

Edgar Filing: BRL HOLDINGS INC - Form 10QSB

BRL HOLDINGS INC  
Form 10QSB  
May 20, 2003

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended March 31, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 0-15260

BRL Holdings, Inc.  
(Exact name of small business issuer as specified in its charter)

Delaware  
(State or other jurisdiction of  
Incorporation or organization)

88-0218411  
(Internal Revenue Service  
Employer Identification No.)

200 Perimeter Road, Manchester, NH 03103  
(Address of principal Executive offices Zip Code)

(603) 641-8443  
Issuer's telephone number, including area code

Former name, former address and formal fiscal year if changed since last report.

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 (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 the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date, 47,906,220 shares of common stock, par value \$.01 per share as of May 14, 2003.

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Transitional Small Business Disclosure Format (Check One) Yes No X

BRL HOLDINGS, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statement

BRL HOLDINGS, INC.  
(A DEVELOPMENT STAGE ENTERPRISE)  
CONSOLIDATED BALANCE SHEETS  
March 31, 2003 and June 30, 2002

|   | March 31,<br>(Consolidated)<br>2003<br>(Unaudited) | June 30,<br>2002 |
|---|--|------------------|
|   | -----  | -----            |
| <b>ASSETS</b>                             |  |                  |
| <b>Current Assets:</b>                    |  |                  |
| Cash                                      | \$ 606   | \$ 1,148         |
| Other receivables                         | 19,088   | -                |
| Prepaid expenses and other current assets | 1,575  | 1,050            |
|   | -----  | -----            |
| Total current assets                      | 21,269   | 2,198            |
|   | -----  | -----            |
| <b>Other assets:</b>                      |  |                  |
| Investments in related party securities   | 2,717  | -                |
|   | -----  | -----            |
| Total assets                              | \$ 23,986  | \$ 2,198         |
|   | =====  | =====            |

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCIES)

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|   |             |             |
|---|-------------|-------------|
| Current liabilities:  |             |             |
| Accounts payable  | \$ 203,969  | \$ 8,814    |
| Accounts payable related party  | 20,687      | 20,687      |
| Accrued expenses  | 379,721     | 5,000       |
|   | -----       | -----       |
| Total current liabilities   | 604,377     | 34,501      |
|   | -----       | -----       |
| Stockholders' equity (Deficiency):  |             |             |
| Preferred Stock of \$.10 per share value,<br>authorized 5,000,000 shares, no shares<br>outstanding at December 31, 2002 and<br>June 30, 2002, respectively  | -           | -           |
| Common stock of \$.01 par value,<br>50,000,000 shares authorized, 47,906,220<br>and 5,433,800 issued and outstanding at<br>March 31, 2003 and June 30, 2002 | 479,062     | 54,338      |
| Additional paid-in capital  | 7,743,720   | 7,956,081   |
| Accumulated deficit prior to development stage<br>activities  | (7,981,338) | (8,042,772) |
| Development stage accumulated earnings (deficit)  | (821,835)   | -           |
|   | -----       | -----       |
| Total Stockholder's Equity (deficit)  | (580,391)   | (32,303)    |
|   | -----       | -----       |
| Total liabilities and stockholders' equity<br>(deficit)   | \$ 23,986   | \$ 2,198    |
|   | =====       | =====       |

The accompanying notes are an integral part of the consolidated financial statements.

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BRL HOLDINGS, INC.  
(A DEVELOPMENT STAGE ENTERPRISE)  
CONSOLIDATED STATEMENTS OF OPERATIONS  
For the Three Months and Nine Months Ended March 31, 2003 and the  
Cumulative Period (October 4, 2002) to March 31, 2003  
(Unaudited)

|   | Three Months Ended<br>March 31,<br>2003<br>(Unaudited) |           | Six Months Ended<br>March 31,<br>2003<br>(Unaudited) |           | Inception<br>(October 4,<br>2002) to<br>March 31,<br>2003<br>(Unaudited) |
|---|--|-----------|--|-----------|--|
|   | -----  |           | -----  |           | -----  |
| Revenues  | \$ -   | \$ -      | \$ -   | \$ -      | \$ -   |
| Cost of goods sold                                | -  | -         | -  | -         | -  |
|   | -----  | -----     | -----  | -----     | -----  |
| Gross profit                                      | -  | -         | -  | -         | -  |
| Costs and expenses:                               |  |           |  |           |  |
| Research and development                          | -  | (169,501) | -  | (262,879) | -  |
| Purchased technologies<br>cost                    | -  | -         | (2,445)  | -         | (2,445)  |
| General and<br>administrative income<br>(expense) | (109,017)  | (186,736) | (659,812)  | -         | (620,990)  |
|   | -----  | -----     | -----  | -----     | -----  |

