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VICTORY CAPITAL HOLDINGS CORP
Form 10QSB
December 23, 2004

U. S. Securities and Exchange Commission
Washington, D. C. 20549

FORM 10-QSB

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

For the quarterly period ended September 30, 2004

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

Commission File No. 2-76219-NY

VICTORY CAPITAL HOLDINGS CORPORATION

(Name of Small Business Issuer in its Charter)

NEVADA

87-0564472

(State or Other Jurisdiction of
incorporation or organization)

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

8560 West Sunset Boulevard, 3rd Floor
West Hollywood, CA 90069

(Address of Principal Executive Offices)

Issuer's Telephone Number: (800) 880-7330

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

(1) Yes No (2) Yes No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Not applicable.

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date:

December 23, 2004

61,866,925 (40,666,667 is held in Treasury)
21,200,258

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

VICTORY CAPITAL HOLDINGS CORPORATION AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2004 AND DECEMBER 31, 2003

VICTORY CAPITAL HOLDINGS CORPORATION AND SUBSIDIARIES
(A Development Stage Company)
Consolidated Balance Sheets

	ASSETS -----	
	September 30, 2004	December 31, 2003
	----- (Unaudited)	-----
CURRENT ASSETS		
Cash	\$ --	\$ --
	-----	-----
Total Current Assets	--	--
	-----	-----
FIXED ASSETS, NET	2,123	520
	-----	-----
TOTAL ASSETS	\$ 2,123	\$ 520
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES

Accounts payable	\$ 5,593	\$ 28,472
Accounts payable - related party	134,959	42,604
Accrued payroll and payroll taxes	137,792	111,956
	-----	-----

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Total Current Liabilities	278,344	183,032
	-----	-----
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock authorized 100,000,000 shares at \$0.001 par value; 21,200,258 and 16,120,258 shares issued and outstanding, respectively	21,200	16,120
Additional paid-in capital	1,765,363	617,493
Deficit accumulated during the development stage	(2,062,784)	(816,125)
	-----	-----
Total Stockholders' Equity (Deficit)	(276,221)	(182,512)
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 2,123	\$ 520
	=====	=====

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

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VICTORY CAPITAL HOLDINGS CORPORATION AND SUBSIDIARIES
(A Development Stage Company)
Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended September 30,		For the For the Nine Months Ended September 30,	
	2004	2003	2004	2003
	-----	-----	-----	-----
REVENUES	\$ 1,228	\$ --	\$ 1,228	\$ --
	-----	-----	-----	-----
EXPENSES				
Consulting expense	5,000	7,416	970,450	334,748
Salaries and wages	--	--	144,000	--
General and administrative	31,369	72,706	85,074	131,080
	-----	-----	-----	-----
Total Expenses	36,369	80,122	1,199,524	465,828
	-----	-----	-----	-----
LOSS FROM OPERATIONS	(35,141)	(80,122)	(1,198,296)	(465,828)
OTHER INCOME (EXPENSE)				

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Loss on extinguishment of debt	--	--	(48,363)	--
Interest expense	--	--	--	(1,900)
	-----	-----	-----	-----
Total Other Income	--	--	(48,363)	(1,900)
	-----	-----	-----	-----
NET LOSS	\$ (35,141)	\$ (80,122)	\$ (1,246,659)	\$ (467,728)
	=====	=====	=====	=====
BASIC LOSS PER SHARE OF COMMON STOCK	\$ (0.00)	\$ (0.01)	\$ (0.06)	\$ (0.05)
	=====	=====	=====	=====
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	21,200,258	16,110,258	19,996,024	10,252,668
	=====	=====	=====	=====

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

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VICTORY CAPITAL HOLDINGS CORPORATION AND SUBSIDIARIES
(A Development Stage Company)
Consolidated Statements of Stockholders' Equity (Deficit)

	Common Stock		Additional	Deficit
	Shares	Amount	Paid-in Capital	Accumulated During the Development Stage
	-----	-----	-----	-----
Balance, January 7, 1982	--	\$ --	\$ --	\$ --
Common stock issued for cash at \$7.50 per share	6,000	6	45,000	--
Common stock issued for cash at \$0.39 per share	168,503	169	65,819	--
Net loss from inception on January 7, 1982 through December 31, 1982	--	--	--	(39,597)
	-----	-----	-----	-----
Balance, December 31, 1982	174,503	175	110,819	(39,597)
Net loss for the year ended				

