

Edgar Filing: ENERCORP INC - Form 10QSB

ENERCORP INC
Form 10QSB
November 19, 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 September 30, 2003

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 (IRS Employer
incorporation or organization) Identification Number)

32751 Middlebelt Road, Suite B 48334
Farmington Hills, Michigan

(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 November 15, 2003: 695,897

Enercorp, Inc.

Form 10-QSB Filing for the Third Quarter Ended September 30, 2003

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Enercorp, Inc. Statements of Assets and Liabilities

	September 30 2003 (Unaudited)	June 30 2003
	-----	-----
ASSETS		
Investments, at fair value, cost of \$1,231,638 And \$1,231,638 at September 30, 2003 and June 30, 2003	\$ 1,086,196	\$900,644
Cash	1,395	618
 Furniture and fixtures, net of accumulated depreciation of \$12,437 at September 30, 2003 and 12,437 at June 30, 2003 respectively.	 -0-	 -0-
 Other assets	 -0-	 -0-
	-----	-----
	\$ 1,087,591	\$901,262
	=====	=====
LIABILITIES AND NET ASSETS		
Liabilities		
Note payable-Related Party	\$ 49,150	\$39,950
Note payable-Wen Group	30,000	30,000
Accounts payable and accrued liabilities	11,943	16,142
Interest Payable-related party	5,992	4,899
Accrued management fees-related party	57,500	50,000
Accrued salaries payable	145,000	120,000
	-----	-----

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	299,585	260,991
	-----	-----
Net assets		
Common stock, no par value: 10,000,000 shares authorized, 695,897 shares issued and outstanding at September 30, 2003 and June 30, 2003	1,888,251	1,888,251
Preferred stock, no par value: 1,000,000 shares authorized, -0- issued and outstanding	-0-	-0-
Accumulated deficit	(954,803)	(916,985)
Unrealized net loss on investments, net of deferred income taxes at September 30, 2003 and June 30, 2003	(145,442)	(330,994)
	-----	-----
	788,006	640,272
	-----	-----
	\$1,087,591	\$901,262
	=====	=====

See notes to financial statements

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Enercorp, Inc.
Schedule of Investments
September 30, 2003 (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	111	1,751	0.0635	
111	Site Dev.	111	10,000,000	0.0635	106,477
635,000	(190,500)	444,500			
Ajay Sports, 1,471	Golf & Casual Furniture Manufacturer	1,471	294,118	0.005	600,000
83		83	16,667	0.005	37,500
Preferred Stocks-Public Market Method of Valuation					
Ajay Sports, 38	Golf & Casual Furniture Manufacturer	38	2,000	0.019	20,000
Common Stocks-Board Appraisal Method of Valuation					
Pro Golf 424,972	Franchisor of (84,994)	a & b 339,978	7,450		195,000
Intern'l	Retail Golf Stores				

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CompuSonics Video						
Corp	Digital Video					
	Product & Web		1,751	0.037		
65		65				
	Site Dev.		10,000,000	0.037	106,477	
370,000	(111,000)	259,000				
Ajay Sports, Golf & Casual						
1,471		1,471	294,118	0.005	600,000	
	Furniture					
	Manufacturer		16,667	0.005	37,500	
83		83				
Preferred Stocks-Public Market Method of Valuation						
Ajay Sports, Golf & Casual						
38		38	2,000	0.019	20,000	
	Furniture Manufacturer					
Common Stocks-Board Appraisal Method of Valuation						
Pro Golf Franchisor of a & b 7,450 195,000						
424,972	(89,994)	339,978				
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	
1,546,629	(645,994)	900,634				
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						
See notes to financial statements						

Unaffiliated Companies						
Common Stocks-Public Market Method of Valuation						
Vitro Diagnostics 300 .06 1,500						
9		9				
Proconnexions, Inc.-Sports Memorabilia a 191,610 19,161						
-						