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|  |              |              |              |              |              |
|--|--------------|--------------|--------------|--------------|--------------|
| Total costs and expenses                                     | (109,017)    | (356,237)    | (662,257)    | (688,797)    | (623,435)    |
| (Loss)/Gain from operations                                  | (109,017)    | (356,237)    | (662,257)    | (688,797)    | (623,435)    |
| Other Income (Costs):  |              |              |              |              |              |
| Loss from investments  | -            | -            | (288,585)    | -            | (288,585)    |
| Other income (cost)  | -            | 3,000        | 90,017       | 13,000       | 90,017       |
| Total other income (cost)                                    | -            | 3,000        | (198,568)    | 13,000       | (198,568)    |
| Gain (loss) before provision for (benefit from) income taxes | -            | (353,237)    | (860,825)    | (675,797)    | (822,003)    |
| Provision for income taxes                                   | -            | -            | -            | -            | -            |
| Net gain (loss)  | \$ (109,017) | \$ (353,237) | \$ (860,825) | \$ (675,797) | \$ (822,003) |
| Weighted average shares Basic and fully diluted              | 47,906,220   | 5,401,756    | 31,389,168   | 3,577,878    | 16,926,724   |
| loss per share   | \$ (0.00)    | \$ (0.07)    | \$ (0.03)    | \$ (0.19)    | \$ (0.05)    |

The accompanying notes are an integral part of the consolidated financial statements.

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BRL HOLDINGS, INC.  
(A DEVELOPMENT STAGE ENTERPRISE)  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Nine Months Ended March 31, 2003 and 2002 and  
the Cumulative Period from Inception to March 31, 2003  
(Unaudited)

|   | Nine Months Ended<br>March 31,<br>2003 | 2002         | Inception<br>(October 4, 2002)<br>To March 31,<br>2003 |
|---|--|--------------|--|
|   | -----                                  |              | -----  |
| Cash flows from operating activities:   |  |              |  |
| Net (loss)  | \$ (860,825)                           | \$ (675,797) | \$ (822,003)   |
| Adjustments to reconcile net loss to net cash used in development activities: |  |              |  |
| Depreciation and amortization   | -                                      | 110,813      | -  |
| Common stock issued in exchange for purchased technology                      | 2,445                                  | 52,500       | 2,445  |
| Net effect of subsidiary transactions   | 97,930                                 |              | 97,392   |
| Common stock issued in exchange for common stock of subsidiary                | 212,362                                | -            | 212,362  |
| Common stock issued in exchange for services rendered                         | -                                      | 156,422      | -  |
| (Increase) Decrease in current assets:  |  |              |  |
| Notes receivable  | -                                      | 13,624       | -  |

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|   |          |             |          |
|---|----------|-------------|----------|
| Accounts receivable                         | (19,088) | -           | (19,088) |
| Other receivables                           | -        | (995)       | 764      |
| Prepaid expenses and other current assets   | (525)    | (595)       | (1,050)  |
| Related party securities                    | (2,717)  | -           | (2,717)  |
| Other non-current assets                    | -        | -           | -        |
| Increase (Decrease) in current liabilities: |          |             |          |
| Notes payable, stockholders for service     | -        | 83,755      | -        |
| Accounts payable                            | 195,155  | 199,601     | 158,886  |
| Accrued expenses                            | 374,721  | 23,516      | 373,221  |
| Other liabilities                           | -        | (10,124)    | -        |
|   | -----    | -----       | -----    |
| Net cash used in operating activities       | \$ (542) | \$ (47,280) | \$ 212   |
|   | -----    | -----       | -----    |

The accompanying notes are an integral part of the consolidated financial statements.

