

Edgar Filing: ENERCORP INC - Form 10QSB

ENERCORP INC
Form 10QSB
February 28, 2003

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 December 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 February 18, 2003: 695,897

Enercorp, Inc.

Form 10-QSB Filing for the First Quarter Ended December 31, 2002

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| Certification pursuant to 18 USC, Section 1350, | | |
| as adopted pursuant to Sections 302 and 906 of | | |
| the Sarbanes-Oxley Act of 2002 | | 14-15 |

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Enercorp, Inc. Statements of Assets and Liabilities

| | December 31 2002 (Unaudited) | June 30 2002 |
|---|---------------------------------|-----------------|
| | ----- | ----- |
| ASSETS | | |
| Investments, at fair value, cost of \$1,231,638 | | |
| And \$1,231,638 at December 31, | | |
| 2002 and June 30, 2002 | \$ 736,531 | \$1,045,842 |
| Cash | 892 | 1,123 |
| Furniture and fixtures, net of accumulated | | |
| depreciation of \$11,736 at Dec. 31, 2002 | | |
| and 11,503 at June 30, 2002 respectively | 0 | 0 |
| Other assets | 0 | 0 |
| | ----- | ----- |
| | \$ 737,423 | \$ 1,046,965 |
| | ===== | ===== |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Note payable-Related Party | \$ 33,150 | \$27,000 |
| Note payable-Wen Group | 30,000 | 30,000 |
| Accounts payable and accrued liabilities | 17,496 | 15,403 |
| Interest Payable-related party | 4,330 | -0- |

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| | | |
|---|------------|--------------|
| Accrued management fees-related party | 35,000 | 20,000 |
| Accrued salaries payable | 60,000 | -0- |
| | ----- | ----- |
| | 179,976 | 92,403 |
| | ----- | ----- |
| Net assets | | |
| Common stock, no par value: 10,000,000 shares authorized, 695,897 shares issued and outstanding at December 31, 2002 and June 30, 2002 | 1,888,251 | 1,888,251 |
| Preferred stock, no par value: 1,000,000 shares authorized, -0- issued and outstanding | -0- | -0- |
| Accumulated deficit | (835,697) | (747,893) |
| Unrealized net loss on investments, net of deferred income taxes at December 31, and June 30, 2002 | (495,107) | (185,796) |
| | ----- | ----- |
| | 557,447 | 954,562 |
| | ----- | ----- |
| | \$ 737,423 | \$ 1,046,965 |
| | ===== | ===== |

See notes to financial statements

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Enercorp, Inc.
Schedule of Investments
December 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 | 0.011 | |
| 19 | | 19 | | | |
| 110,000 | (33,000) | 77,000 | 10,000,000 | 0.011 | 106,477 |
| Ajay Sports, 1,765 | Golf & Casual | 1,765 | 294,118 | 0.006 | 600,000 |
| | Furniture Manufacturer | | 16,667 | 0.006 | 37,500 |
| 100 | | 100 | | | |
| Preferred Stocks-Public Market Method of Valuation | | | | | |
| ----- | | | | | |
| Ajay Sports, 38 | Golf & Casual | | 2,000 | 0.019 | 20,000 |
| | Furniture Manufacturer | | | | |
| | | 38 | | | |
| Common Stocks-Board Appraisal Method of Valuation | | | | | |
| ----- | | | | | |

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| | | | | | |
|--------------|--------------------|---------|---------|-----|-------------|
| Pro Golf | Franchisor of | a & b | 7,450 | | 195,000 |
| 447,000 | (89,400) | 357,600 | | | |
| Intern'l | Retail Golf Stores | | | | |
| ProGolf.com, | Web Sales of | a & b | 300,000 | 2.5 | 252,000 |
| 750,000 | (450,000) | 300,000 | | | |
| Inc. | Golf Equipment | | | | |
| ----- | | | | | |
| | Subtotal | | | | \$1,210,977 |
| 1,308,922 | (572,400) | 736,522 | | | |

Warrants and Stock Options-Board Appraisal Method of Valuation

| | | | | | |
|-------------|---------------------|----------|---------|--------|--|
| CompuSonics | Digital Video | | | | |
| Video | Product | | | | |
| Corporation | | | 300,000 | | |
| Williams | Manuf. Of Sensors & | | | | |
| Controls, | Control Systems | | | | |
| Inc. | | 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 | .03 | 1,500 |
| .9 | 9 | | | | |
| Proconnexions, Inc.-Sports Memor'blia | a | | 191,610 | - | 19,161 |
| - | | | | | |
| ----- | | | | | |
| Total All Companies | | | | | \$1,231,638 |
| \$1,308,931 | (572,400) | 736,531 | | | |
| ===== | | | | | |

