchase of Seawright Springs

In October 2003, we took title to the property known as Seawright Springs in Mt Sidney, Virginia for \$1 million and a \$50,000 assignment fee. Stafford Street Capital LLC, a business entirely owned by our principal shareholder Joel P Sens, contracted to purchase the property in June, 2003 and assigned all its interests in the contract in October 2003 to Seawright Springs LLC, an entity wholly owned by Seawright Holdings Inc. \$300,000 was immediately due on settlement, with a further \$700,000 subject to a Promissory Note carrying a rate of 6% per annum. Under the terms of the note, \$100,000 plus interest will be due in April 2004 and \$200,000 plus interest will be due in October 2004. \$162,500 plus interest will be due in October 2006 and the remaining principal of \$237,500 and interest will be due in October 2008, the fifth anniversary of the acquisition. A note will be issued in respect of the \$50,000 assignor fee to Stafford Street Capital. A further Promissory Note was issued in October 2003 to Joel P Sens, for \$65,000 with interest accruing at a rate of 10% per annum and payable in October 2004. Proceeds from the Joel Sens note and the Series A Convertible Preferred Stock described below were used to meet the immediate liability under the purchase agreement for Seawright Springs.

### Series A Convertible Preferred Stock

During the period \$50,000 of Series A Convertible Preferred Stock proceeds were received in respect of 10,000 shares. In October 2003, a further \$200,000 Series A Convertible Preferred shares were issued and proceeds received. In total 60,000 shares were dedicated for the Series A with a par value of \$0.001 and sale price of \$5 per share, of which 50,000 have been sold to date. The shares are convertible into common stock at the option of the holder at a ratio of 10 Common Stock for each preferred share if converted before the first anniversary of the original issue date and at a ratio of 5 Common Stock for each Preferred Share if conversion is made after the first anniversary but before the second anniversary. The preferred series may be redeemed for cash at the option of the company, any time after the first anniversary of the original issue date but before the

## Edgar Filing: SEAWRIGHT HOLDINGS INC - Form 10QSB

second anniversary. The preferred shareholders shall be entitled to cumulative dividends when, as and if declared by the board at a per share rate of 10% per annum of the original issue price. At the option of the preference shareholder, accrued and unpaid cumulative dividends may be applied to the purchase of additional shares of Common Stock upon conversion of the Preferred Stock to Common Stock. In event of a liquidation of our company the Preferred Stock ranks higher than the Common Stock in determining the distribution of assets and surplus funds.

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

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

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

Our independent certified public accountants have stated in their report included in our December 31, 2002 Form 10-KSB, that we have incurred operating losses since its inception, and that we are dependent upon management's ability to develop profitable operations. These factors among others may raise substantial doubt about our ability to continue as a going concern.

### Product Research and Development

We do anticipate reviewing other lines of investment and business.

### Acquisition or Disposition of Plant and Equipment

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

### Number of Employees

As of September 30, 2003, we have one employee. In order for us to attract and retain quality personnel, we anticipate we will have to offer competitive salaries to future employees. Any future increase in personnel will depend upon the line of business or investment entered into and the availability of funding for those operations.

### Trends, Risks and Uncertainties

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

## Edgar Filing: SEAWRIGHT HOLDINGS INC - Form 10QSB

Limited operating history; anticipated losses; uncertainty of future results

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

Potential fluctuations in quarterly operating results

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

Management of Growth

Our future success will be highly dependent upon our ability to successfully manage the expansion of our operations. Our ability to manage and support our growth effectively will be substantially dependent on our ability to implement adequate financial and management controls, reporting systems, and other procedures and hire sufficient numbers of financial, accounting, administrative, and management personnel. We are in the process of establishing and upgrading our financial accounting and procedures. There can be no assurance that we will be able to identify, attract, and retain experienced accounting and financial personnel. Our future operating results will depend on the ability of our management and other key employees to implement and improve our systems for operations, financial control, and information management, and to recruit, train, and manage its employee base. There can be no assurance that we will be able to achieve or manage any such growth successfully or to implement and maintain adequate financial and management controls and procedures, and any inability to do so would have a material adverse effect on our business, results of operations, and financial condition.

