

Edgar Filing: ENERCORP INC - Form 10-K

ENERCORP INC
Form 10-K
October 16, 2001

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

X

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

FOR THE FISCAL YEAR ENDED: June 30, 2001

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)

Registrant's telephone number, including area code: (248) 851-5651

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

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, No Par Value

(Title of Class)

Indicate by check mark whether the Registrant (1) has filed all reports 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 Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes X No

Indicate by a check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K: X

As of September 30, 2001, there were 695,897 shares of common stock outstanding and the aggregate market value of the common stock (based upon the average of the bid and asked prices of these shares on the over-the-counter market of the Registrant) held by non-affiliates was approximately \$(434,284).

Edgar Filing: ENERCORP INC - Form 10-K

Enercorp, Inc.
Form 10-K Filing for the Year Ended June 30, 2001

INDEX

	PAGE

PART I	
Item 1. Business	3
Item 2. Properties	12
Item 3. Legal Proceedings	12
Item 4. Submission of Matters to a Vote of Security Holders	12
PART II	
Item 5. Market for Registrant's Common Equity and Related Stockholder Matters	12
Item 6. Selected Financial Data	13
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	14
Item 7A. Quantitative and Qualitative Disclosure About Market Risk	16
Item 8. Financial Statements and Supplementary Data	16
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	16
PART III	
Item 10. Directors and Executive Officers of the Registrant	16
Item 11. Executive Compensation	18
Item 12. Security Ownership of Certain Beneficial Owners and Management	19
Item 13. Certain Relationships and Related Transactions	20
PART IV	
Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K	21
SIGNATURES	23

Enercorp, Inc.

FORM 10-K

PART 1

Item 1. Business

General. Enercorp, Inc. (the "Registrant" or "Company") is a closed-end, non-diversified investment company under the Investment Company Act of 1940 (the "Investment Company Act"). The Registrant was incorporated under the laws of the State of Colorado on June 30, 1978. The Registrant elected to become a business development company under the Investment Company Act on June 30, 1982. A business development company is a type of investment company that generally must maintain 70% of its assets in new, financially troubled or otherwise

Edgar Filing: ENERCORP INC - Form 10-K

qualified companies and offers significant managerial assistance to such companies. The Registrant presently has four investee companies to which it provides management assistance. Business development companies are not subject to the full extent of regulation under the Investment Company Act. (See "Regulation-Business Development Companies" below). The Registrant is primarily engaged in the business of investing in and providing managerial assistance to developing companies, which, in its opinion, have significant potential for growth. The Registrant's investment objective is to achieve long-term capital appreciation, rather than current income, on its investments. Currently, the Registrant's investment activity is limited by its working capital. There is no assurance that the Company's objective will be achieved.

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 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.

Investment Decisions and Policies. The Registrant's investment decisions are made by its management in accordance with policies approved by its Board of Directors. The Registrant is not a registered investment advisor nor does it operate pursuant to a written investment advisory agreement that must be approved periodically by stockholders. The Registrant relies solely upon its management, particularly its officers, on a day-to-day basis, and also on the experience of its directors in making investment decisions.

Consistent with its objective of long-term capital appreciation, the Registrant consults with its investees with respect to obtaining capital and offers managerial assistance to selected businesses that, in the opinion of the Registrant's management, have a significant potential for growth.

In addition to acquiring investment positions in new and developing companies, the Registrant also may occasionally invest in more mature privately and publicly-held companies, some of which may be experiencing financial difficulties, but which the Registrant believes have potential for further development or revitalization, and which, in the long-term, could experience growth and achieve profitability.

Should its working capital position allow it to do so, the Registrant plans to take advantage of other opportunities to maintain and create independent companies with a significant potential for growth. The Registrant's priorities for the future will be to attempt to (1) maximize the value and liquidity of its present investees, (2) increase its cash flow and intermediate term value through the acquisition of securities or assets of more established companies, and (3) make new higher risk investments in new and developing companies.

The Registrant has no fixed policy as to the business or industry group in which it may invest or as to the amount or type of securities or assets that it may acquire. To date, the Registrant has made investments primarily in new and developing companies whose securities had no established public market. Most of these companies initially were unable to obtain significant capital on reasonable terms from conventional sources. The Registrant endeavors to

Edgar Filing: ENERCORP INC - Form 10-K

assist its investee companies and their management teams in devising realistic business strategies and obtaining necessary financing.

The Registrant believes that it will be most likely to succeed in its investment strategies if its investee companies have strong management teams. Generally, the Registrant focuses as much or more on finding and supporting business executives who have the ability, entrepreneurial motivation and experience required to build independent companies with a significant potential for growth, as it does on identifying, selecting and financing investment opportunities based on promising ideas, products or marketing strategies. Consistent with this belief, the Registrant's managerial assistance often is provided in ways designed to build strong, independent management rather than simply providing management services. For example, the Registrant encourages its investee companies to afford their management teams opportunities for meaningful equity participation and assists them in planning ways to do this. The Registrant also assists in arranging financing, provides guaranties from time to time and occasionally provides limited financing to its investee companies to assist management of its investee companies to achieve their goals with limited supervision from the Registrant.

The Registrant has never paid cash dividends nor does it have any present intent to do so. The Registrant's future dividend policy is to make limited in kind distributions of its larger investment positions to its stockholders if and when its Board of Directors deems such distributions appropriate. The Registrant has not made any distributions of its investment portfolio to date, nor does it have any immediate plans to do so.

Business development is by nature a high-risk activity that can result in substantial losses. The companies in which the Registrant invests and will invest, especially in the early stages of an investment but to some extent with established investees, often lack effective management, face operating problems and incur substantial losses. Potential investees include established businesses which may be experiencing severe financial or operating difficulties or may, in the opinion of management, be managed ineffectively and have the potential for substantial growth or for reorganization into separate independent companies.

The Registrant will attempt to reduce the level of its investment risks through one or more of the following:

- carefully investigating potential investees;
- financing only what it believes to be practical business opportunities, as contrasted with research projects;
- selecting effective, entrepreneurial management for its investees;
- providing managerial assistance and support to investees in areas needed by them;
- obtaining, alone or with others, actual or working control of its investees;
- supporting the investees in obtaining necessary financing and arranging major contracts, joint ventures or mergers and acquisitions where feasible; and
- where possible, maintaining sufficient capital resources to make follow-on investments where necessary, appropriate and feasible.

Edgar Filing: ENERCORP INC - Form 10-K

As a business development company, the Registrant is subject to the provisions of Sections 55 through 65 of the Investment Company Act and certain additional provisions of the Investment Company Act made applicable to business development companies by Section 59 of the Investment Company Act. Under these regulations, the Registrant's investment policies are defined and subject to certain limitations. See "Regulation-Business Development Companies." Furthermore, under Section 58 of the Investment Company Act, the Registrant may not withdraw its election to be so regulated without the consent of a majority of its outstanding voting securities.

The Registrant has no fixed policy as to business or industry group in which it may invest or as to the amount or type of securities or assets that it may acquire. The Registrant has in the past and may continue to invest in assets that are not qualifying assets under Section 55 of the Investment Company Act; however, no such additional assets have been identified as of June 30, 2001, and the Registrant does not intend to fall below the 70% requirement as set forth in Section 55.