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December 31, 1983	-----	-----	-----	-----
	--	--	--	(71,397)
Balance, December 31, 1983	174,503	175	110,819	(110,994)
Common stock issued for cash at \$25.00 per share	57	--	1,425	--
Common stock issued for cash at \$25.00 per share	3	--	75	--
Common stock issued for cash at \$0.25 per share	1,580,000	1,580	38,373	--
Net loss for the year ended December 31, 1984	-----	-----	-----	-----
	--	--	--	--
Balance, December 31, 1984	1,754,563	1,755	150,692	(110,994)
Retired common stock,	(1,296,132)	(1,297)	--	--
Net loss for the year ended December 31, 1985	-----	-----	-----	-----
	--	--	--	--
Balance, December 31, 1985	458,431	458	150,692	(110,994)
Net loss for the year ended December 31, 1986	-----	-----	-----	-----
	--	--	--	--
Balance, December 31, 1986	458,431	458	150,692	(110,994)
Net loss for the year ended December 31, 1987	-----	-----	-----	-----
	--	--	--	--
Balance, December 31, 1987	458,431	\$ 458	\$ 150,692	\$ (110,994)

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

VICTORY CAPITAL HOLDINGS CORPORATION AND SUBSIDIARIES
(A Development Stage Company)
Consolidated Statements of Stockholders' Equity (Deficit) (Continued)

Common Stock		Additional Paid-in Capital	Deficit Accumulated During the Development Stage
Shares	Amount		
-----	-----	-----	-----

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Balance, December 31, 1987	458,431	\$ 458	\$ 150,692	\$ (110,994)
Net loss for the year ended December 31, 1988	--	--	--	--
Balance, December 31, 1988	458,431	458	150,692	(110,994)
Net loss for the year ended December 31, 1989	--	--	--	--
Balance, December 31, 1989	458,431	458	150,692	(110,994)
Net loss for the year ended December 31, 1990	--	--	--	--
Balance, December 31, 1990	458,431	458	150,692	(110,994)
Net loss for the year ended December 31, 1991	--	--	--	--
Balance, December 31, 1991	458,431	458	150,692	(110,994)
Net loss for the year ended December 31, 1992	--	--	--	--
Balance, December 31, 1992	458,431	458	150,692	(110,994)
Net loss for the year ended December 31, 1993	--	--	--	--
Balance, December 31, 1993	458,431	458	150,692	(110,994)
Canceled common stock	(316,000)	(316)	--	--
Net loss for the year ended December 31, 1994	--	--	--	(6,656)
Balance, December 31, 1994	142,431	142	150,692	(117,650)
Common stock issued for services at \$0.001 per share	2,357,895	2,358	--	--
Net loss for the year ended December 31, 1995	--	--	--	(49,097)
Balance, December 31, 1995	2,500,326	\$ 2,500	\$ 150,692	\$ (166,747)

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

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VICTORY CAPITAL HOLDINGS CORPORATION AND SUBSIDIARIES
 (A Development Stage Company)
 Consolidated Statements of Stockholders' Equity (Deficit) (Continued)

	Common Stock		Additional Paid-in Capital	Deficit Accumulated During the Development Stage
	Shares	Amount		
Balance, December 31, 1995	2,500,326	\$ 2,500	\$ 150,692	\$ (166,747)
Common stock issued for services at \$0.001 per share	120,000	120	--	--
Net loss for the year ended December 31, 1996	--	--	--	(1,681)
Balance, December 31, 1996	2,620,326	2,620	150,692	(168,428)
Net loss for the year ended December 31, 1997	--	--	--	(3,517)
Balance, December 31, 1997	2,620,326	2,620	150,692	(171,945)
Net loss for the year ended December 31, 1998	--	--	--	(2,479)
Balance, December 31, 1998	2,620,326	2,620	150,692	(174,424)
Net loss for the year ended December 31, 1999	--	--	--	(6,307)
Balance, December 31, 1999	2,620,326	2,620	150,692	(180,731)
Net loss for the year ended December 31, 2000	--	--	--	(9,011)
Balance, December 31, 2000	2,620,326	2,620	150,692	(189,742)
Net loss for the year ended December 31, 2001	--	--	--	(19,461)
Balance, December 31, 2001	2,620,326	2,620	150,692	(209,203)
Contributed capital for rent and officer compensation	--	--	1,950	--
Net loss for the year ended December 31, 2002	--	--	--	(13,960)

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Balance, December 31, 2002	2,620,326	2,620	152,642	(223,163)
Contributed capital for rent and officer compensation	--	--	488	--
Capital contributed by shareholders through forgiveness of accounts payable and interest	--	--	77,415	--
	-----	-----	-----	-----
Balance forward	2,620,326	\$ 2,620	\$ 230,545	\$ (223,163)
	-----	-----	-----	-----

