

Edgar Filing: ENERCORP INC - Form 10QSB

ENERCORP INC  
Form 10QSB  
October 08, 2002

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-QSB

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

For the quarter ended March 31, 2002

OR

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

FOR THE TRANSITION PERIOD FROM TO

Commission File Number: 0-9083

Enercorp, Inc.

(Exact name of Registrant as specified in its Charter)

Colorado 84-0768802

-----  
(State or other jurisdiction of incorporation or organization) (IRS Employer Identification Number)

32751 Middlebelt Road, Suite B  
Farmington Hills, Michigan 48334

-----  
(Address of principal executive offices) (Zip Code)

(248) 851-5651

(Registrant's telephone number, including area code)

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

Number of shares of common stock outstanding at October 01, 2002: 695,897

Enercorp, Inc.

Form 10-QSB Filing for the Third Quarter Ended March 31, 2002

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Enercorp, Inc.

Part I. FINANCIAL INFORMATION  
Item 1: Financial Statements

Enercorp, Inc.  
Statements of Assets and Liabilities

	March 31, 2002 (Unaudited)	June 30, 2001
	-----	-----
<b>ASSETS</b>		
Investments, at fair value, cost of \$1,231,638 and \$1,231,638 at March 31, 2002 and June 30, 2001	\$ 893,646	\$ 984,214
Cash	2,347	342
Furniture and fixtures, net of accumulated depreciation of \$12,203 and 11,503 at March 31, 2002 and June 30, 2001 respectively	233	933
Other assets	0	0
	-----	-----
	\$ 896,226	\$ 985,489
	=====	=====
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Note payable related party	\$ 27,000	\$ 0
Note payable - Wen	30,000	0
Accounts payable and accrued liabilities	16,309	44,634
Accrued management fees	12,500	10,000
Deferred tax liability	0	0
	-----	-----
	85,809	54,634
	-----	-----
<b>Net assets</b>		
Common stock, no par value: 10,000,000		

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shares authorized, 695,897 shares issued and outstanding at March 31, 2002 and June 30, 2001 respectively	1,888,251	1,888,251
Preferred stock, no par value: 1,000,000 shares authorized, -0- issued and outstanding	0	0
Accumulated deficit	(739,672)	(709,802)
Unrealized net loss on investments, net of deferred income taxes at March 31, 2002 and June 30, 2001 respectively	(338,162)	(247,594)
	-----	-----
	810,417	930,855
	-----	-----
	\$ 896,226	\$ 985,489
	=====	=====

See notes to financial statement

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Enercorp, Inc.

Schedule of Investments  
March 31, 2002 ( Unaudited)

Affiliated Fair Mkt Companies Value	Description of Business Discount	Expir. Net Fair Date Market Value	No. of Shares	Share Price	Cost Equity
Common Stocks-Public Market Method of Valuation					
-----					
CompuSonics Video Corp	Digital Video Product & Web		1,751	0.021	
37		37			
210,000	Site Dev. (100,000)	110,000	10,000,000	0.021	106,477
Ajay Sports, 5,882	Golf & Casual	5,882	294,118	0.020	600,000
	Furniture Manufacturer		16,667	0.020	37,500
333		333			
Preferred Stocks-Public Market Method of Valuation					
-----					
Ajay Sports, 40	Golf & Casual	40	2,000	0.020	20,000
	Furniture Manufacturer				
Common Stocks-Board Appraisal Method of Valuation					
-----					
Pro Golf 447,000	Franchisor of (44,700)	a & b 402,300	7,450		195,000
Intern'l	Retail Golf Stores				
ProGolf.com,	Web Sales of	a & b	300,000	2.5	252,000

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750,000	(375,000)	375,000	
Inc.	Golf Equipment		
	Subtotal		\$1,210,977
1,413,292	(519,700)	893,592	

Warrants and Stock Options-Board Appraisal Method of Valuation

CompuSonics Video Corporation	Digital Video Product		300,000
Williams Controls, Inc.	Manuf. Of Sensors & Control Systems	08/04/04 b	25,000
		05/03/05 b	25,000
		09/13/06 b	50,000
		03/12/06 b	50,000
		10/02/08 b	50,000

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Unaffiliated Companies  
Common Stocks-Public Market Method of Valuation

Vitrio Diagnostics		300	.18	1,500
54	54			
Proconnexions, Inc.-Sports Memor'blia	a	191,610		19,161
-				
Total All Companies				\$1,231,638
\$1,413,346	(519,700)	893,646		

a No public market for this security  
b Subject to Rule 144

See notes to financial statements

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Enercorp, Inc.  
Schedule of Investments  
June 30, 2001

