ENERCORP INC
Form 10-Q
February 20, 2001

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the quarter ended December 31, 2000

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 December 31, 2000: 695,897

Enercorp, Inc.

Form 10-Q Filing for the Second Quarter Ended December 31, 2000

INDEX

Enercorp, Inc.

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

The accompanying interim unaudited condensed financial statements have been prepared in accordance with the instructions to Form 10-Q 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 six months ended December 31, 2000 are not necessarily indicative of the results that may be expected for the year ended June 30, 2001. 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, 2000.

Enercorp, Inc.
Statements of Assets and Liabilities

ASSETS	December 31, 2000	June 30, 2000
Investments, at fair value, cost of $2,196,888 and $2,204,888 at December 31, 2000 and June 30, 2000, respectively	$ 2,065,109	$ 3,873,8
Cash	1,684	23,8
Accounts receivable - related party	17,848	17,8
Accrued interest receivable - net of allowance for uncollectible interest receivable of $21,735 and $20,264 at December 31, 2000 and June, 2000, respectively	6,268	6,1
Notes receivable - related parties, net of allowance for uncollectible notes receivable of $27,776 at December 31, 2000 and $27,776 at June 30, 2000	3,086	3,0
Furniture and fixtures, net of accumulated depreciation of $10,568 at December 31, 2000 and $9,633 at June 30, 2000, respectively	1,869	2,8
Other assets	678	1,3
	$ 2,096,542	$ 3,928,8
LIABILITIES AND NET ASSETS		
Liabilities		
Note payable - bank	$ 2,141,649	$ 2,141,6
Note payable - Other	145,500	36,0
Accounts payable and accrued liabilities	14,413	25,1
Deferred tax liability	-0-	-
	2,301,562	2,202,7
Net assets		
Common stock, no par value: 10,000,000 shares authorized, 695,897 shares issued and outstanding at December 31, 2000 and June 30, 2000 respectively	1,888,251	1,888,2
Preferred stock, no par value: 1,000,000 shares authorized, -0- issued and outstanding	-0-	-
Accumulated deficit	(1,961,492)	(1,268,0
Unrealized net gain on investments, net of deferred income taxes of $1,498,000 and $1,498,000 at December 31, 2000 and June 30, 2000, respectively	(131,779)	1,105,8
	(205,020)	1,726,0

	$ 2,096,542	$ 3,928,8

See notes to financial statements

Enercorp, Inc.
Schedule of Investments
December 31, 2000

Company	Description of Business	Expiration Date	Restrictions as to Resale
AFFILIATED COMPANIES			
Common Stocks - Public Market Method of Valuation (d)			
CompuSonics Video Corporation*	Digital Video Product and Website Development		
Williams Controls, Inc.*	Manufacturer of sensor and control systems		(e)
			(e)
			(e)
			(e)
			(e)
			(e)
			(e)
Ajay Sports, Inc.*	Golf & Casual Furniture Manufacturer		(e) (h)
			(e) (h)
Pro Golf International, Inc.	Franchisor of retail golf stores		
Preferred Stocks - Public Market Method of Valuation (d)			
Ajay Sports, Inc.*	Golf & Casual Furniture Manufacturer		
Warrants and Stock Options - Board Appraisal Method of Valuation (d)			
CompuSonics Video Corporation*	Digital Video Product and Website Development		(c)
Williams Controls, Inc.*	Manufacturer of sensor and control systems	08/04/04	(c)
		05/03/05	(c)
		09/13/06	(c)
		03/12/08	(c)(j)
		10/02/08	(c)(f)

Enercorp, Inc.
Schedule of Investments
December 31, 2000

Company	Description of Business	Expiration Date	Restrictions as to Resale
UNAFFILIATED COMPANIES			
Common Stocks - Public Market Method of Valuation (d)			
Vitro Diagnostics	Diagnostic Test Kits		
	Sub-total - UNAFFILIATED COMPANIES		
	Total - ALL COMPANIES		