The Registrant endeavors to achieve its objectives in accordance with the following general policies:

- (1) The Registrant acquires securities through negotiated private placement transactions directly from the investee company, its affiliates, or third parties, or through open market transactions.
- (2) The Registrant attempts to acquire, if possible and consistent with the Registrant's capital resources, a large or controlling interest in its investees through purchases of equity securities, including warrants, options, and other rights to acquire such securities combined, if appropriate, with debt securities, including demand notes, term loans and guarantees, or debt instruments or preferred stock convertible into, or with warrants to purchase, equity securities.
- (3) The Registrant may make additional or "follow-on" investments in its investees when appropriate to sustain the investees or to enhance or protect the Registrant's existing investment.
- (4) The Registrant determines the length of time it will retain its investment by evaluating the facts and circumstances of each investee and its relationship with such investee. The Registrant generally retains its investments for a relatively long period, sometimes many years, with the result that its rate of portfolio turnover is low. Investments are retained until, in the opinion of the Registrant, the investee company has a demonstrated record of successful operations and there is a meaningful public market for its securities which reflects the investment value the Registrant sought (or such a market can be readily established) or until the Registrant decides that its investment is not likely to result in future long-term capital appreciation. At the time of sale of the Registrant's portfolio securities, there may not be a market of sufficient stability to allow the Registrant to sell its position, potentially resulting in the Registrant not being able to sell such securities at prevailing market prices or at the price at which the Registrant may have valued its position in the investee's securities.

Valuation-Policy Guidelines

The Registrant's Board of Directors is responsible for the valuation of the Registrant's assets in accordance with its approved guidelines. The Registrant's Board of Directors is responsible for (1) recommending overall valuation guidelines and (2) the valuation of the specific investments.

Edgar Filing: ENERCORP INC - Form 10-K

There is a range of values, which are reasonable for an investment at any particular time. Fair value is generally defined as the price at which the investment in question could change hands, assuming that both parties to the transaction are under no unusual pressure to buy or sell and both have reasonable knowledge of all the relevant facts. To increase objectivity in valuing the securities, the Registrant uses external measures of value such as public markets or significant third-party transactions whenever possible. Neither a long-term workout value nor an immediate liquidation value is used, and no increment of value is included for changes, which may take place in the future. The Registrant's largest investee, Williams Controls, Inc., represents over 80% of the total value of the Registrant's investment portfolio and is valued by the public market method, subject to the judgment of the Board of Directors, except for valuing the majority of the warrants held by the Registrant, which are valued under the appraisal method and using the best judgment of the Board of Directors. Certain members of the Company's Board of Directors may hold minor positions in some of the Registrant's investee companies and certain members of the Board may hold officer or director positions with some of the Company's investee companies. No such positions held by the Registrant's board or officers exceed 5% of the investee company's outstanding securities.

Valuations assume that in the ordinary course of its business the Registrant will eventually sell its position in the public market or may distribute its larger positions to its stockholders. Accordingly, no premiums are placed on investments to reflect the ability of the Registrant to sell block positions or control of companies, either by itself or in conjunction with other investors. In fact, in certain circumstances, the Registrant may have to sell the securities of its investees in the open market at discounts to market prices at the time of sale, due to the large position it may hold relative to the average daily trading volume.

The Registrant uses four basic methods of valuation for its investments and there are variations within each of these methods. The Registrant's Board of Directors has determined that the Registrant's four basic valuation methods constitute fair value. As an investee evolves, its progress may sometime require changes in the Registrant's method of valuing the investee's securities. The Registrant's investment is separated into its component parts (such as debt, preferred stock, common stock or warrants), and each component is valued separately to arrive at total value. The Company believes that a mixture of valuation methods is often essential to represent fairly the value of the Registrant's investment position in an investee. For example, one method may be appropriate for the equity securities of a company while another method may be appropriate for the senior securities of the same company. In various instances of valuation, the Board of Directors of the Registrant may modify the valuation methods mentioned below based on their best judgment of the particular situation.

The Cost Method values an investment based on its original cost to the Company, adjusted for the amortization of original issue discount, accrued interest and certain capitalized expenditures of the Company. While the cost method is the simplest method of valuation, it is often the most unreliable because it is applied in the early stages of an investee's development and is often not directly tied to objective measurements. All investments are carried at cost until significant positive or adverse events subsequent to the date of the original investment warrant a change to another method. Some examples of such events are: (1) a major recapitalization; (2) a major refinancing; (3) a significant third-party transaction; (4) the development of a meaningful public market for the investee's common stock; and (5) material positive or adverse changes in the investee's business.

The Appraisal Method is used to value an investment position based upon a

Edgar Filing: ENERCORP INC - Form 10-K

careful analysis of the best available outside information when there is no established public or private market in the investee company's securities and it is no longer appropriate to use the cost method. Comparisons are made using factors (such as earnings, sales or net worth) that influence the market value of similar public companies or that are used in the pricing of private transactions of comparable companies. Major discounts, usually 50%, are taken when private companies are appraised by comparing them to similar public companies. Liquidation value may be used when an investee is performing substantially below plan and its continuation as an operating entity is in doubt. Under the appraisal method, the differences among companies in terms of the source and type of revenues, quality of earnings, and capital structure are carefully considered.

An appraisal method value can be defined as the price at which the investment in question could change hands, assuming that both parties to the transaction are under no unusual pressure to buy or sell and both have reasonable knowledge of all the relevant facts. In the case of start-up companies where the entire assets may consist of only one or more of the following: (1) a marketing plan, (2) management or (3) a pilot operation, an evaluation may be established by capitalizing the amount of the investment that could reasonably be obtained for a predetermined percentage of the company. Valuations under the appraisal method are considered to be more subjective than the cost, public market or private market methods.

The Private Market Method uses third-party transactions (actual or proposed) in the investee's securities as the basis for valuation. This method is considered to be an objective measure of value since it depends upon the judgment of a sophisticated, independent investor. Actual firm offers are used as well as historical transactions, provided that any offer used was seriously considered and well documented.

The public market method is the preferred method of valuation when there is an established public market for the investee's securities, since that market provides the most objective basis for valuation. In determining whether the public market is sufficiently established for valuation purposes, the Registrant examines the trading volumes, the number of stockholders and the number of market makers. Under the public market method, as well as under the other valuation methods, the Registrant may discount investment positions that are subject to significant legal, contractual or practical restrictions. When an investee's securities are valued under the Public Market Method, common stock equivalents such as presently exercisable warrants or options are valued based on the difference between the exercise price and the market value, subject to management and board discretion, of the underlying common stock. Although the Registrant believes that a public market could be created for the options and warrants of certain of its investees, thereby possibly increasing the value of these rights above their arbitrage value, the Registrant does not reflect this possibility in its valuation.

Regulation - Business Development Companies

The following is a summary description of the Investment Company Act as applied to business development companies. This description is qualified in its entirety by reference to the full text of the Investment Company Act and the rules adopted thereunder by the Securities and Exchange Commission (the "SEC").

The Small Business Investment Incentive Act of 1980 became law on October 21, 1980. This law modified the provisions of the Investment Company Act that are applicable to a company, such as the Registrant, which elects to be treated as a "business development company." The Registrant elected to be

Edgar Filing: ENERCORP INC - Form 10-K

treated as a business development company on June 30, 1982. The Registrant may not withdraw its election without first obtaining the approval of a majority of its outstanding voting securities.

A business development company must be operated for the purpose of investing in the securities of certain present and former "eligible portfolio companies" and certain bankrupt or insolvent companies and must make available significant managerial assistance to its investee companies. An eligible portfolio company generally is a United States company that is not an investment company (except for wholly-owned SBIC's licensed by the Small Business Administration) and (1) does not have a class of securities included in the Federal Reserve Board's over-the-counter margin list, (2) is actively controlled by the business development company and has an affiliate of the business development company on its board of directors, or (3) meets such other criteria as may be established by the SEC. Control, under the Investment Company Act, is presumed to exist where the business development company, and its affiliates or related parties, own 25% or more of the outstanding voting securities of the investee.