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BRL HOLDINGS, INC.  
(A DEVELOPMENT STAGE ENTERPRISE)  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Nine Months Ended March 31, 2003 and 2002 and  
the Cumulative Period from Inception to March 31, 2003  
(Unaudited)

|   | Nine Months Ended<br>March 31, |            | Inception<br>(October 4, 2002)<br>To March 31, |
|---|--------------------------------|------------|--|
|   | 2003                           | 2002       | 2003   |
|   | -----                          | -----      | -----  |
| Cash flows from investing activities:     |                                |            |  |
| Purchase of fixed assets                  | \$ -                           | \$ (6,015) | \$ -   |
| Purchase of intangible assets             | -                              | (661)      | -  |
| Proceeds from sale of assets              | -                              | -          | -  |
|   | -----                          | -----      | -----  |
| Net cash used in investing activities     | -                              | (6,676)    | -  |
|   | -----                          | -----      | -----  |
| Cash flows from financing activities:     |                                |            |  |
| Notes receivable                          | -                              | -          | -  |
| Notes payable                             | -                              | 57,000     | -  |
| Issuance of common stock, net             | -                              | -          | -  |
| Payment of deferred offering costs        | -                              | -          | -  |
|   | -----                          | -----      | -----  |
| Net cash provided by investing activities | \$ -                           | \$ 57,000  | \$ -   |
|   | -----                          | -----      | -----  |
| Net increase (decrease) in cash           | (542)                          | 3,044      | 212  |
| Cash at beginning of period               | 1,148                          | 119        | 394  |
|   | -----                          | -----      | -----  |
| Cash at end of period                     | \$ 606                         | \$ 3,163   | \$ 606   |
|   | =====                          | =====      | =====  |

Supplemental Disclosures of Cash Flow Information:

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Cash paid during the period for:

|              |    |   |    |   |    |   |
|--------------|----|---|----|---|----|---|
| Interest     | \$ | - | \$ | - | \$ | - |
| Income taxes | \$ | - | \$ | - | \$ | - |

Supplemental Schedule of Non cash Investing and Financing Activities:

|   |         |         |   |         |   |   |
|---|---------|---------|---|---------|---|---|
| Cash paid for interest                              | -       | -       | - | -       | - | - |
| Stock issued for acquisition of subsidiary          | 212,362 | 490,000 |   | 212,362 |   |   |
| Liabilities repaid through issuance of common stock | 2,445   | -       |   | 2,445   |   |   |

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

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BRL HOLDING, INC.  
(A DEVELOPMENT STAGE ENTERPRISE)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2003  
(UNAUDITED)

Note 1      Basis of presentation

The accompanying unaudited consolidated financial statements have been prepared from the books and records of BRL Holdings, Inc. (the "Company") or "BRL") in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Rule 310 of Regulation S-B. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete consolidated financial statements and should be read in conjunction with the Company's audited consolidated financial statements at and for the fiscal year ended June 30, 2002. In the opinion of management, all adjustments (consisting only of normal recurring accruals and adjustments associated with the Element 21 acquisition in the current fiscal year) considered necessary for a fair presentation have been included. Operating results for the nine months ended March 31, 2003 are not necessarily indicative of the results that may be expected for the year ended June 30, 2003.

Note 2      Investment in related parted securities

On April 1, 2002 we divested our majority interest in the AssureTec Systems subsidiary by exchanging with AssureTec founders and consultants shares in AssureTec held by the Company. After divesting these shares previously held, the Company currently holds as an investment through its Tech Ventures, Inc. subsidiary a minority interest consisting of 2,716,900 shares of AssureTec stock carried at a nominal value equal to the par value of the stock. (See our 8-K Current Report dated April 1, 2002, which has been previously filed with the Securities and Exchange Commission and which is incorporated herein by reference.)

Note 3      Consolidation of financial statements

Since June 30, 2002 the Company has been consolidated with Advanced Conductor Technologies, Inc., Tech Ventures, Inc. and Tech Venture's wholly owned subsidiaries IJAM Entertainment, Inc. For the period of October 4, 2002 to March 31, 2003 the Company was also consolidated with Element 21 Golf Company, a development stage enterprise. For the nine month period ended March 31, 2003 and prior to the formation of Tech Ventures, the Company was consolidated with AssureTec Systems, Inc., from November 9, 2001 to March 31,

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2002. Prior to November 9, 2001 and from April 1, 2002 through October 4, 2002 the Company had no business activities other than administrative costs necessary for remaining a publicly reporting entity. On April 1, 2002 the Company divested itself of its controlling interest in AssureTec Systems, Inc. retaining an investment interest carried at nominal value (see Item 2). On October 4, 2002 the Company acquired 100% of Element 21 Golf Company in a stock for stock transaction issuing 21,236,210 shares of the Company's common stock in exchange for a like number of shares of Element 21 Golf Company.