Total All Companies					\$1,231,638	
\$1,546,638	(645,994)	900,643				
=====						

a No public market for this security

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b Subject to Rule 144

See notes to financial statements

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Enercorp, Inc.
Statements of Operations
(Unaudited)

	For the three Months Ended September 30	
	2003	2002
	-----	-----
REVENUES		
Miscellaneous Income	\$-0-	\$-0-
	-----	-----
	-0-	-0-
EXPENSES		
Officer salaries	25,000	30,000
Legal, accounting and other professional Fees	3,050	1,714
Management fees related	7,500	7,500
Interest expense - other	1,094	681
Other general and administrative expenses	1,173	273
	-----	-----
	37,817	40,167
Net gain (loss) from operations before taxes	(37,817)	(40,167)
Income taxes	-0-	-0-
	-----	-----
Net gain (loss) from operations after taxes	(37,817)	(40,167)
	-----	-----
Net unrealized gain (loss) on investments before Taxes	185,552	(312,267)
Income taxes	-0-	-0-
	-----	-----
Net unrealized gain (loss) on investment after taxes	185,552	(312,267)
	-----	-----
Increase (decrease) in net assets resulting from operations	\$147,735	\$(352,434)
	=====	=====
Increase (decrease) in net assets per share	\$ 0.21	\$(0.51)
	=====	=====

See notes to financial statements

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Enercorp, Inc.
Statements of Cash Flows
(Unaudited)

For Three Months Ended September 30

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	2003	2002
	-----	-----
Cash flows from operating activities		
Increase (decrease) in net assets	\$147,735	\$ (352,434)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	-0-	-0-
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	(185,552)	312,267
(Increase) Decrease in other assets	-0-	-0-
Increase (Decrease) in accounts payable and accrued expenses	29,395	39,159
Increase (Decrease) in deferred taxes	-0-	-0-
	-----	-----
Total adjustments	(156,157)	351,426
	-----	-----
Net cash (used) by operating activities	(8,422)	(1,009)
	-----	-----
Cash flows from investing activities:		
Purchase of investments	-0-	-0-
	-----	-----
Net cash provided (used) by investing activities	-0-	-0-
	-----	-----
Cash flows from financing activities:		
Proceeds from notes payable	9,200	-0-
	-----	-----
Net cash provided (used) by financing activities	(9,200)	-0-
	-----	-----
Increase (Decrease) in cash	777	(1,009)
Cash, beginning of period	618	1,123
	-----	-----
Cash, end of period	\$ 1,395	\$114
Supplemental disclosures of cash flow information:		
Interest paid	\$ -0-	\$ -0-
	=====	=====
Taxes Paid	\$ -0-	\$ -0-
	=====	=====

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 September 30, 2003 are not

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necessarily indicative of the results that may be expected for the year ending June 30, 2004. 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, 2003.

Note 2: Investments-Related Party

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

CompuSonics Video Corporation "CPVD" is one of the biggest investees of the Registrant. CPVD is a publicly held corporation, which specializes in licensing its patented technology related to audio and video analog-to-digital signal compression. CPVD is currently searching new business opportunities in presenting into the NAFTA market TreeSoft software used in electrical engineering. The Registrant owns 10,001,751 shares of CPVD, which were trading at \$0.0635 per share at September 30, 2003. The Registrant is taking a 30% discount from the total FMV of this investment, which reflects an accurate representation of the fair value of the investment in the statement of assets and liabilities.

One of the Registrant's investees is Ajay Sports, Inc ("Ajay"). Through its operating subsidiaries, including Pro Golf, Ajay is a franchisor of retail golf stores. The Registrant owns 310,785 shares of common stock of Ajay, which were trading at \$0.005 per share at September 30, 2003, and 2,000 shares of preferred stock of Ajay valued at \$0.019 per share at September 30, 2003.