Affiliated Companies Discount	Description Net Fair of Business Restrictions Market Value	No. of Shares	Share Price	Cost Equity	Fair Mkt Value
	CompuSonics Video Corp Digital Video Product & Web 28	1,751			28
(100,000)	200,000	10,000,000	\$0.03	106,477	300,000
Ajay Sports,	Golf & Casual	294,118	\$0.02	600,000	5,882

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5,882						
Furniture						
Manufacturer	16,667	\$0.02	37,500			333
333						
Preferred Stocks-Public Market Method of Valuation						
=====						
Ajay Sports, Golf & Casual	2,000		20,000			500
500						
Common Stocks-Board Appraisal Method of Valuation						
-----						
Pro Golf Franchisor of a & b	7,450		195,000			447,000
(44,700) 402,300						
Intern'l Retail Golf Stores						
ProGolf.com, Web Sales of b	300,000	2.5	252,000			750,000
(375,000) 375,000						
Inc. Golf Equipment						
Subtotal			\$1,210,977			1,503,744
(519,700) 984,044						
Unaffiliated Companies						
Common Stocks-Public Market Method of Valuation						
-----						
Vitrio Diagnostics	300		1,500			170
170						
Proconnexions, Inc.-Sports Memor'blia			191,610			19,161
Total All Companies			\$1,231,638			\$1,503,914
\$(519,700) \$984,214						

a No public market for this security  
b Subject to Rule 144

See notes to financial statements

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Enercorp, Inc.  
Statements of Operations

(Unaudited)

	For Three Months ended March. 31,		For Nine Months ended, March. 31,	
	2002	2001	2002	2001
	-----	-----	-----	-----
REVENUES				
Interest Income from related Entities	\$ 0	\$ 0	\$ 0	\$ 1,640
Net realized gain on sale of Investments	0	1,465,720	0	1,474,184
Miscellaneous income	0	0	3,875	0
	-----	-----	-----	-----
	0	1,465,720	3,875	1,475,824
EXPENSES				
Salaries - officer	0	78,500	0	79,500
Legal, accounting and other				

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Professional fees	1,627	3,350	6,260	10,762
Management fees related party	7,500		22,500	
Interest expense - other	666	49,046	939	165,297
Bad debt expense	0	9,355	0	10,825
Other general and administrative expenses	338	9,140	4,047	17,519
	-----	-----	-----	-----
	10,131	149,392	33,746	283,903
	-----	-----	-----	-----
Net gain (loss) from operations before taxes	(10,131)	1,316,328	(29,871)	1,191,920
Income taxes	0	(447,552)	0	(405,593)
	-----	-----	-----	-----
Net gain (loss) from operations after taxes	(10,131)	868,776	(29,871)	786,327
	-----	-----	-----	-----
Net unrealized gain (loss) on Investments before Taxes	(139,718)	141,737	(90,568)	141,737
Income taxes	0	(48,191)	0	(48,191)
	-----	-----	-----	-----
Net unrealized gain (loss) on investment after taxes	(139,718)	93,546	(90,568)	93,546
	-----	-----	-----	-----
Increase (decrease) in net assets resulting from operations	\$ (149,849)	\$ 962,322	\$ (120,439)	\$ 879,873
	=====	=====	=====	=====
Increase (decrease) in net assets per share	\$ (0.22)	\$ 1.38	\$ (0.17)	\$ 1.26
	=====	=====	=====	=====

See notes to financial statements

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Enercorp, Inc.  
Statements of Cash Flow  
(Unaudited)

	For the Nine Months Ended March 31,	
	2002	2001
	-----	-----
Cash flows from operating activities		
Increase (decrease in net assets)	\$ (120,439)	\$879,873
Adjustments to reconcile net income to Net cash provided by operating activities:		
Depreciation	700	1,402
Bad debt provision on notes receivable and interest net of write offs	0	10,825
Gain on sale of investments	0	(1,474,184)
Unrealized (gain) loss on Investments	90,568	(141,776)
(Increase) decrease in unrealized gain on investments		2,158,715
(Increase) decrease in accounts receivable - related party		(6,104)
(Increase) decrease in accounts receivable		
(Increase) Decrease in other assets	0	640