The Investment Company Act prohibits or restricts the Registrant from investing in certain types of companies, such as brokerage firms, insurance companies, investment banking firms and investment companies. Moreover, the Investment Company Act limits the type of assets that the Registrant may acquire to "qualifying assets" and certain assets necessary for its operations (such as office furniture, equipment and facilities) if, at the time of the acquisition, less than 70% of the value of the Registrant's assets consists of qualifying assets. The effect of the regulation is to require that at least 70% of a business development company's assets be maintained in qualifying assets. Qualifying assets include: (1) securities of companies that were eligible portfolio companies at the time the Registrant acquired their securities; (2) securities of bankrupt or insolvent companies that are not otherwise eligible portfolio companies; (3) securities acquired as follow-on investments in companies that were eligible at the time of the Registrant's initial acquisition of their securities but are no longer eligible, provided that the Registrant has maintained a substantial portion of its initial investment in those companies; (4) securities received in exchange for or distributed on or with respect to any of the foregoing; and (5) cash items, government securities and high-quality, short-term debt. The Investment Company Act also places restrictions on the nature of the transactions in which, and the persons from whom, securities can be purchased in order for the securities to be considered to be qualifying assets. The Registrant believes that, as of June 30, 2001, over 90% of its assets would be considered qualifying assets.

The Registrant is permitted by the Investment Company Act, under specified conditions, to issue multiple classes of senior debt and a single class of preferred stock if its asset coverage, as defined in the Investment Company Act, is at least 200% after the issuance of the debt or the preferred stock. The Registrant currently has no policy regarding issuing multiple classes of senior debt or a class of preferred stock.

The Registrant may issue, in limited amounts, warrants, options and rights to purchase its securities to its directors, officers and employees (and provide loans to those persons for the exercise thereof) in connection with an executive compensation plan if certain conditions are met. These conditions include the authorization of such issuance by a majority of the Registrant's voting securities (as defined below) and the approval by a majority of the independent members of the Board of Directors and by a majority of the directors who have no financial interest in the transaction. The issuance of options, warrants or rights to directors who are not also officers requires the prior approval of the SEC.

Edgar Filing: ENERCORP INC - Form 10-K

As defined in the Investment Company Act, the term "majority of the Registrant's outstanding voting securities" means the vote of (a) 67% or more of the Registrant's common stock present at a meeting, if the holders of more than 50% of the outstanding common stock are present or represented by proxy, or (b) more than 50% of the Registrant's outstanding common stock, whichever is less.

The Registrant may sell its securities at a price that is below the prevailing net asset value per share only upon the approval of the policy by the holders of a majority of its voting securities, including a majority of the voting securities held by non-affiliated persons, at its last annual meeting or within one year prior to the transaction. In addition, the Registrant may repurchase its Common Stock, subject to the restrictions of the Investment Company Act.

In accordance with the Investment Company Act, a majority of the members of the Registrant's Board of Directors must not be "interested persons" of the Registrant as that term is defined in the Investment Company Act. Generally, "interested persons" of the Registrant include all affiliated persons of the Registrant and members of their immediate families, any "interested person" of an underwriter or of an "investment advisor" to the Registrant, any person who has acted as legal counsel to the Registrant within the last two fiscal years, or any broker or dealer, or affiliate or a broker or dealer.

Most of the transactions involving the Registrant and its affiliates (as well as affiliates of those affiliates) which were prohibited without the prior approval of the SEC under the Investment Company Act prior to its amendment by the Small Business Investment Incentive Act now require the prior approval of a majority of the Registrant's independent directors and a majority of the directors having no financial interest in the transactions. The effect of the amendment is that the Registrant may engage in certain affiliated transactions that would be prohibited absent prior SEC approval in the case of investment companies, which are not business development companies. However, transactions involving certain closely affiliated persons of the Registrant, including its directors, officers and employees, still require the prior approval of the SEC. In general, "affiliated persons" of a person include: (a) any person who owns, controls or holds with power to vote, more than five percent of the Registrant's outstanding Common Stock, (b) any director, executive officer or general partner of that person, (c) any person who directly or indirectly controls, is controlled by, or is under common control with that person, and (d) any person five percent or more of whose outstanding voting securities are directly or indirectly owned, controlled or held with power to vote, by such other person. Such persons generally must obtain the prior approval of a majority of the Registrant's independent directors and, in some situations, the prior approval of the SEC, before engaging in certain transactions involving the Registrant or any company controlled by the Registrant. In accordance with the Investment Company Act, a majority of the members of the Registrant's Board of Directors are not interested persons as defined in the Act. The Investment Company Act generally does not restrict transactions between the Registrant and its investee companies.

Finally, notwithstanding restrictions imposed under federal securities laws, it is anticipated that the Registrant will acquire securities of investee companies pursuant to stock purchase agreements or other agreements that may further limit the Registrant's ability to distribute, sell or transfer such securities. And as a practical matter, even if such transfers are legally or contractually permissible, there may be no market, or a very limited market, for the securities. Economic conditions may also make the price and terms of a sale or transfer unattractive.

Edgar Filing: ENERCORP INC - Form 10-K

Other Securities Law Considerations

In addition to the above-described provisions of the Investment Company Act, there are a number of other provisions of the federal securities laws which affect the Registrant's operations. For example, restrictions imposed by the federal securities laws, in addition to possible contractual provisions, may adversely affect the ability of the Registrant to sell or otherwise to distribute its portfolio securities.

Most if not all securities which the Registrant acquires as venture capital investments will be "restricted securities" within the meaning of the Securities Act of 1933 ("Securities Act") and will not be permitted to be resold without compliance with the Securities Act. Thus, the Registrant will not be permitted to resell portfolio securities unless a registration statement has been declared effective by the SEC with respect to such securities or the Registrant is able to rely on an available exemption from such registration requirements. In most cases the Registrant will endeavor to obtain from its investee companies "registration rights" pursuant to which the Registrant will be able to demand that an investee company register the securities owned by the Registrant at the expense of the investee company. Even if the investee company bears this expense, however, the registration of the securities owned by the Registrant is likely to be a time-consuming process, and the Registrant always bears the risk, because of these delays, that it will be unable to resell such securities, or that it will not be able to obtain an attractive price for the securities.

Sometimes the Registrant will not register portfolio securities for sale but will seek to rely upon an exemption from registration. The most likely exemption available to the Registrant is section 4(1) of the Securities Act which, in effect, exempts sales of securities not involving a distribution of the securities. This exemption will likely be available to permit a private sale of portfolio securities, and in some cases a public sale, if the provisions of Rule 144 under the Securities Act are satisfied. Among other things, Rule 144 requires that securities be sold in "broker transactions," and imposes a one-year holding period prior to the sale of restricted securities.

The Registrant may elect to distribute in-kind securities of investee companies to its stockholders. Prior to any such distribution, the Registrant expects that it will need to file, or cause the issuers of such distributed securities to file, a registration statement or, in the alternative, an information statement, which will permit the distribution of such securities and also permit distributee stockholders of the Registrant to sell such distributed securities.

Federal Income Tax Matters

For federal and state income tax purposes, the Registrant is taxed at regular corporate rates on ordinary income and realized gain. It is not entitled to the special tax treatment available to more regulated investment companies, although the Registrant plans to conduct its affairs, if possible, to minimize or eliminate federal and state income taxes. Distributions of cash or property by the Registrant to its stockholders will be taxable as ordinary income only to the extent that the Registrant has current or accumulated earnings and profits.

The "alternative tax" rate at which corporations are taxed on long-term capital gains is up to 35% pursuant to the Tax Reform Act of 1986 (the "Tax Reform Act"). A corporation generally may offset capital loss only against

Edgar Filing: ENERCORP INC - Form 10-K

capital gain. Generally, if the Registrant realizes a net capital loss for any taxable year, it can carry back such net capital loss only against capital gain. Such a net capital loss for any taxable year can generally be carried back to each of the three preceding taxable years, and then any unused portion thereof may be carried over into the subsequent taxable years for a period of five years.

Future Distributions

The Registrant does not currently intend to pay cash dividends. The Registrant's current dividend policy is to make in-kind distributions of its larger investment positions to its stockholders when the Registrant's Board of Directors deems such distributions appropriate. Because the Registrant does not intend to make cash distributions, stockholders would need to sell securities distributed in-kind, when and if distributed, in order to realize a return on their investment.