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

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VICTORY CAPITAL HOLDINGS CORPORATION AND SUBSIDIARIES
(A Development Stage Company)
Consolidated Statements of Stockholders' Equity (Deficit) (Continued)

	Common Stock		Additional Paid-in Capital	Deficit Accumulated During the Development Stage
	Shares	Amount		
	-----	-----	-----	-----
Balance forward	2,620,326	\$ 2,620	\$ 230,545	\$ (223,163)
Common stock issued for services at \$0.025 per share	13,389,932	13,390	321,358	--
Common stock issued for services at \$0.61 per share	100,000	100	60,900	--
Common stock issued for services at \$0.47 per share	10,000	10	4,690	--
Net loss for the year ended December 31, 2003	--	--	--	(592,962)
	-----	-----	-----	-----
Balance, December 31, 2003	16,120,258	16,120	617,493	(816,125)
Common stock issued for services at \$0.16 per share (unaudited)	1,000,000	1,000	159,000	--
Common stock issued for services at \$0.17 per share (unaudited)	1,800,000	1,800	304,200	--
Common stock issue for services				

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at \$0.165 per share (unaudited)	800,000	800	131,200	--
Common stock issued for services at \$0.215 per share (unaudited)	30,000	30	6,420	--
Common stock issued for debt at \$0.45 per share (unaudited)	150,000	150	67,350	--
Common stock issued for services at \$0.40 per share (unaudited)	300,000	300	119,700	--
Common stock issued for services at \$0.34 per share (unaudited)	700,000	700	237,300	--
Common stock issued for services at \$0.41 per share (unaudited)	300,000	300	122,700	--
Net loss for the nine months ended September 30, 2004 (unaudited)	--	--	--	(1,246,659)
	-----	-----	-----	-----
Balance, September 30, 2004 (unaudited)	21,200,258	\$ 21,200	\$ 1,765,363	\$ (2,062,784)
	=====	=====	=====	=====

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

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VICTORY CAPITAL HOLDINGS CORPORATION AND SUBSIDIARIES
(A Development Stage Company)
Consolidated Statements of Cash Flows
(Unaudited)

	For the Nine Months Ended September 30,		From Inception on January 7, 1982 Through September 30,
	2004	2003	2004
	-----	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$ (1,246,659)	\$ (467,728)	\$ (2,062,784)
Adjustments to reconcile net loss to net cash used by operating activities:			
Depreciation	90	60	170
Loss on extinguishment of debt	48,363	--	48,363
Stock issued for services	1,085,450	337,248	1,488,436
Contributed capital for rent and officer compensation	--	488	2,438

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Changes in assets and liabilities:			
Increase in accounts payable and accounts payable - related party	88,613	48,342	241,105
Increase to accrued liabilities	25,836	82,190	133,792
	-----	-----	-----
Net Cash Used by Operating Activities	1,693	600	(148,480)
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of fixed assets	(1,693)	(600)	(2,293)
	-----	-----	-----
Net Cash Used by Investing Activities	(1,693)	(600)	(2,293)
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of common stock for cash	--	--	150,773
	-----	-----	-----
Net Cash Provided by Financing Activities	--	--	150,773
	-----	-----	-----
NET DECREASE IN CASH	--	--	--
CASH AT BEGINNING OF PERIOD	--	--	--
	-----	-----	-----
CASH AT END OF PERIOD	\$ --	\$ --	\$ --
	=====	=====	=====
CASH PAID FOR:			
Interest	\$ --	\$ --	\$ --
Income taxes	\$ --	\$ --	\$ --
SCHEDULE OF NON CASH FINANCING ACTIVITIES			
Stock issued for services	\$ 1,085,450	\$ 337,248	\$ 1,488,436
Contributed capital for rent and officer compensation	\$ --	\$ 488	\$ 2,438
Contributed capital by shareholders	\$ --	\$ --	\$ 77,415

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

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NOTE 1 - CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at September 30, 2004 and 2003 and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the Company's December 31, 2003 audited consolidated financial statements. The results of operations for the period ended September 30, 2004 is not necessarily indicative of the operating results for the full year.

NOTE 2 - GOING CONCERN

The Company's consolidated financial statements are prepared using accounting principles generally accepted in the United States of America applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has not yet established an ongoing source of revenues sufficient to cover its operating costs and allow it to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable. If the Company is unable to obtain adequate capital, it could be forced to cease operations.