- 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, 2002

| | | | | | |
|---|--------------------------|--------------|-------|--------|----------|
| Affiliated | Description | No. of | Share | Cost | Fair Mkt |
| Companies | Net Fair | Shares | Price | Equity | Value |
| Discount | of Business Restrictions | Market Value | | | |
| ----- | | | | | |
| Common Stocks-Public Market Method of Valuation | | | | | |
| ----- | | | | | |

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| | | | | | |
|--|-----------------------------|-------------|---------|-------------|-------------|
| CompuSonics Video Corp | Digital Video Product & Web | 1,751 | | | 96 |
| | 96 | | | | |
| (165,000) | 385,000 | 10,000,000 | \$0.055 | 106,477 | 550,000 |
| Ajay Sports, | Golf & Casual | 294,118 | \$0.055 | 600,000 | 2,941 |
| | 2,941 | | | | |
| | Furniture Manufacturer | 16,667 | \$0.01 | 37,500 | 167 |
| | 167 | | | | |
| Preferred Stocks-Public Market Method of Valuation | | | | | |
| ===== | | | | | |
| Ajay Sports, | Golf & Casual | 2,000 | | 20,000 | 20 |
| | 20 | | | | |
| Common Stocks-Board Appraisal Method of Valuation | | | | | |
| ----- | | | | | |
| Pro Golf (89,400) | Franchisor of Intern'l | a & b | 7,450 | 195,000 | 447,000 |
| | 357,600 | | | | |
| | Retail Golf Stores | | | | |
| ProGolf.com, Inc. | Web Sales of | b | 300,000 | 2.5 | 252,000 |
| (450,000) | 300,000 | | | | 750,000 |
| | Golf Equipment | | | | |
| ----- | | | | | |
| | Subtotal | | | \$1,210,977 | 1,750,224 |
| (694,400) | 1,045,824 | | | | |
| Unaffiliated Companies | | | | | |
| Common Stocks-Public Market Method of Valuation | | | | | |
| ----- | | | | | |
| Vitrio Diagnostics | | 300 | | 1,500 | 170 |
| | 170 | | | | |
| Proconnections, Inc. | Sports Memor'blia | 191,610 | | 19,161 | |
| ----- | | | | | |
| Total All Companies | | | | \$1,231,638 | \$1,750,242 |
| \$ (694,400) | | \$1,045,842 | | ===== | |
| ===== | | | | | |

- 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 the three Months | | For Six Months | |
| | Ended Dec. 31 | | ended Dec.31. | |
| | 2002 | 2001 | 2002 | 2001 |
| REVENUES | | | | |
| Miscellaneous Income | \$-0- | \$1,700 | \$-0- | \$3,875 |
| | ----- | ----- | ----- | ----- |

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| | | | | |
|--|-------------|-----------|-----------|-----------|
| | -0- | 2,175 | -0- | 3,875 |
| EXPENSES | | | | |
| Officer salaries | 30,000 | -0- | 60,000 | -0- |
| Legal, accounting and other professional Fees | 9,118 | 7,931 | 10,832 | 4,633 |
| Management fees related | 7,500 | 7,500 | 15,000 | 15,000 |
| Interest expense - other | 796 | 223 | 1,477 | 273 |
| Other general and administrative expenses | 222 | 3,040 | 495 | 3,709 |
| | ----- | ----- | ----- | ----- |
| | 47,636 | 18,694 | 87,804 | 23,615 |
| | ----- | ----- | ----- | ----- |
| Net gain (loss) from operations before taxes | (47,636) | (16,994) | (87,804) | (19,740) |
| Income taxes | -0- | -0- | -0- | -0- |
| | ----- | ----- | ----- | ----- |
| Net gain (loss) from operations after taxes | (47,636) | (16,994) | (87,804) | (19,740) |
| | ----- | ----- | ----- | ----- |
| Net unrealized gain (loss) on investments Before Taxes | 2,956 | 146,841 | (309,311) | 49,150 |
| Income taxes | -0- | -0- | -0- | -0- |
| | ----- | ----- | ----- | ----- |
| Net unrealized gain (loss) on investment after taxes | 2,956 | 146,841 | (309,311) | 49,150 |
| | ----- | ----- | ----- | ----- |
| Increase (decrease) in net assets resulting from operations | \$ (44,681) | \$129,847 | (397,116) | \$ 29,410 |
| | ===== | ===== | ===== | ===== |
| Increase (decrease) in net assets per share | \$ (0.06) | \$0.19 | \$ (0.57) | \$ 0.04 |
| | ===== | ===== | ===== | ===== |