(a) Non-public company whose securities are privately owned.
(b) May be sold under the provisions of Rule 144 of the Securities Act of 1933 after a holding period which expires in the month indicated.
(c) No public market for this security exists.
(d) The fair value of restricted securities is determined in good faith by the Company's Board of Directors, which may take into account a variety of factors, including recent and historical prices of these securities, recent transactions completed by the Company, and other factors that the Board believes are applicable.
(e) Pledged as collateral against a line of credit with Comerica Bank.
(f) Options 50% vested and will vest at 25% additional on 10/02/00 & 10/02/01 consecutively.
(g) Reflects 1-for-6 reverse stock split effective August 14, 1998.
(h) In August, 1999, Immune Response completed a 1-for-100 reverse stock split and also completed a 1-for-3 reverse split in January, 2000.
(j) Options are 75% vested and will vest the final 25% on 03/12/01.

* This entity is considered an affiliated company since the Company owns more than 5% but less than 25% of the Investee company's outstanding common stock. Because of this, the Company would be affected by a sales limitation of one percent of the investee's outstanding common stock during any three-month period, or the average of the last four weeks' trading volume, whichever is greater.

See notes to financial statements

Enercorp, Inc.
Schedule of Investments
June 30, 2000

Company	Description of Business	Expiration Date	Restriction as to Resale
AFFILIATED COMPANIES			
Common Stocks - Public Market Method of Valuation (d)			
CompuSonics Video Corporation*	Digital Video Product and Website Development		(i)
Williams Controls, Inc.*	Manufacturer of sensor and control systems		(e)
			(e)
			(e)
			(e)
			(e)
			(e)
			(e)
Ajay Sports, Inc.*	Golf & Casual Furniture Manufacturer		(e) (h)
			(e) (h)
Pro Golf International, Inc.	Franchisor of retail golf stores		
Preferred Stocks - Public Market Method of Valuation (d)			
Ajay Sports, Inc.*	Golf & Casual Furniture Manufacturer		
Warrants and Stock Options - Board Appraisal Method of Valuation (d)			
CompuSonics Video Corporation*	Digital Video Product and Website Development		(c)
Williams Controls, Inc.*	Manufacturer of sensor and control systems	08/04/04	(c)
		05/03/05	(c)
		09/13/06	(c)
		03/12/08	(c)(j)
		10/02/08	(c)(f)

See notes to financial statements

Enercorp, Inc.
Schedule of Investments
June 30, 2000

Company	Description of Business	Expiration Date	Restrictions as to Resale	Numb of Shar
UNAFFILIATED COMPANIES				
Common Stocks - Public Market Method of Valuation (d)				
Immune Response, Inc.	Holding Company		(h)	7,00
Vitro Diagnostics	Diagnostic Test Kits			30
Proconnextions, Inc.	Sports Memorabilia Marketing		(a)	191,61
	Sub-total - UNAFFILIATED COMPANIES			
	Total - ALL COMPANIES			

(a) Non-public company whose securities are privately owned.
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(c) No public market for this security exists.
(d) The fair value of restricted securities is determined in good faith by the Company's Board of Directors, which may take into account a variety of factors, including recent and historical prices of these securities, recent transactions completed by the Company, and other factors that the Board believes are applicable.
(e) Pledged as collateral against a line of credit with Comerica Bank.
(f) Options 50% vested and will vest at 25% additional on 10/02/00 & 10/02/01 consecutively.
(g) Reflects 1-for-6 reverse stock split effective August 14, 1998.
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See notes to financial statements