An in-kind distribution will be made only when, in the judgment of the Registrant's Board of Directors, it is in the best interest of the Registrant's stockholders to do so. The Board of Directors will review, among other things, the investment quality and marketability of the securities considered for distribution; the impact of a distribution of the investee's securities on the investee's customers, joint venture associates, other investors, financial institutions and management; tax consequences and the market effects of an initial or broader distribution of such securities. Securities of the Registrant's larger investment positions in more mature investee companies with established public markets are most likely to be considered for distribution.

It is possible that the Registrant may make an in-kind distribution of securities that are substantially liquid irrespective of the distributee's stockholder rights to sell such securities. Any such in-kind distribution would require stockholder approval only if the distribution represents substantially all of the Registrant's assets. It is possible that the Registrant may make an in-kind distribution of securities which have appreciated or depreciated from the time of purchase depending upon the particular distribution. The Registrant has not established a policy as to the frequency or size of distributions and indeed there can be no assurance that any distributions will be made. To date, no such distributions have been made and the Registrant is not considering doing so, but the Registrant may consider doing so in the future.

Managerial Assistance

The Registrant believes that providing managerial assistance to its investees is critical to its business development activities. "Making available significant managerial assistance" as defined in the Investment Company Act with respect to a business development company such as the Registrant means (a) any arrangement whereby a business development company, through its directors, officers, employees or general partners, offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations, or business objectives and policies of a portfolio company; or (b) the exercise by a business development company of a controlling influence over the management or policies of a portfolio company by the business development company acting individually or as a part of a group acting together which controls such portfolio company. The Registrant is required by the Investment Company Act to make significant managerial assistance available at least with respect to investee companies that the Registrant treated as qualifying assets for purposes of the 70% test. The nature, timing and amount of managerial assistance provided by the Registrant varies depending upon the particular requirements of each investee

Edgar Filing: ENERCORP INC - Form 10-K

company.

The Registrant may be involved with its investees in recruiting management, product planning, marketing and advertising and the development of financial plans, operating strategies and corporate goals. In this connection, the Registrant may assist clients in developing and utilizing accounting procedures to efficiently and accurately record transactions in books of account which will facilitate asset and cost control and the ready determination of results of operations. The Registrant may also seek capital for its investees from other potential investors and occasionally subordinates its own investment to those of other investors. Where possible, the Registrant may introduce its investees to potential suppliers, customers and joint venture partners and assists its investees in establishing relationships with commercial and investment bankers and other professionals, including management consultants, recruiters, legal counsel and independent accountants. The Registrant also assists with joint ventures, acquisitions and mergers.

In connection with its managerial assistance, the Registrant may be represented by one or more of its officers or directors on the Board of Directors of an investee. As an investment matures and the investee develops management depth and experience, the Registrant's role will become progressively less active. However, when the Registrant owns or, on a pro forma basis, could acquire a substantial proportion of a more mature investee company's equity, the Registrant remains active in and will frequently be involved in the planning of major transactions by the investee. The Registrant's goal is to assist each investee company in establishing its own independent and effective board of directors and management. Currently, the Registrant provides managerial assistance to CompuSonics Video Corporation, Williams Controls, Inc. Ajay Sports, Inc. and Pro Golf International, Inc.

Competition

The Registrant is subject to substantial competition from business development companies, venture capital firms, new product development companies, marketing companies and diversified manufacturers, most of whom are larger than the Registrant and have significantly larger net worth, financial and personnel resources than the Registrant. In addition, the Registrant competes with companies and individuals engaged in the business of providing management consulting services.

Employees

As of September 30, 2001 the Registrant had one employee, who is also an officer of the Company.

Item 2. Properties

The Registrant subleases office space from a stockholder of the Registrant. The Registrant occupies an office and shares a common area. The Registrant believes that the rate paid for this space represents current market rates. The sublease is on a month-to-month basis.

Item 3. Legal Proceedings

None.

Edgar Filing: ENERCORP INC - Form 10-K

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

None

PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters

Market Information

From April 11, 1996 through September 17, 1998, the Registrant's common stock was listed for trading on the Nasdaq SmallCap Market under the stock symbol ENCP. In early 1998, Nasdaq implemented new increased standards for continued listing. The Registrant was not able to meet these new standards and Nasdaq delisted the common stock after the close of business on September 17, 1998. Since September 18, 1998, the principal market in which the Registrant's common stock is traded has been the Over-The-Counter (OTC) market, through the OTC electronic bulletin board. The range of high and low bid closing quotations for the Registrant, as published by Nasdaq from July 1, 1998 through September 17, 1998 and the ranges of the high and low bid quotations as published by the OTC electronic bulletin board for the periods from September 30, 2000 through June 30, 2001, are as set forth below. The "OTC" electronic bulletin board pricing information reflects inter-dealer prices, without retail mark-up or mark-down or commissions and may not necessarily represent actual transactions.

	HIGH BID	LOW BID
	-----	-----
Fiscal 2000 - Quarters Ended:		
September 30, 1999	\$4.88	\$3.00
December 31, 1999	\$3.63	\$2.19
March 31, 2000	\$2.50	\$1.94
June 30, 2000	\$1.94	\$1.13
Fiscal 2001-Quarters Ended:		
September 30, 2000	\$1.25	\$1.14
December 31, 2000	\$.97	\$.88
March 31, 2001	\$.91	\$.77
June 30, 2001	\$.77	\$.35

Holdings

The approximate number of record holders of the Registrant's common stock as of June 30, 2001 was approximately 1,340. This number does not include beneficial owners whose shares are held on account in "street name" by banks or brokerage firms.

Dividends

Edgar Filing: ENERCORP INC - Form 10-K

The Registrant has paid no dividends on its common stock within the past five years, and has no intention to pay cash dividends in the future.

Recent Sales of Securities.

None.

Item 6. Selected Financial Data

	As of June 30, and for the Year ended				

	2001	2000	1999	1998	1997
Total assets	985,489	3,928,820	6,647,846	4,776,505	4,524,102
Total liabilities	54,634	2,202,776	3,119,979	2,471,488	2,159,138
Net assets	932,055	1,726,044	3,527,867	2,305,017	2,364,964
Realized gain (loss) on					
Investments	1,474,184	461,358	-0-	-0-	216,000
Total revenues	1,617,561	513,795	31,264	47,241	236,643
Total expenses	173,939	358,387	375,050	324,901	369,088
Net income (loss) from					
Operations	1,443,622	155,408	(343,785)	(277,660)	(132,444)
Unrealized gain (loss) on					
investments	(247,594)	(2,730,231)	1,552,635	189,713	229,517
Increase (decrease) in net					
assets before					
cumulative effect of					
income tax accounting					
change	(2,943,331)	(1,801,823)	802,850	(59,947)	62,074
Increase (decrease) in net					
assets resulting from					
operations	(2,943,331)	(1,801,823)	802,850	(59,947)	62,074
Increase (decrease) in net assets/					
share before income taxes					
and cumulative effect of					
income tax and accounting					
change	(4.22)	(3.92)	2.63	0.32	0.39
Increase (decrease) in net assets/					
share before cumulative effect					
of income tax accounting					
change	(2.78)	(2.59)	1.36	(.10)	.11
Increase (decrease) in net					
assets per share resulting					
from operations	(2.78)	(2.59)	1.36	(.10)	.11
Weighted average number of					
shares outstanding	695,897	695,897	695,897	590,897	590,897

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Capital Resources and Liquidity.

Due to limited working capital, beginning at May 31, 2000, the Registrant borrowed working capital funds from its president in order to meet its working capital needs and to pay the interest on its outstanding bank loan. As of

Edgar Filing: ENERCORP INC - Form 10-K

March 22, 2001, the note payable to the Registrant's president was \$187,000 and accrued interest of \$7,960. Upon the sale of the Williams Controls, Inc. common stock, the full principal of the promissory note and \$2,000 of the \$7,960 of accrued interest on the note were repaid to the Registrants President. The balance of \$5,960 was paid on September 29, 2001.