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

Risks associated with acquisitions

As part of our business strategy in the future, we could acquire assets and businesses relating to or complementary to our operations. Any acquisitions would involve risks commonly encountered in acquisitions

## Edgar Filing: SEAWRIGHT HOLDINGS INC - Form 10QSB

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

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

### ITEM 3. CONTROLS AND PROCEDURES

The Company's management including the President and Treasurer, have evaluated, within 90 days prior to the filing of this quarterly report, the effectiveness of the design, maintenance and operation of the Company's disclosure controls and procedures. Management determined that the Company's disclosure controls and procedures were effective in ensuring that the information required to be disclosed by the Company in the reports that it files under the Exchange Act is accurate and is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and regulations.

Disclosure controls and procedures, no matter how well designed and

## Edgar Filing: SEAWRIGHT HOLDINGS INC - Form 10QSB

implemented, can provide only reasonable assurance of achieving an entity's disclosure objectives. The likelihood of achieving such objectives is affected by limitations inherent in disclosure controls and procedures. These include the fact that human judgment in decision making can be fully faulty and that breakdowns in internal control can occur because of human failures such as errors or mistakes or intentional circumvention of the established process.

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

### PART II.

#### ITEM 1. LEGAL PROCEEDINGS.

Other than as set forth below, the Company is not a party to any material pending legal proceedings and, to the best of its knowledge, no such action by or against the Company has been threatened.

The Company is subject to other legal proceedings and claims that arise in the ordinary course of its business. Although occasional adverse decisions or settlements may occur, the Company believes that the final disposition of such matters will not have material adverse effect on its financial position, results of operations or liquidity.

#### ITEM 2. CHANGES IN SECURITIES.

##### Sales of Unregistered Securities.

The Registrant had no sales of unregistered securities during the three month period ending September 30, 2003.

##### Use of Proceeds.

Not Applicable.

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

Not Applicable.

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

There were not any matters submitted requiring a vote of security holders during the three-month period ending September 30, 2003.

#### ITEM 5. OTHER INFORMATION.

None.

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

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

(b) Exhibits. There have not been any documents that are to be attached as Exhibits entered into during the three-month period covered in this Form 10-QSB other than those as provided below and therefore, all Exhibits have been previously filed by the Company.



## Edgar Filing: SEAWRIGHT HOLDINGS INC - Form 10QSB

### SIGNATURES

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

Seawright Holdings, Inc.

Dated:

By: /s/ Joel Sens, President/Treasurer

Exhibit

- 99.1 Certification pursuant of President to 18 U.S.C. Section 1350, as adopted to Section 906 of the Sarbanes Oxley Act of 2002.
- 99.2 Certification pursuant of Treasurer to 18 U.S.C. Section 1350, as adopted to Section 906 of the Sarbanes Oxley Act of 2002.

### CERTIFICATIONS

I, Joel Sens, certify that:

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

## Edgar Filing: SEAWRIGHT HOLDINGS INC - Form 10QSB

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize, and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

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

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

Date: November 13, 2003

/s/ Joel Sens  
Joel Sens, President/Treasurer

### Exhibit 99.1

In connection with the Quarterly Report of Seawright Holdings, Inc. (the "Company") on Form 10-QSB for the period ending September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joel Sens, President, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act, that:

(1) The Report fully complies with Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The Information contained in the Report fairly represents, in all material aspects, the financial condition and result of operations on the Company.

By: /s/ Joel Sens, President

### Exhibit 99.2

In connection with the Quarterly Report of Seawright Holdings, Inc. "Company") on Form 10-QSB for the period ending September 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joel Sens, Treasurer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act, that:

(1) The Report fully complies with Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The Information contained in the Report fairly represents, in all material aspects, the financial condition and result of operations on the Company.

By: /s/ Joel Sens  
Joel Sens, Treasurer