See notes to financial statements

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Enercorp, Inc.
Statements of Cash Flows
(Unaudited)

| | For Six Months Ended December 31 | |
|--|----------------------------------|----------|
| | 2002 | 2001 |
| | ----- | ----- |
| Cash flows from operating activities | | |
| Increase (decrease) in net assets | \$ (397,116) | \$29,410 |
| Adjustments to reconcile net income to net Cash provided by operating activities: | | |
| Depreciation | -0- | 467 |
| Bad debt provision on notes receivable and interest net of write offs | -0- | -0- |
| Gain on sale of investments | -0- | -0- |
| (Gain) Loss on sale of fixed assets | -0- | -0- |
| Unrealized (gain) loss on Investments | 309,311 | (49,150) |
| (Increase) Decrease in other assets | -0- | -0- |
| Increase (Decrease) in accounts payable and accrued expenses | 81,423 | (35,609) |
| Increase (Decrease) in deferred taxes | -0- | -0- |
| | ----- | ----- |
| Total adjustments | 390,734 | (84,292) |

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| | | |
|--|---------|----------|
| Net cash (used) by operating activities | (6,381) | (54,882) |
| <hr/> | | |
| Cash flows from investing activities: | | |
| Purchase of investments | -0- | -0- |
| <hr/> | | |
| Net cash provided (used) by investing Activities | -0- | -0- |
| <hr/> | | |
| Cash flows from financing activities: | | |
| Proceeds from notes payable | 6,150 | 57,000 |
| Net cash provided by investing activities | -0- | -0- |
| <hr/> | | |
| Net cash provided by investing Activities | | 1,500 |
| <hr/> | | |
| Increase (Decrease) in cash | (231) | 2,118 |
| Cash, beginning of period | 1,123 | 342 |
| <hr/> | | |
| Cash, end of period | \$ 892 | \$ 2,460 |
| <hr/> | | |
| Supplemental disclosures of cash flow information: | | |
| Interest paid | \$ -0- | \$ 88 |
| <hr/> | | |
| Taxes Paid | \$ -0- | \$ -0- |
| <hr/> | | |

See notes to financial statements

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NOTES TO FINANCIAL STATEMENTS

Note 1. Financial Statements

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 three months ended December 31, 2002 are not necessarily indicative of the results that may be expected for the year ending June 30, 2003. 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, 2002.

Note 2: Investments

The Registrant holds its 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

There were no capital stock transactions during quarter ended December 31, 2002.

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Note 4: Board of Director Changes .

Mr. Salvatore M. Parlatore and Dr. Jeffrey E. Ratio are the new elected directors of Enercorp, Inc. They were elected on October 16, 2002. They will serve until their successors be duly elected and qualified.

Note 5: Related Party Transactions

The Registrant has Note Payable of \$33,150 to Dearborn Wheels, Inc. in which the Chairman's daughter is the President. The note was issued on December 6, 2001 at 10% interest rate per annum, and is renewed on December 23,2002. The note is due after 180 days. The terms were approved by the independent directors. Also, as of 12/31/02 balance of interest payable on this note is \$4,330.

The Company is accruing \$2,500 per month in management fees, due to Acrodyne Corporation a company in which the President has an interest and is also President. As of 12/31/02 balance of accrued fees due to Acrodyne Corporation is \$ 35,000.

The Company is also accruing \$30,000 salary owed to Mr. Itin, CEO, as officer salaries for this quarter. Balance of accrued salaries at the end of this quarter is \$ 60,000.

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Note 6: Note payable Wen Group.

The Registrant has outstanding the \$30,000 promissory note to Wen Group. The note was issued on December 12, 2001 and is not bearing any interest.

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

Material Changes in Financial Condition:

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.

The only change in the Registrant's financial condition for the six month period ending 12/31/02 is the decrease in investments value. This change is mainly due to decrease in market value of CompuSonics Video Corporation and Ajay Sports, Inc. stock.

Liquidity and Capital Resources.

The Registrant has outstanding the promissory note of \$30,000 to Wen Group. 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 validity of the Wen Group claim is under review. 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:

The Registrant's revenues were \$0 and \$1,700 for the quarter ended December 31, 2002 and 2001, respectively. The changes in revenues were mainly due to the lack of operations. There was no sale of investment, no consulting services

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provided to other parties, no dividend or interest income from other parties for this quarter.

The Company recorded \$30,000 of officer salaries for the quarter ended December 2002 compared to officer salaries of \$0 for the quarter ended December 31, 2001. Salary is due to Mr. Itin, the CEO of the Company. This change is due to the employment agreement between Mr. Itin and the Company, which was negotiated and approved by the independent directors.

The Registrant's interest expenses were \$ 796 and \$ 223 for the quarter ended Dec. 2002 and 2001 respectively. The change is due to the increase in principal of a note payable to a related party, therefore there is an increase in interest expense for this quarter compared to the previous quarter.

The Registrant recorded general and administrative expenses of \$ 222 for this quarter ended December 31, 2002 compared to general and administrative expenses of \$ 3,040 the quarter ended December 31, 2001. This change is due to the decrease in the company's activity related to such expenses. General and administrative expenses include travel, telephone and other miscellaneous expenses.