Currently, the Registrant's investment activity and operations are limited by its working capital position. Capital required for the Registrant's investment activities, if available, is expected to be generated from new investment, the sale of portfolio securities or from additional offerings of the Registrant's common stock, of which there can be no assurance. The ability of the Registrant to liquidate portfolio stock is dependent on market conditions over which the Registrant has no control. The Registrant had no material commitments for capital expenditures as of June 30, 2001.

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

Working capital at June 30, 2001 was \$1,711,922 as compared to \$932,055 in 2001. The decrease in working capital from 2000 to 2001 was due to the change in the value of the Registrant's investment portfolio. For the years ended June 30, 2000, and June 30, 2001. The Company's cash flow was dependent primarily upon proceeds from the sale of investee shares and advances from the

Registrant's bank lines of credit and loans from officers.

For the year ended June 30, 2001, the Registrant had a net gain from operations of \$1,443,622, compared to a net gain from operations of \$155,408 for the year ended June 30, 2000, and a net loss from operations of \$343,785 for the year ended June 30, 1999. The increase from 2000 to 2001 was primarily due to the gain realized on the sale of 1,652,329 shares of the Registrant's common stock owned in Williams, used to retire the Registrant's loan with Comerica. The decline from 1999 to 2000 was due to the sale of 200,000 shares of the Registrants common stock owned in Williams Controls, Inc.

The Registrant recorded an unrealized loss on investments of \$639,173 for the fiscal year ended June 30, 2001 as compared to a unrealized gain on investments of \$2,730,231 for the fiscal year ended June 30, 2000 and an unrealized gain on investments of \$1,552,635 for the fiscal year ended June 30, 1999. The change in the unrealized gain for the years indicated is largely the result of the sale of the common stock of the Registrant's largest investee, Williams Controls, Inc.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not Applicable

Item 8. Financial Statements and Supplementary Data

Financial statements and supporting schedules reporting

Edgar Filing: ENERCORP INC - Form 10-K

supplementary financial information are attached hereto and are listed in Item 14 of Part IV of this Form 10-K.

Item 9 Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

PART III

Item 10. Directors and Executive Officers of the Registrant

(a) (b) Identification of Directors and Executive Officers

Name	Position with Company	Age	Commencement Date of Service as Officer and/or Director
Thomas W Itin	Chairman of the Board Chief Executive Officer, President, Treasurer & Director	67	5/1/2001
H. Samuel Greenawalt	Director	72	6/8/93

No arrangement exists between any of the above officers and directors pursuant to which any one of those persons was elected to any such office or position. All the officers and directors were elected at the last annual meeting of the stockholders of the Company to serve one-year terms or until the next election of directors at an annual meeting, with the exception of Mr. Thomas Itin, who was elected President, CEO, Treasurer, & Director.

Robert R Hebard had resigned as an officer of the Registrant effective April 30, 2001, and as a director of the Company effective May 1, 2001. Effective May 2, 2001 the Board appointed Thomas W Itin as director, Chairman of the Board, Chief Executive Officer and President. Mr. Itin is a significant stockholder of the Registrant. Mr. Hebard has been a director of the Company since June 1993. There were no disputes between Mr. Hebard and the Company.

(c) Significant Employees

Not applicable

(d) Family Relationships

None

(e) Business Experience

Thomas W. Itin. Mr. Itin was elected Chairman of the Board and President of the Company in May of 2001. Mr. Itin has been a director of Williams Controls, Inc., a publicly held company since its inception in November 1988. He also served as Chairman of the Board and Chief Executive Officer of Williams from March 1989 until January 2001 and also as President and Treasurer from June

Edgar Filing: ENERCORP INC - Form 10-K

1993 until January 2001. He has served as Chairman of the Board, Chief Executive Officer and Chief Operating Officer of LBO Capital Corp. since its inception. Mr. Itin has been Chairman, President and Owner of TWI International, Inc. since he founded the firm in 1967. TWI International acts as a consultant for mergers, acquisitions, financial structuring, new ventures and asset management. Mr. Itin also has been Owner and Principal Officer of Acrodyne Corporation since 1962. In April 2001, Mr. Itin became Chief Executive Officer of CompuSonics Video Corp., a publicly held company. In April 2001 Mr. Itin became Chief Executive Officer of Enercorp, Inc., a publicly held company. He received a Bachelor of Science degree from Cornell University and an MBA from New York University. Mr. Itin served on the Cornell University Council and was Chairman of the Technology Transfer Committee.

H. Samuel Greenawalt has served as Director of the Registrant since June 28, 1993. Mr. Greenawalt received a Bachelor of Science degree from the Wharton School of the University of Pennsylvania in 1951, and is a 1960 graduate of the University of Wisconsin Banking School. From 1954 to 1958, Mr. Greenawalt was with the investment firm McNaughton-Greenawalt Company. He began his career at Michigan National Corporation and affiliates in 1958, working in various commercial lending capacities beginning at that time. From 1987 to June 1995, Mr. Greenawalt was a Senior Vice President, Business Development, for Michigan National Bank. Mr. Greenawalt retired from Michigan National in June 1995 and is now an independent consultant to the bank, and is on the board of directors of Williams Controls, an investee of the Registrant.

(f) Involvement in Certain Legal Proceedings

None

(g) Promoters and Control Persons

Not applicable

(h) Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires executive officers and directors, and persons who beneficially own more than ten percent of the Registrant's stock to file initial reports of ownership on Form 3, reports of changes in ownership on Form 4 and annual statements of changes in ownership on Form 5 with the Securities and Exchange Commission. Executive officers, directors and greater than ten percent beneficial owners are required under the regulations related to Section 16 to furnish the Registrant with a copy of each report filed.

Based solely upon a review of the copies of the reports received by the Registrant during the fiscal year ended June 30, 2000, and written representations of the persons required to file said reports, the Registrant believes that all reports were filed and done so on a timely basis.

Item 11. Executive Compensation

Summary Compensation Table

The following table sets forth information regarding compensation paid to the Company's chief executive officer for the three years ending June 30, 2000. No other person who is currently an executive officer of the Company earned compensation exceeding \$100,000 during any of those years.

Edgar Filing: ENERCORP INC - Form 10-K

Annual Compensation

Awards

Annual Compensation (in dollars)
Awards

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation	Securities Underlying Stock Options
Thomas W Itin, President, Chief Executive Officer & Treasurer.	2001	-0-	-0-		
Robert R. Hebard, former President, Chief Executive Officer and Treasurer	2000	78,500	-0-	-0-	-0-
	1999	87,000	25,000	-0-	-0-
	1998	87,000	-0-	-0-	-0-

Option/SAR Grant Table

No stock options or stock appreciation rights were granted during the fiscal year ended June 30, 2001.

Aggregated Option/SAR Exercises and Fiscal Year-End Option/SAR Value

Table

No stock options were exercised during the fiscal year ended June 30, 2001. The table below sets forth information related to the value at June 30, 2001 of unexercised options held by the Company's President and Chief Executive Officer.

Name	Number of Securities Underlying Unexercised Stock Options at June 30, 2001 (#)	Value of Unexercised In-the-Money Stock Options at June 30, 2000 (\$)
Robert R. Hebard, President, Chief Exec. Officer and Treasurer	3,601	\$ 0

	Exercisable	Unexercisable	Exercisable	Unexercisable
Robert R. Hebard, President, Chief Exec. Officer and Treasurer	3,601	0	\$ 0	\$ 0

Compensation of Directors

The Registrant has an arrangement with its disinterested non-employee directors to pay them a fee of \$500 for each regular and non-scheduled Board meeting attended, either in person or by telephone .