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One of the Registrant's other current investee is Pro Golf International, Inc. (PGI) a majority-owned subsidiary of Ajay Sports, Inc., which was formed during 1999, and owns 100 % of the issued and outstanding stock of Pro Golf of America, Inc. (PGoA) and a majority of the stock of ProGolf.Com, Inc. (PG.com). PGoA is the franchisor of Pro Golf Discount Retail Stores. Fair Market Value of PGI investment was \$424,972 at September 30, 2003. The Registrant took a (20)% discount based on marketability, liquidity and the progress of PGI and its wholly owned subsidiary Pro Golf of America, Inc. ("PGoA"), reducing the Net Fair Value to \$339,987.

ProGolf. Com, Inc. is a Company formed to help direct traffic to its franchise stores and to sell golf equipment and other golf-related products and services over the Internet. It is anticipated that traditional sales and distribution methods will be enhanced by the ProGolf.com Internet site. The Board of Directors has valued the investment for 300,000 shares of PG.Com at \$750,000. After careful deliberation, however, the Board of Directors has agreed that Enercorp, Inc will continue to take a (60)% reduction in reserves, equaling \$450,000 discount. The Registrant is using the total value of \$300,000 (\$1/share) for this position.

Note 3: Capital Stock Transactions

There were no capital stock transactions during quarter ended September 30, 2003.

Note 4: Related party transactions

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CompuSonics Video Corporation ("CPVD") is one of the largest investees of the Registrant Enercorp, Inc. and also a related party. Thomas W. Itin, former Chairman, President and CEO of the Registrant, holds the position of Chairman and CEO in CPVD. Mr. Itin may be deemed a 17% beneficial ownership in CPVD.

Ajay Sports, Inc is a related party with the Registrant Enercorp, Inc. Thomas W. Itin, former Chairman, President, and CEO of the Registrant, holds the position of Chairman in Ajay Sports, Inc. Thomas W. Itin has a controlling interest in Ajay Sports, Inc.

Pro Golf International, Inc ("PGI") is a related party with the Registrant Enercorp, Inc. Thomas W. Itin former Chairman, President, and CEO of the Registrant, holds the position of Chairman and CEO in PGI, a 91% owned subsidiary of Ajay Sports, Inc. Thomas W. Itin has a controlling interest by reason of attribution in Pro Golf International, Inc.

ProGolf.com, Inc is a related party with the Registrant Enercorp, Inc. Thomas W. Itin, former Chairman, President, and CEO of the Registrant, holds the position of Chairman and CEO in ProGolf.com, Inc, an 85% owned subsidiary of Pro Golf International, Inc. Thomas W. Itin has a controlling interest by reason of attribution in ProGolf.com, Inc.

The Registrant Enercorp, Inc. has a Note Payable of \$49,150 to Dearborn Wheels, Inc. The Note was issued on December 6, 2001 at 10% interest rate per annum, and was renewed on September 10, 2003. The Note is due after 180 days. The terms were approved by the independent directors of the Registrant Enercorp, Inc. As of September 30, 2003, balance of interest payable on this Note is \$5,992.

The Registrant Enercorp, Inc. is accruing \$2,500 per month in Management fees Due to Acrodyne Corporation. As of September 30, 2003, balance of accrued fees due to Acrodyne Corporation was \$ 57,500.

The Registrant accrued \$25,000 salary for this quarter due to Thomas W. Itin, former president. Balance of accrued salaries at the end of this quarter is \$ 145,000.

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Note 5: 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. The note is due in full one hundred eighty days from the date of issuance.

Note 6: Board of Directors Changes.

Effective September 14, 2003 the following changes occurred in the Board of Directors: Thomas W. Itin offered his resignation from all positions in the Registrant. James C. Sargent was elected to the Board of Directors and to the position of the Chairman and CEO of the Registrant. Jeffrey E. Rautio was elected to the position of President and COO of the Registrant.