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Increase (Decrease) in accounts payable and accrued expenses	(25,824)	(14,776)
Increase (Decrease) in deferred taxes	0	(774,728)
	-----	-----
Total adjustments	65,444	(239,947)
	-----	-----
Net cash (used) by operating activities	(54,995)	639,926
	-----	-----
Cash flows from investing activities:		
Purchase of investments	0	0
Proceeds from sale of investments		2,440,484
Payment from notes receivable		0
	-----	-----
Net cash provided (used) by investing Activities	0	2,440,484
	-----	-----
Cash flows from financing activities:		
Proceeds from notes payables	57,000	(2,328,372)
Net cash provided by investing Activities	0	0
	-----	-----
Net cash provided (used) by financing Activities	57,000	(2,328,372)
	-----	-----
Increase (Decrease) in cash	2,005	752,038
Cash, beginning of period	342	23,843
	-----	-----
Cash, end of period	\$ 2,347	\$ 775,881
	=====	=====
Supplemental disclosures of cash flow information:		
Interest paid	\$ 87	\$ 165,297
	=====	=====
Taxes paid	\$ 0	\$ 0
	=====	=====

See notes to financial statements

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Notes to Financial Statements

Note 1. Interim Financial Statements

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The accompanying interim unaudited condensed financial statements have been prepared in accordance with the instructions to Form 10-QSB and do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of the management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included, and the disclosures are adequate to make the information presented not misleading. Operating results for the nine months ended March 31, 2002 are not necessarily indicative of the results that may be expected for the year ending June 30, 2002. These statements should be read in conjunction with the financial statements and notes thereto included in the Annual 10-K Report (filed with the Securities and Exchange Commission) for the year ended June 30, 2001.

Note 2: Investments

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On March 7, 2001, the Registrant sold 1,077,800 shares of the common stock it held in its largest investee, Williams Controls, Inc., and on March 12, 2001 the Registrant sold an additional 574,529 shares of Williams Controls, Inc., for a total of 1,652,329 shares, representing all the shares of Williams

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Controls, Inc. common stock owned by the Registrant at the time of this filing. These shares were acquired by the Registrant in transactions between April 1991 and August 1998. The shares were sold in open market transactions through an unaffiliated broker. Upon settlement of the trades, the Registrant received total net proceeds of approximately \$2,424,800. These proceeds were used to pay off the Company's demand loan from a bank with a balance of \$2,141,649 plus accrued interest, and make payments of or toward other debt obligations and payables that the Company had outstanding. The Registrant continues to hold its other principal common stock investments in CompuSonics Video Corporation (10,001,751 shares), Ajay Sports, Inc. (310,785 common and 2,000 preferred shares), ProGolf.com (300,000 common shares) and Pro Golf International, Inc. (7,450 shares), and continues to hold 200,000 warrants in Williams Controls, Inc., which are fully vested at the time of this filing.

### Note 3: Capital Stock Transactions

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On September 14, 2001, the Registrant entered into a Subscription Agreement with Jack Wen, authorized agent for an investing group of qualified individuals which included Jack Wen ("Wen Group"). Under this Subscription Agreement, on September 26, 2001 upon the first payment, the Wen Group was to purchase 240,000 shares of common stock of the Registrant, representing approximately 26.4% of the Registrant's common stock issued and outstanding

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following the transaction. These shares were to be purchased for \$1.25 per share, the book value at that time, with aggregate gross proceeds of \$300,000 paid to the Registrant. Under the Subscription Agreement, the Wen Group was committed to make additional equity investments in the Registrant of \$3,000,000 for the purchase of 2,000,000 shares at \$1.50 per share, with \$1,000,000 being invested on or before November 5, 2001 as the second payment; and, in the third payment, \$2000,000,000 was to be invested at \$1.50 per share on or before February 5, 2002. Prior to this transaction, no single shareholder or shareholder group owned more than 10% of the Registrant's issued and outstanding common stock. However, this transaction was not completed. The deal was rescinded, and the stock was never issued.

### Note 4: Board of Director Changes Subsequently Rescinded.

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Upon the Registrant's receipt of \$300,000 on September 26, 2001, the following changes in the Board of Directors and officers of the Registrant were effected. Under terms of the Subscription Agreement, in addition to Directors Thomas W. Itin and H. Samuel Greenawalt, Jack Wen and George Burmann of the Wen Group were elected to serve as Directors and, additionally, Jack Wen was elected Chairman of the Board, Chief Executive Officer and President and Don Johnson of the Wen Group was elected Treasurer and Chief Financial Officer.