Item 12. Security Ownership of Certain Beneficial Owners and Management
Security Ownership of Certain Beneficial Owners and Security Ownership

Edgar Filing: ENERCORP INC - Form 10-K

of Management

Set forth below is information as to certain persons known by the Company to be the beneficial owner of more than five percent of the Common Stock, the Company's directors and named executive officers, individually, and executive officers and directors as a group, as of September 14, 2001.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership Of Class	Percent
Robert R. Hebard 32751 Middlebelt Road Suite B Farmington Hills, MI 48334	32,668 (1) (2) (3)	4.7%
H. Samuel Greenawalt 27777 Inkster Road Farmington Hills, MI 48333	14,333	2.1%
Thomas W. Itin 32751 Middlebelt Road, Suite B Farmington Hills, MI 48334	49,149 (4) (5)	7.1%
Charles Maginnis P.O. Box 267 Little Switzerland, NC 28749	60,000	8.6%
Dr. Vasant Chheda 7 Highland Place Great Neck, NY 11020	50,000	7.2%
Executive officers and directors as a group (two persons)	47,001 (1) (2) (3)	6.8%

- (1) Includes 1,333 shares held in a custodian account under the Uniform Gifts to Minors Act for the benefit of Mr. Hebard's daughter. Mr. Hebard disclaims beneficial ownership of the 1,333 shares in the custodial account.
- (2) Includes 3,601 shares of common stock options currently exercisable or exercisable within 60 days from September 21, 2000.
- (3) Does not include 28,443 shares held in trust for Mr. Hebard's minor children.
- (4) Based upon information contained in the Schedule 13D and amendments thereto filed with the Securities and Exchange Commission. Includes shares held personally and through partnerships or other entities in which stockholder holds a beneficial interest. Does not include shares held in various trusts for the benefit of Mr. Itin's minor grandchildren.
- (5) Includes the following:

Company	Shares	Relationship to Mr. Itin
LBO Capital	15,341	Chairman & principal

Edgar Filing: ENERCORP INC - Form 10-K

		stockholder
TICO	16,000	Managing Partner
SICO	2,667	Partner
First Equity Corporation	4,875	Spouse is President
Thomas W. Itin IRA Trust	5,333	Trustee
IOC, Inc. Profit Sharing Trust	4,933	Trustee

	49,149	
	=====	

A change in control of the Company has occurred since April 30, 2001. Robert Hebard resigned on April 30, 2001 as Director, Chairman of the Board, and from all officer- ship positions in the Company. Effective May 2, 2001 the Board appointed Thomas W Itin as Director, Chairman of the Board, Chief Executive Officer and President. Mr. Itin is a significant stockholder of the Registration.

The Company does not know of any arrangements, the operation of which may, at a subsequent date, result in a change in control of the Company.

Item 13. Certain Relationships and Related Transactions

Due to the lack of working capital, the former President of the Registrant had made loans to the Registrant to cover its short term working capital needs since May 31, 2000. These loans were evidenced by a promissory note, are payable on demand, and are secured the assets of the Registrant, including the portfolio securities of the Registrant's investees. As of June 30, 2001 the note has been repaid in full, including \$2,000 of accrued interest. The balance of \$5,960 has subsequently been paid in September 2001.

Except as may otherwise be disclosed in this report, the Registrant does not have any other relationships nor has it entered into related party transactions with management or others.

PART IV

Item 14. Exhibits, Financial Statements Schedules and Reports on Form 8-K

(a) The following documents are filed as part of this report immediately following the signature page, or are incorporated by reference

(1) Financial Statements

Independent Auditor's Report	F-1
Statements of Assets and Liabilities, June 30, 2001 and 2000	F-2
Schedule of Investments, June 30, 2001 and June 2000	F-3
Statements of Changes in Stockholders' Equity for the Years Ended June 30, 2001, 2000, & 1999	F-4
Statements of Operations for the Years Ended June 30, 2001,2000, & 1999	F-5
Statements of Cash Flows for the Years Ended June 30, 2001 2000, & 1999.	F-6 to F-7
Notes to Financial Statements	F-8 to F-11

(2) Financial Statement Schedules:

Edgar Filing: ENERCORP INC - Form 10-K

Amounts Receivable from Affiliated Parties,
Underwriters, Promoters, and Employees Other than
Related Parties S-1
Valuation and Qualifying Accounts and Reserves S-2

(3) Exhibits:

3.1 Amended and Restated Articles of Incorporation as
Filed with the Secretary of State, State of
Colorado, April 2, 1996****
3.2 Bylaws*
10.4 Comerica Loan documents with Enercorp, Inc. dated
July 30, 1997.*****
10.5 Amended Comerica Loan document with Enercorp,
Inc. regarding increase in line of credit.*****
20.1 Statement of Risk to Stockholders *****
27 Financial Data Schedule FILED HEREWITH

*Incorporated by reference from Exhibits 3.1 and 3.2 to the Registrant's Form
10-K for the fiscal year ended June 30, 1981.

**Incorporated by reference from Exhibit 10.1 to the Registrant's Form 10-K
for the fiscal year ended June 30, 1989.

***Incorporated by reference from Exhibits 10.2 to 10.3 and 20.1 to the
Registrant's Form 10-K for the fiscal year ended June 30, 1990.

**** Incorporated by reference from Exhibits 3.1 to the Registrant's Form 10-K
for the fiscal year ended June 30, 1996.

***** Incorporated by reference from Exhibits 10.1 to 10.5 to the Registrant's
Form 10-Q for quarter ending September 30, 1997.

***** Incorporated by reference from Exhibits 10.5 to 20.1 to the
Registrant's Form 10-K for the fiscal year ended June 30, 1998.

(b) Reports on Form 8-K.

(c) Required exhibits are incorporated by reference.

(d) Financial statement schedules are attached hereto.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.
(Registrant)

By \S\ Thomas W. Itin

Thomas W Itin ,President

Date: October 16, 2001

Edgar Filing: ENERCORP INC - Form 10-K

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date: October 16, 2001 M \S\ Thomas W Itin

 Thomas W. Itin, (Principal Executive
 Office, Chief Financial Officer

Date: October 16, 2001 \S\ H. Samuel Greenawalt

 H. Samuel Greenawalt, Director

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Enercorp, Inc.

We have audited the accompanying statements of assets and liabilities of Enercorp, Inc., including the schedules of investments, as of June 30, 2001 and 2000, and the related statements of changes in stockholders' equity, operations and cash flows for the years ended June 30, 2001 and 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of June 30, 2000 by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Enercorp, Inc. as of June 30, 2000 and 1999, and the results of its operations and its cash flows for the years ended June 30, 2001 and 2000 in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules on S-1 and S-2 are presented for purposes of complying with rules of the Securities and Exchange Commission and are not a required part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, fairly state in all material respects the 1999 financial data required to be set forth therein in relation to the basic financial statements taken as whole.

S/ J L Stephan Co, PC

J L Stephan Co, PC

Edgar Filing: ENERCORP INC - Form 10-K

Traverse City, Michigan
October 13, 2001

F-1

Enercorp, Inc.
Statements of Assets and Liabilities

	June 30, 2001	June 30, 2,000
	-----	-----
ASSETS		
Investments, at fair value, cost of \$1,210,977		
And \$2,204,888 at June 30, 2001 and 2000	\$ 984,214	\$ 3,3873,815
Cash	342	23,844
Accounts receivable-related party		17,848
Accrued interest receivable - net of allowance for uncollectible interest receivable of \$20,264 at June 30, 2000		6,105
Notes receivable - related parties, net of allowance for uncollectible notes receivable of \$27,776 at June 30, 2001		3,086
Furniture and fixtures, net of accumulated depreciation of \$11,503 and 9,633 at June 30, 2001 and 2000	933	2,804
Other assets		1,318
	-----	-----
	\$ 985,489	\$ 3,928,820
	=====	=====
LIABILITIES AND NET ASSETS		
Liabilities		
Note payable - bank	\$	\$ 2,141,649
Note payable 0 Other		36,000
Accounts payable and accrued liabilities	54,634	25,127
Deferred tax liability		0
	-----	-----
	54,634	2,202,776
	-----	-----
Net assets		
Common stock, no par value: 10,000,000 shares authorized, 695,897 shares issued and outstanding at June 30, 2001 and June 30, 2000	1,888,251	1,888,251
Preferred stock, no par value: 1,000,000 shares authorized, -0- issued and outstanding	-0-	-0-
Accumulated deficit	(709,802)	(1,268,084)
Unrealized net gain on investments, net of deferred income taxes of \$1,498,000 and \$1,480,000 at June 30, 2001 and 2000	(247,594)	1,105,877
	-----	-----
	930,855	1,726,044
	-----	-----
	\$ 985,489	\$ 3,928,820
	=====	=====