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

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and timing of new or incremental investments it makes, as well as the availability of borrowing under its credit lines.

The only change in the Registrant's financial condition for the three-month period ending September 30, 2003, is the increase in investments value. This change is mainly due to increase in market value of the common stock of CompuSonics Video Corporation. The value of CompuSonics Video Corporation stock significantly increased from \$0.037 per share at June 30, 2003 to \$0.0635 per share at September 30, 2003. Total net fair market value of CompuSonics Video common stock at September 30, 2003 was \$444,500.

Liquidity and Capital Resources.

The Registrant has an issued and outstanding 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.

Currently the Registrant's liquidity resources are provided from the borrowings from a third party, Dearborn Wheels, Inc.

The Registrant's current plan includes bringing in other investors, borrowing against collateral or selling a portion of its holdings.

Material Changes in Results of Operations:

-Three-month period ended September 30, 2003.

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The Registrant's revenues were \$0 and \$0 for the quarter ended September 30, 2003 and 2002, respectively. There was no sale of investments, no consulting services provided to other parties, no dividend or interest income paid or incurred from other parties for this quarter.

The Registrant recorded \$25,000 of officer salaries for the quarter ended September 30, 2003 compared to officer salaries of \$30,000 for the quarter ended September 30, 2002. Salary is due to Thomas W. Itin, former president of the Registrant. Mr. Itin resigned on September 14, 2003 from all his duties in the Registrant. This explains the decrease in accrued salary for this quarter. The salary is accrued based upon an employment agreement between the Registrant and Thomas W. Itin the terms of which were negotiated and approved by the Registrant's independent Directors.

The Registrant's legal, accounting and other professional fees were \$3,050 and \$1,014 for the quarter ended September 30, 2003 and 2002 respectively. The change is mainly due to changes in accounting fees.

The Registrant's interest expense was \$1,094 and \$681 for the quarter ended September 30, 2003 and 2002 respectively. The change is due to the increase in the principal of a note payable to a related party; therefore there is an increase in interest expense for this year compared to the previous year.

The Registrant recorded general and administrative expenses of \$1,173 for this quarter ended September 30, 2003 compared to general and administrative expenses of \$273 for the quarter ended September 30, 2002. This change is mainly due to the \$993 insurance expense for the Fidelity Bond for this quarter. General and administrative expenses include travel, telephone and other miscellaneous expenses.

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The Registrant recorded an unrealized gain on investments of \$185,552 for the quarter ended September 30, 2003 compared to a loss of \$ 312,267 for the quarter ended September 30, 2002. This gain was 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.

Management's present plan for raising capital is to liquidate some of its holdings, sell privately, some restricted preferred or common stock pursuant to the requirements of Rule 144, and/or borrow funds. Monies owed to Dearborn Wheels and Thomas W. Itin is not being paid at this time.

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 Registrant's Management of the effectiveness of the design and operation of the Registrant's disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Management concluded that the internal controls and procedures are sufficiently effective.

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b) Changes in Internal Controls

There were no significant changes in the Registrant'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

Form 8-K was filed on September 29, 2003 - Resignation of Thomas W. Itin from all positions he held in the Company and election of James C. Sargent as Chairman and CEO and Jeffrey E. Rautio as President and COO of the Company.

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Enercorp, Inc.

Form 10-QSB

For the Quarter Ended September 30, 2003

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/Jeffrey Rautio

Jeffrey Rautio
President

Date: November 19, 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 "Registrant") on Form 10-QSB for the quarter ended September 30, 2003 the ("Report"), as filed with the Securities and Exchange Commission on the date hereof, we, Jeffrey Rautio, Chief Operating Officer and Majlinda Xhuti, Chief Financial Officer of the Registrant, 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

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Officer:

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.

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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):

(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/ Jeffrey Rautio

Chief Operating Officer

/s/ Majlinda Xhuti

Chief Financial Officer

Dated: November 19 , 2003

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