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### ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

#### Results of Operations

The following discussion includes the business of Element 21 Golf Company (the "Subsidiary"), since the Company, prior to its acquisition of the Subsidiary, had recently divested its majority interest in AssureTec Systems, Inc., retaining only an investment interest carried at a nominal value through a newly formed subsidiary Tech Ventures, Inc. Otherwise the Company had no operations other than raising capital and searching for an acquisition candidate (i.e., the Subsidiary). Where relevant, all numbers retroactively take into account the operations of the Company, Tech Ventures and Element 21. The Company has announced its plans to spin off Tech Ventures as an independent company, but such is still pending.

#### Three Months Ended March 31, 2003 and 2002

For the three months ended March 31, 2003 the Company, including the Subsidiaries had no revenues, general and administrative costs of \$109,017 resulting in a loss of \$109,017 as compared with the three months ended March 31, 2002, the Company, including the Subsidiary AssureTec had no revenues, research and development costs of \$169,501, general and administrative expenses of \$186,736 and other income of \$3,000 for a net loss of \$353,237.

#### Nine Months Ended March 31, 2003 and 2002

For the nine months ended March 31, 2003 the Company, including the subsidiaries had no revenues, \$2,445 of purchased technology costs, administrative costs of \$659,812, loss on investment of \$288,585, other income of \$90,017 resulting in a net loss of \$860,825 as compared with the nine months ended March 31, 2002 wherein the Company, including the subsidiary AssureTec from November 9, 2001 through March 31, 2002, had research and development costs of \$262,879, general and administrative expenses of \$425,918, other income of \$13,000 yielding a net loss of \$675,797.

#### Inception to March 31, 2003

From inception of the consolidation of the Company with Element 21 Golf Company, (October 4, 2002), through March 31, 2003, the Company, including the Subsidiaries, had revenues of \$0, purchased technology costs of \$2,445, administrative costs of \$620,990, loss from investments of \$288,585 and other income of \$90,017 yielding an accumulated net loss of \$822,003.

#### Liquidity and Capital Resources

The Company including its subsidiary Element 21 Golf Company has a negative working capital of \$583,108 at March 31, 2003. It's liquidity from inception until the closing of the Reorganization was primarily the funds of the Company and from advances by stockholders of the Company. Absent continued accruals by consultants retained by the Company to manage its

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operations and further advances by stockholders of the Company, the Company cannot continue operations without additional capital, the source of which, if any cannot be certain at this time.

### Dividend Policy

The Company has not declared or paid any cash dividends on its common stock since its inception and does not anticipate the declaration or payment of cash dividends in the foreseeable future. The Company intends to retain earnings, if any, to finance the development and expansion of its subsidiary's business. Future dividend policy will be subject to the discretion of the Board of Directors and will be contingent upon future earnings, if any, the Company's financial condition, capital requirements, general business conditions and other factors. Therefore, there can be no assurance that dividends of any kind will ever be paid.

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### Effect of Inflation

Management believes that inflation has not had a material effect on its operations for the periods presented.

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## PART II

### OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities.

None

Item 3. Default Upon Senior Securities.

None

Item 4. Submission of matters to a Vote of Securities Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K.

None.

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### SIGNATURE

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



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BRL Holdings, Inc.

May 19, 2003

By: /s/ Nataliya Hearn

-----  
Nataliya Hearn, Ph.D.  
President and Director

By: /s/ Jim Morin

-----  
Secretary, Treasurer,  
CFO and Director

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CERTIFICATION PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jim Morin, Secretary/Treasurer and Chief Financial Officer of BRL Holdings, Inc. (the "Registrant"), certify that:

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

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

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

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

Date: May 19, 2003

By/s/Jim Morin  
Secretary/Treasurer,  
CFO and Director

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CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of BRL Holdings, Inc. (the "Registrant") on Form 10-QSB for the quarter ended December 31, 2002, as filed with the Securities and Exchange Commission on the date hereof, we, Nataliya Hearn, Ph.D., President and Chief Executive Officer, and Jim Morin, Secretary/Treasurer and Chief Financial Officer of the Registrant, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge and belief:

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

(2) The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and result of operations of the Registrant.

Date:

\_\_\_\_\_  
By/s/Nataliya Hearn, Ph.D.  
President and Director

Date:

\_\_\_\_\_  
By/s/Jim Morin  
Secretary/Treasurer,  
CFO and Director

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