See notes to financial statements

F-2

Edgar Filing: ENERCORP INC - Form 10-K

Enercorp, Inc.
Schedule of Investments
June 30, 2001

Affiliated Companies Discount	Description of Business Market Value	Net Fair Restrictns	No. of Shares	Share Price	Cost/ Equity	Fair Market Value
<hr/> Common Stocks-Public Market Method of Valuation						
CompuSonics Corp	Video Digital Video Product & 28		1,751			
28 (100,000)	Web Site Development 200,000		10,000,000	0.03	106,477	300,000
Ajay Sports, Inc.	Golf & Casual 5,882 Furniture Manuf 333	(h)	294,118	0.02	600,000	5,882
		(h)	16,667	0.02	37,500	333
<hr/> Preferred Stocks-Public Market Method of Valuation						
Ajay Sports, Inc.	Golf & Casual 500 Furniture Manufacturer		2,000		20,000	500
<hr/> Common Stocks-Board Appraisal Method of Valuation						
Pro Golf (44,700)	Franchisor of 402,30 International Retail Golf	(a & c)	7,450		447,000	447,000
ProGolf.com (375,000)	Web Sales of Golf 375,000	(c)	300,000	2.5	252,000	750,000
	Subtotal				1,462,977	1,503,744
(519,700)	984,044					
Unaffiliated Companies						
<hr/> Common Stocks-Public Market Method of Valuation						
Vior Diagnostics Proconnexions, Inc.						
(519,700)	Total All Companies 984,044				1,462,977	1,503,744
Est. Liabilities						
	(54,634)					
Net Asset Value						
	929,410					
Per share value						
	\$1.34					
(a) No public market for this security exists						
(b) In August 1999, Immune Response completed a 1-for-100 reverse stock spit and also completed a						

Edgar Filing: ENERCORP INC - Form 10-K

(c) Subject to Rule 144

See notes to financial statements
F-3

Enercorp, Inc.
Statement of Changes in Stockholders' Equity
For the Years Ended June 30, 2001, 2000, and 1999

Common Stock	(Accumulated Shares	Unrealized Amount	Retained Earnings		
			Deficit)	Net Gain	Total
Balance at June 30, 1998	590,897	1,468,251	(1,045,709)	1,883,475	2,305,017
Increase in Common Stock	105,000	420,000			420,000
Net Loss	---	---	(221,783)	---	(221,783)
Unrealized gain on investments, net of tax	---	---	---	1,024,633	1,024,633
Balance at June 1999	695,897	1,888,251	(1,268,492)	2,908,108	3,527,867
Increase in Common stock	---	---	---	---	---
Net Loss	---	---	408	---	408
Unrealized gain on investments, net of taxes	---	---	---	1,802,231	(1,802,231)
Balance at June 30, 2	695,897	1,888,251	(1,268,084)	1,105,877	1,726,044
Increase in Common Stock	0	0			0
Net Gain			558,282		558,282
Unrealized gain on investments, net of taxes				(1,353,471)	(1,353,471)
Balance at June 30, 2001	695,897	\$1,888,251	\$(709,802)	\$(247,594)	\$930,855

See notes to financial statements
F-4

Enercorp, Inc.
Statements of Operations

	For the Years ended June 30,		
	2001	2000	1999
REVENUES			
Interest Income	\$ 6	\$ 187	\$ -0-
Interest income from related entities	1,634	30,250	6,264
Consulting fees from related companies		22,000	25,000

Edgar Filing: ENERCORP INC - Form 10-K

Net realized gain on sale of investments	1,474,184	461,358	-0-
Divided income form affiliated company		-0-	-0-
	-----	-----	-----
	1,475,824	513,795	31,264
EXPENSES			
Salaries - officer	78,500	78,500	87,000
Bonus expense - officer	-0-	-0-	25,000
Directors' fees	2,000	1,000	-0-
Staff salaries	15,355	-0-	-0-
Legal, accounting and other professional Fees	29,224	24,073	19,921
Interest expense - other	173,773	217,885	193,552
Bad debt expense	28,673	7,554	2,421
Other general and administrative expenses	20,187	29,374	47,145
	-----	-----	-----
	347,712	357,387	375,050
Net gain (loss) from operations before taxes	1,128,112	155,408	(343,785)
Income taxes (Note 5)	(569,830)	(155,408)	122,000
	-----	-----	-----
Net gain (loss) from operations after taxes	558,282	408	(221,785)
Net unrealized gain (loss) on investments before Taxes	(247,594)	(442,230)	1,552,635
Income taxes (Note 5)			(528,000)
	-----	-----	-----
Net unrealized gain (loss) on investment after taxes	(247,594)	(442,230)	1,024,635
Increase (decrease) in net assets resulting from operations	\$ (2,943,331)	\$ (442,822)	\$ 802,850
	=====	=====	=====
Increase (decrease) in net assets per share	\$ (422)	\$ (0.75)	\$ 1.36
	=====	=====	=====

See notes to financial statements
F-5

Enercorp, Inc.
Statements of Cash Flow

	For the Years Ended June 30,		
	2001	2000	1999
	-----	-----	-----
Cash flows from operating activities:			
Increase (decrease in net assets)	\$ 558,282	\$ (441,822)	\$ 802,850
Adjustments to reconcile net income to net Cash provided by operating activities:			
Depreciation	1,870	1,870	1,525
Bad debt provision on notes receivable and interest net of write offs	3,086	7,554	2,431
Stock received for consulting services		-0-	-0-
Gain on sale of investments	2,889,602	(461,358)	-0-
(Gain) Loss on sale of fixed assets		-0-	-0-

Edgar Filing: ENERCORP INC - Form 10-K

Unrealized (gain) loss on Investments	(1,923,471)	2,730,231	(1,552,635)
(Increase) in accounts receivable - related party	17,848	(17,842)	(6)
(Increase) in interest receivable	6,105	(3,250)	1,496
(Increase) Decrease in other assets	1,318	449	130
Increase (Decrease) in accounts payable and accrued expenses	29,507	1,397	990
Increase (Decrease) in accrued salaries		-0-	-0-
Increase (Decrease) in deferred taxes	570,000	(773,000)	406,000
Total adjustments	1,595,865	1,486,052	(1,140,070)
Net cash (used) by operating activities	2,154,147	1,044,230	(337,220)
Cash flows from investing activities:			
Purchase of investments		(27,000)	(520,000)
Sale of investments		495,308	-0-
Payments received on note receivable		-0-	200,000
Issuance of notes receivable		-0-	-0-
Proceeds from sale of fixed assets		-0-	-0-
Purchase of furniture and fixtures		-0-	(3,501)
Net cash provided (used) by investing Activities	-0-	468,308	\$323,501

See notes to financial statements
F-6

Enercorp, Inc.
Statements of Cash Flow (continued)

	For the Years Ended June 30,		
	2001	2000	1999
Cash flows from financing activities:			
Proceeds from sale of common stock		-0-	420,000
Proceeds from notes payable	(360,000)	212,400	267,500
Principal payments of notes Payable	(2,141,649)	(358,000)	(26,000)
Net cash provided by investing Activities	(2,177,649)	(145,600)	661,500
Increase (Decrease) in cash	(23,502)	1,366,938	779
Cash, beginning of period	23,844	16,907	16,128
Cash, end of period	\$ 342	\$ 1,383,845	\$ 16,907
Supplemental disclosures of cash flow information:			
Interest paid	\$ 173,768	\$ 218,669	\$ 176,704
Interest received	\$ 1,634	\$ 187	\$ 3,023