Upon receipt of the first payment of \$300,000 from the Wen Group under the Subscription Agreement, Jack Wen requested that \$240,000 be invested in TIDE, a PRC company headquartered in Shanghai. This investment was completed. However, upon the recession the \$240,000 investment was returned to the Wen group, therefore the investment in TIDE has not been and is not reflected in financial statements.

### Note 5

Footnote: Note payable related party

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The Registrant has a \$ 27,000 Note Payable to Dearborn Wheel Inc. The interest on the note is 10% per annum. The note is due on March 06, 2002.

### Note 6



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Footnote: Note payable  
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The Registrant has a \$ 30,000 Note Payable to Yueh Yun Chang with no interest. The principal with no interest is due on Jun 12, 2002.

Item 2. Management's Discussion and Analysis of Financial Condition / Results of Operations  
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Material Changes in Financial Condition:  
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The Registrant's liquidity is affected primarily by the business success, securities prices and marketability of its investee companies and by the amount and timing of new or incremental investments it makes, as well as the availability of borrowing under the credit line.

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The Registrant received \$300,000 for the sale of 240,000 shares of the Company's common stock, with commitments for future funding in November 2001 of \$1,000,000 and in February of 2002 of \$2,000,000, as a result of the Subscription Agreement with the Wen Group. As a condition of the Subscription Agreement, \$240,000 of the \$300,000 was invested at the request of the Wen Group in a PRC company, TIDE, leaving the Registrant with a total of \$60,000 cash on hand remaining from the Wen Group's initial investment.

There are no general terms as to how the \$30,000 note will be paid or how the Registrant intends to raise the funds for repayment or how to fund current operations. The Registrant's current plan is to bring in other investors, borrow against collateral or sell a portion of its holdings.

Material Changes in Results of Operations:  
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The Registrant interest expenses were \$ 666 and \$ 49,046 for the quarter ended March, 2002 and 2001 respectively. The change is due to the payment of Company's demand loan to a bank, therefore, there was no interest expense paid for the quarter ended March, 2002.

The Registrant recorded general and administrative expenses of \$ 338 for this quarter ended March, 2002 compare to general and administrative expenses of \$ 9,140 the quarter ended March, 2001. This change is due to the decrease in company's activity related to such expenses. General and administrative expenses include travel, telephone and other miscellaneous expenses.

The Registrant recorded an unrealized Loss on investments of \$ 139,718 for the third quarter ended March, 2002 compared to a gain of \$ 141,737 for the third quarter ended March 31, 2001. This is mainly due to the changes in investment portfolio and fair market value of the Registrant's investment in the publicly traded companies CompuSonics Video Corporation and Ajay Sports, Inc.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings  
None

Item 2. Changes in Securities  
None

Item 3. Defaults Upon Senior Securities  
None

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

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None

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Item 5. Other Information

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In early November of 2001, the Wen Group informed Registrant that the second and third payments under the Subscription Agreement would not be forthcoming and the Registrant accepted that conclusion. On November 26, 2001, a Settlement Agreement was signed by the Registrant, Jack Wen, and the investment group that Jack Wen represented to vacate the Subscription Agreement signed on September 14, 2001. In a Settlement Agreement signed and put into effect by Registrant and the Wen Group, funds paid in by the Wen Group were returned less any expenses incurred by the Registrant and less the \$240,000 investment into the PRC company, TIDE. The common stock that was part of the September 14, 2001 Subscription Agreement was not issued. The September 14, 2001 Subscription Agreement was rescinded. A payment of \$30,000 less expenses of \$2,174.50 of the Registrant was returned to the Wen Group and a note for the remaining \$30,000 was executed by the Registrant subject to certain conditions.

In a meeting of the Board of Directors of Registrant, it was resolved that the Subscription Agreement of September 14, 2001 be declared null and void, and that a request be submitted for resignations from the Wen Group officers and directors. Resignations to be requested included Jack Wen as Chairman, Director, President, CEO and COO, Don Johnson as CFO and Treasurer, George Burmann as Director, and Paul Feng as Vice President of Marketing. Further, during this meeting, Thomas W. Itin was elected to fill offices left vacant, with the exception of Vice President of Marketing, due to resignations by members of the Wen Group.

Item 6. Exhibits and Reports on Form 8-K

A) Exhibits

None

B) Form 8-K

None

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Enercorp, Inc.

Form 10-Q

For the Third Quarter Ended March 31, 2002

Signature Page

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.

Enercorp, Inc.

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(Registrant)

By: /s/ Thomas W. Itin

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Thomas W. Itin  
President

Date: October 8, 2002

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