8

Enercorp, Inc.
Statements of Operations

For the Three Months

	Ended December 31, 2000	Ended December 31, 1999
REVENUES		
Interest income from related entities	$ 817	$ 15,403
Net realized gain on sale of investments	(0)	-0-
	817	15,403
EXPENSES		
Salaries - officer	-0-	21,750
Legal, accounting and other professional fees	6,131	8,739
Interest expense - other	58,742	56,845
Bad debt expense	736	735
Other general and administrative expenses	4,125	10,232
	69,734	98,302
Net gain (loss) from operations before taxes	(68,916)	(82,899)
Income taxes (Note 5)	-0-	15,000
Net gain (loss) from operations after taxes	(68,916)	(67,899)
Net unrealized gain (loss) on investments before taxes	(1,365,426)	(624,850)
Income taxes (Note 5)	-0-	212,000
Net unrealized gain (loss) on investment after taxes	(1,365,426)	(412,850)
Increase (decrease) in net assets resulting from operations	$ 1,434,342)	$ (480,749)
Increase (decrease) in net assets per share	$ (2.06)	$ (0.69)

See notes to financial statements

Enercorp, Inc.
Statements of Cash Flows

For the Six Months
Ended December 31,

	2000	1999
Cash flows from operating activities:		
Increase (decrease) in net assets	$ (1,931,064)	$ (1,441,571)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	935	935
Bad debt provision on notes receivable and interest net of write offs	(163)	6,100
Gain on sale of investments	(8,464)	-0-
Unrealized (gain) loss on investments	1,807,656	2,427,302
(Increase) in accounts receivable - related party	0	77
(Increase) in interest receivable	0	(443,727)
(Increase) Decrease in other assets	639	159
Increase (Decrease) in accounts payable and accrued expenses	(10,714)	11,504
Increase (Decrease) in deferred taxes	-0-	(732,000)
Total adjustments	1,789,888	1,270,350
Net cash (used) by operating activities	(141,176)	(171,222)
Cash flows from investing activities:		
Proceeds from sale of stock	9,516	-0-
Cash flows from investing activities:	9,516	-0-
Cash flows from financing activities:		
Proceeds from notes payable	109,500	158,400
Net cash provided by investing activities	109,500	158,400
Increase (Decrease) in cash	(22,160)	(12,822)
Cash, beginning of period	23,844	16,907
Cash, end of period	$ 1,684	$ 4,086
Supplemental disclosures of cash flow information:		
Interest paid	$ 112,199	$ 98,526
Interest received	$ -0-	$ -0-

See notes to financial statements

Notes to Financial Statements

Note 1: Investments

On August 13, 1998, Ajay Sports, Inc. ("Ajay") announced that its board of directors had authorized the implementation of a 1-for-6 reverse split of the company's common stock, effective with the commencement of trading on August 14, 1998. The reverse split was approved by the stockholders of Ajay at the company's annual meeting on May 29, 1998. Following the reverse split, holders of Ajay's common stock received one new share of $.01 par value common stock for every six shares of common stock currently held. Therefore, the number of Ajay shares held by the Company is 310,785.

On June 24, 1999, the Registrant completed a private offering of its common stock through which it raised $420,000 in gross proceeds. The proceeds from this offering were used to purchase 4.2 Units in a private offering made jointly by Pro Golf International, Inc. ("PGI") and Pro Golf Online, Inc. ("PGO"). Each Unit in this offering consisted of 4,000 shares of PGI common stock and 10,000 warrants, each to purchase one share of PGO common stock for $5.00 per share, exercisable on or before June 23, 2002. The purpose of the offering was to raise the funds necessary for PGI to acquire Pro Golf of America, Inc. ("Pro Golf"). During the quarter ended September 30, 1999, the units of PGI held by the Registrant were exchanged for a Subordinated Promissory Note in the principal amount of $420,000 dated June 22, 1999, due on July 22, 2000 and bearing interest at ten percent per annum. On February 29, 2000, the Registrant converted principal and interest due under its Subordinated Promissory Note into common stock of PGI. The conversion was made at the rate of $60 per share, the price at which PGI was then offering equity capital for sale in a private offering. The Registrant agreed to this conversion, in part, to assist PGI in raising other equity capital to allow PGI to refinance its bank debt. At the time of the conversion, the Registrant believed converting its debt to equity would be the best available means to protect the Registrant's original investment in PGI. Upon conversion of the $420,000 note and $27,000 of accrued interest, the Registrant received 7,450 shares of PGI common stock.