Edgar Filing: ENERCORP INC - Form 10-K

See notes to financial statements

F-7

Notes to Financials

Note 1: Summary of Significant Accounting Policies

Significant accounting policies are as follows:

a. Business History

Enercorp, Inc. (the "Company") was incorporated under the laws of the state of Colorado on June 30, 1978. During the fiscal year ended June 30, 1982, the Company elected to become a "Business Development Company" (BDC) as that term is defined in the Small Business Investment Incentive Act of 1980, which Act is an amendment to the Investment Company Act of 1940. This change resulted in the Company becoming a specialized type of investment company. For the years ended June 30, 2001, 2000, and 1999 the Company's cash flows have been dependent primarily upon sale of stock and loans.

b. Investment Valuation

The investment valuation method adopted in 1982 provides for the Company's Board of Directors to be responsible for the valuation of the Company's investments (and all other assets) based on recommendations of a Valuation Committee of the Board, comprised of the independent disinterested directors of the Company. In the development of the Company's valuation methods, factors that affect the value of investees' securities, such as significant escrow provisions, trading volume and significant business changes are taken into account. These investments are carried at fair value using the following four basic methods of evaluation:

1. Cost - The cost method is based on the original cost to the Company adjusted for amortization of original issue discounts and accrued interest for certain capitalized expenditures of the corporation. Such method is to be applied in the early stages of an investee's development until significant positive or adverse events subsequent to the date of the original investment require a change to another method.
2. Private market - The private market method uses actual or proposed third party transactions in the investee's securities as a basis for valuation, utilizing actual firm offers as well as historical transactions, provided that any offer used is seriously considered and well documented by the investee.
3. Public market - The public market method is the preferred method of valuation when there is an established public market for the investee's securities. In determining whether the public market method is sufficiently established for valuation purposes, the corporation is directed to examine the trading volume, the number of shareholders and the number of market makers in the investee's securities, along with the trend in trading volume as compared to the Company's proportionate share of the investee's securities. If the security is restricted, the value is discounted at an appropriate rate.
4. Appraisal - The appraisal method is used to value an investment position after analysis of the best available outside information

Edgar Filing: ENERCORP INC - Form 10-K

where there is no established public or private market method which have restrictions as to their resale as denoted in the schedule of investments are also considered to be restricted securities.

All portfolio securities valued by the cost, private market and appraisal methods are considered to be restricted as to their disposition. In addition, certain securities valued by the public market method which have restrictions as to their resale as denoted in the schedule of investments are also considered to be restricted securities.

F-8

c. Statement of Cash Flows

Consistent with the reporting requirements of a BDC, cash and cash equivalents consist only of demand deposits in banks and cash on hand. Financial statement account categories such as investments and notes receivable, which relate to the Company's activity as a BDC, are included as operating activities in the statement of cash flows.

d. Furniture and Equipment

Expenditures for furniture and equipment and for renewals and betterments, which extend the originally estimated economic life of assets or convert the assets to a new use are capitalized at cost. Expenditures for maintenance, repairs and other renewals of items are charged to expense. When items are disposed of, the cost and accumulated depreciation are eliminated from the accounts and any gain or loss is included in the results of operations. The provision for depreciation is calculated using the straight-line method over a five or seven year life.

e. Securities Transactions

Purchases and sales of securities transactions are accounted for on the trade date, which is the date the securities are purchased or sold. The value of securities sold is reported on the first-in first-out basis for financial statement presentation.

f. Revenue Recognition

Due to the uncertainty of collection, the Company recognizes all types of consulting fee revenues from portfolio companies as cash is received. All other revenues are recognized on the accrual basis.

g. Net Assets per Share

In accordance with the fair value accounting method used by regulated investment companies, net assets (total stockholders' equity) per share at June 30, 2001 and June 30, 2000, respectively was \$1.34 and \$2.48 per share based on 695,897 shares outstanding in 2001 and 2000.

Note 2: Investments

Investments consist of holdings of securities in publicly and privately held companies.

Edgar Filing: ENERCORP INC - Form 10-K

Note 3: Related Party Transactions

a

b. Notes Receivable - Related Entities

The Company has notes receivable from ProConnections, Inc., ("PCI") . All of the notes are due on demand. The notes have interest rates of 12% and 10%. There is no collateral for the notes. The Company is a shareholder in PCI. The notes receivable balance, net of allowance for uncollectible note receivable, from PCI at was \$3,086 and \$7,715 at June 30, 2000 and 1999 respectively.

F-9

Note 4: Note Payables

----- Note Payable - Bank

In June 1998, the Registrant renewed its line of credit and increased its borrowing there under to \$2,500,000 with interest at 3/4% over prime by Comerica Bank ("Comerica"). Collateral for the line of credit included all of the shares of Williams Controls common stock owned by the Registrant at the time (1,660,000) and all of the shares of common stock of Ajay Sports, Inc. ("Ajay") owned by the Registrant at the time (1,864,706). Borrowing was limited to 50% of the fair market value of the collateral, except that the maximum amount that can be borrowed against the Ajay stock is \$400,000. This loan is due on demand.

In July 2000, the Registrant renewed its line of credit from Comerica Bank ("Comerica") under which it may borrow up to \$2,250,000 at 3/4% over Comerica's prime lending rate. The collateral for this line of credit is 1,652,329 shares of Williams Controls common stock owned by the Registrant and 310,784 shares of the post-split common stock of Ajay Sports, Inc. ("Ajay") owned by the Registrant.

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 Registration sold an additional 574,529 shares of Williams Controls, Inc., for a total of 1,652,329 shares, representing all the shares of Williams 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.

Note Payable - Related Party

Due to limited working capital, beginning at May 31, 2000, the Company borrowed working capital funds from its former president in order to meet its working capital needs and to pay the interest on the Comerica loan. The note payable bears an interest rate of prime plus .75%, the same rate at which the Company borrows from Comerica. As of June 30, 2001 the note has been repaid in full,

Edgar Filing: ENERCORP INC - Form 10-K

including \$2,000 in accrued interest. The remaining interest has subsequently been paid in September 2001.

F-10

Note 5: Income Taxes

The Company adopted, effective July 1, 1992, Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting For Income Taxes", issued in February 1992. Under the liability method specified by SFAS 109, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities as measured by the enacted tax rates which will be in effect when these differences reverse. Deferred tax expense is the result of changes in deferred tax assets and liabilities.

Income tax expense for the years ended June 30, 2001, 2000 and 1999 consisted of:

	2001 -----	2000 -----	1999 -----
Current, net of benefit of NOL carryover	\$ -0	\$ -0	\$ -0
Deferred	568,196	155,000	406,000
	-----	-----	-----
	\$ 568,096	\$ 155,000	\$ 406,000

The components of the deferred tax asset (liability) at June 30, 2001 and 2000 consist of the following:

	6/30/01 -----	6/30/00 -----
Unrealized gain on investments	\$ (247,594)	\$ (570,000)
Capital loss carryover	-0-	-0-
Accrued officer wages	-0-	-0-
Allowance for notes receivable	-0-	(16,000)
Valuation Allowance		(109,000)
Net operating loss carry over	(663,000)	(663,000)
	-----	-----
	\$ -0-	\$ -0-
	=====	=====

At June 30, 2001 the Company has net operating losses carry forward available to offset future taxable income of approximately \$1,352,380 that expires during various years through June 30, 2014.

Note 6: Operating Leases

The Company is in the process of relocating its Corporate headquarters to California, and is currently negotiating a new lease on Premises in Los Angeles, California.

Note 7: Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported

Edgar Filing: ENERCORP INC - Form 10-K

amounts and disclosures. Accordingly, actual results could differ from those estimates.

F-11