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The Registrant recorded an unrealized gain on investments of \$ 2,956 for the quarter ended December 31, 2002 compared to a gain of \$ 146,841 for the quarter ended December 31, 2001. This is mainly due to the changes in fair market value of the Registrant's investment in the publicly traded companies CompuSonics Video Corporation and Ajay Sports, Inc. The Registrant is also taking higher discount rates for this quarter for its investment in ProGolf International, Inc., ProGolf. Com, Inc. and CompuSonics Video Corporation. The Board of Directors after careful deliberation decided that the new discount rates are more reasonable and fair. (See schedule of investment, page 5)

The Registrant's revenues were \$0 and \$3,875 for the six months period ended December 31, 2002 and 2001, respectively. The changes in revenues were mainly due to the lack of operations. There was no sale of investment, no consulting services provided to other parties, no dividend or interest income from other parties for this period.

The Company recorded \$60,000 of officer salaries for the six month period ended December 2002 compared to officer salaries of \$0 for the six month period ended December 31, 2001. Salary is due to Mr. Itin, the CEO of the Company. This change is due to the employment agreement between Mr. Itin and the Company.

The Registrant's interest expenses were \$ 1,477 and \$ 273 for the six months period ended Dec. 2002 and 2001 respectively. The change is due to the increase in principal of note payable to a related party, therefore there is a increase in interest expense for this period compared to the previous one.

The Registrant recorded general and administrative expenses of \$ 495 for the six months period ended December 31, 2002 compared to general and administrative expenses of \$ 3,709 the six month period ended December 31, 2001. This change is due to the decrease in the 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 \$ 309,311 for the six month period ended December 31, 2002 compared to a gain of \$ 49,150 for the period ended December 31, 2001. This is mainly due to the changes in market

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value of the Registrant's investment in the publicly traded companies CompuSonics Video Corporation and Ajay Sports, Inc. Also the Registrant is taking higher discount rates for this quarter for its investment in ProGolf International, Inc., ProGolf Com, Inc. and CompuSonics Video Corporation. The Board of Directors after careful deliberation decided that the new discount rates are more reasonable and fair. (See schedule of investment, page 5)

Item 3. Controls and Procedures.

a) Evaluation of Disclosure Controls and Procedures.

Within the 90 days prior to the date of this report, Enercorp, Inc. carried out an evaluation under supervision of the Company's management of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. The management concluded that the internal controls and procedures are effective.

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b) Changes in Internal Controls

There were no significant changes in the Company's internal controls or in other factors that could significantly affect these internal controls subsequent to the date of the most recent evaluation.

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

None

Item 5. Exhibits and Reports on Form 8-K

A) Exhibits

None

B) Form 8-K

None

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Enercorp, Inc.

Form 10-QSB

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For the Quarter Ended December 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.

(Registrant)

By: /s/ Thomas W. Itin

Thomas W. Itin
President

Date: February 28, 2003

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CERTIFICATION PURSUANT TO 18 USC, SECTION 1350, AS ADOPTED PURSUANT TO SECTIONS 302 AND 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Enercorp, Inc. (the "Company") on Form 10-QSB for the quarter ended December 31, 2002 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, we, Thomas W. Itin, Chief Executive Officer and Majlinda Xhuti, Chief Financial Officer of the Company, certify to the best of our knowledge, pursuant to 18 USC 1350, as adopted pursuant to Sec.302 and promulgated as 18 USC 1350 pursuant to Sec.906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report referenced above has been read and reviewed by the undersigned.
2. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934.
3. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.
4. Based upon our knowledge, the Report referenced above does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading.
5. Based upon our knowledge, the financial statements, and other such financial information included in the Report, fairly present in all material respects the financial condition and results of operations of the Company as of, and for, the periods presented in the Report.
6. We acknowledge that the Chief Executive Officer and Chief Financial Officer:

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- A. are responsible for establishing and maintaining "disclosure controls and procedures" for the Company;
- B. have designed such disclosure controls and procedures to ensure that material information is made known to us, particularly during the period in which the Report was being prepared;
- C. have evaluated the effectiveness of the Company's disclosure controls and procedures within 90 days of the date of the Report; and
- D. have presented in the Report our conclusions about the effectiveness of the disclosure controls and procedures based on the required evaluation.
- E. have disclosed to the issuer's auditors and to the audit committee of the Board of Directors of the Company (or persons fulfilling the equivalent function):

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- (i) all significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize, and report financial data and have identified for the Company's auditors any material weaknesses in internal controls; and
- (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal controls; and

F. have indicated in the Report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ Thomas W. Itin

Chief Executive Officer

/s/ Majlinda Xhuti

Chief Financial Officer

Dated: February 28, 2003

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