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.

11

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 310,785 shares of the post-split common stock of Ajay Sports, Inc. ("Ajay") owned by the Registrant. Under the loan agreement, borrowing is 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. Based on the Advance Formula Agreement that the Registrant has with Comerica for this loan, the Registrant's loan is out of compliance with the terms of the loan agreement, and has been so for a number of months. As previously disclosed, Comerica has the right to demand immediate payment on the loan by the Registrant at any time. While Comerica has not made a request for a formal forbearance agreement with the Registrant related to this matter, it has not allowed any further advances against the credit line until the loan is brought back into formula, either through loan paydown or through the providing of additional collateral acceptable to the bank. The Registrant is considering its options, including its ability to bring the loan back into formula, including the sale of its portfolio securities and using the proceeds to pay the loan in part or in full, should payment be demanded by Comerica. The balance of the Registrant's note payable to Comerica as of January 31, 2001 was $2,141,649.

Due to the lack of working capital, the President of the Registrant has made loans to the Registrant to cover its short term working capital needs since May 31, 2000. These loans are 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 December 31, 2000, the note payable to the Registrant's president was $145,500 and has accrued interest of $4,211. The note payable bears an interest rate of 10.25%. There is no guarantee that these loans will continue to be made to the Registrant by its president, and the Registrant has no other immediate sources of cash to meet its working capital and loan interest needs, other than from the sale of portfolio securities.

Material Changes in Results of Operations:

The Registrant's revenues were $817 and $15,403 for the second quarter ended December 31, 2000 and 1999, respectively. The change in revenues for the quarter, compared with the prior year's quarter, is due to the change in interest income from related entities.

The Registrant recorded an unrealized loss on investments of $1,807,656 for the second quarter ended December 31, 2000 compared to a loss of $2,007,302 for the second quarter ended December 31, 1999. This is mainly due to the changes in fair market value of the Registrant's investment in Williams and Ajay.

Williams Controls, Inc. - Investee Company

The Registrant's largest investee company, Williams Controls, Inc. (Williams), is a publicly held company (Nasdaq: WMCO) in which the Registrant owns common stock and options. Management continues to recognize that there is risk associated with its lack of diversification due to its large investment concentration in Williams. Williams Controls, Inc., through its subsidiary companies, manufactures and markets sensors, controls and communication systems for the transportation and communication industries.

12

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. Other Information

On January 8, 2001, Williams Controls, the Registrant's largest investee, announced that it had retained the investment banking firm W.Y. Campbell & Company to act as its financial advisor and assist Williams in evaluating and pursuing various strategic alternatives available to it, including a possible sale of the company or its operating units. The company also announced that Thomas K. Ziegler was named chief executive officer, chief operating officer and president of Williams Controls, replacing Thomas W. Itin who has retired from those same positions, which he has held since 1988.

W.Y. Campbell & Company (WYC&C), based in Detroit, is a leading international specialty investment banking firm concentrating on middle market merger and divestiture activity, targeting companies with sales of $50 million to $500 million. WYC&C has represented a number of Fortune 500 companies, including numerous automotive manufacturing companies and Tier 1 automotive and truck suppliers, and has completed in excess of 200 sell-side transactions during the last 12 years.

Williams announced that it expects that W.Y. Campbell & Company will immediately complete a business review and develop a definitive recommendation for the approval of the board of Williams Controls. WYC&C will then work with management to execute the approved plan and enter into discussions and/or negotiations with third parties regarding the alternatives identified.

Item 6. Exhibits and Reports on Form 8-K

A) Exhibits — Exhibit 27
Financial Data Schedule

B) Form 8-K

None

Enercorp, Inc.

Form 10-Q

For the Second Quarter Ended December 31, 2000

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/

Robert R. Hebard

President and Chief Financial Officer

Date: February 20, 2001