In order to continue as a going concern, develop a reliable source of revenues, and achieve a profitable level of operations the Company will need, among other things, additional capital resources. Management's plans to continue as a going concern include seeking opportunities to merge with an existing operating company. In the interim, the shareholders of the Company will cover all operating expenses. Management cannot provide any assurances that the Company will be successful in accomplishing any of its plans.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually secure other sources of financing and attain profitable operations. The accompanying consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

NOTE 3 - SUBSEQUENT EVENTS

On November 4, 2004, the Company appointed Kurt Benjamin to the Advisory Board of Directors of the Company for one year and issued him 2,150,000 shares of the Company's common stock.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

Plan of Operation:

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The Company is positioning itself to launch multiple unique service products and is in the process of developing several marketing programs designed to increase existing subscriber base for the OnDemand, telephony, and Global Card, stored value, products.

During the 3rd Quarter, Victory began negotiations with two large corporate accounts. It is the goal of the Company to complete these negotiations and structure the roll out phases to take place during the first quarter of 2005.

In compliance with Regulation FD and as this report is coming at the end of quarter 4 it is necessary to update these same activities at this time. The negotiation with the two corporate accounts, Union Media and WorldNet Communications was completed during the month of December. The terms of these agreements call for a national rollout of the entire Victory product line. Both customers will launch during the first quarter of 2005.

Additionally during the 4th quarter the Company added new products in the area of telephony, calling cards, and VoIP dial tone for both residential and business applications. Both these platforms have the capability to be purchased through the intranet.

The Company's plan of operation for the next quarter is to continue executing the business plans of our subsidiary Companies in the following sectors: (a) Technology, (On Demand Communications Corporation) (b) Finance, (Global Card, Incorporated). Victory's business objective is to establish net operating income by focusing its efforts towards companies and industries with high growth potential. Additionally the Company is principally engaged in the formation of subsidiary companies that operate in emerging markets. It is the desire of the Company to incubate them through the initial stages of stability and to the final stages of independence.

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ITEM 3. CONTROLS AND PROCEDURES.

(a) Evaluation of Disclosure Controls and Procedures

Victory Capital Holdings Corporation's President and Secretary/Treasurer have evaluated the company's disclosure controls and procedures as of December 23, 2004, and they concluded that these controls and procedures are effective.

(b) Changes in Internal Controls

There are no significant changes in internal controls or in other factors that could significantly affect these controls subsequent to December 23, 2004.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

The Company was a named defendant in an unlawful detainer action filed in Los Angeles County, California. During the 2nd Quarter the Company's legal representation entered final settlement and the matter has been dismissed with prejudice.

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Currently the Company is not knowingly party to any litigation.

ITEM 2. CHANGES IN SECURITIES.

None; not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None; not applicable.

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

None; not applicable.

ITEM 5. OTHER INFORMATION.

On November 17, 2003 the Company relieved Jersey Transfer and Trust Company of the duties as the Company's Transfer Agent and engaged Mellon Investor Services to fill these duties and responsibilities. On December 17, 2004, the Company relieved Mellon Investor Services and engaged InterWest Stock Transfer to fill these duties and responsibilities.

On September 17, 2004 the Company hired Jon Fullenkamp to serve as the CEO of both Victory Capital but as interim CEO of the subsidiary holdings until such time as a replacement can be elected. The term of Mr. Fullenkamps agreement is for 5 years with a renewable option for an additional 5 years. Mr. Fullenkamp has bonus and incentive package customary to the telecommunications industry based entirely on the performance of the Company.

Harold Gregg, the Company's Chairman and former CEO, owns 0% of the Company's common stock, is eligible under the Performance Agreement dated January 1, 2004, which is valid through December 31, 2004, to be issued 10% of the Company's common stock at a .10 share price. These shares will be issued in the event that the business plan referenced above in item 2. is either met or exceeded.

Mr. Gregg, also serves as General Counsel for Ascot Investments, Inc., which holds 4.0% of the Company's common stock. In addition, Mr. Gregg serves as General Counsel of Ascot Aviations, Inc. and CTSO, Inc., which both hold 4.0% of the Company's common stock. Mr. Gregg currently holds a seat on the Board of Directors of Ascot Investments, Inc. Both Ascot Aviations, Inc. and CTSO, Inc. are portfolio holdings of Ascot Investments, Inc.

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

(a) Exhibits.

None.

(b) Reports on Form 8-K.

None.

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SIGNATURES

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

Victory Capital Holdings Corporation

Date: 12/23/04

By: /s/ Jon Fullenkamp

Jon Fullenkamp
CEO