

Edgar Filing: ENERCORP INC - Form 10QSB

ENERCORP INC
Form 10QSB
May 20, 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 March 31, 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 May 05, 2003: 695,897

Enercorp, Inc.

Form 10-QSB Filing for the Third Quarter Ended March 31, 2003

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Enercorp, Inc.

Statements of Assets and Liabilities

	March 31 2003 (Unaudited)	June 30 2002
ASSETS		
Investments, at fair value, cost of \$1,231,638 And \$1,231,638 at March 31, 2003 and June 30, 2002	\$ 974,283	\$1,045,842
Cash	3,257	1,123
 Furniture and fixtures, net of accumulated depreciation of \$12,437 at March 31, 2003 and 12,437 at June 30, 2002 respectively.	 0	 0
 Other assets	 0	 0
 Total Assets	 \$ 977,540 =====	 \$ 1,046,965 =====
 LIABILITIES AND NET ASSETS		
Liabilities		
Note payable-Related Party	\$ 39,950	\$27,000
Note payable-Wen Group	30,000	30,000

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Accounts payable and accrued liabilities	17,312	15,403
Interest Payable-related party	5,212	-0-
Accrued management fees-related party	42,500	20,000
Accrued salaries payable	90,000	-0-
	-----	-----
	224,974	92,403
	-----	-----
Net assets		
Common stock, no par value: 10,000,000 shares authorized, 695,897 shares issued and outstanding at March 31, 2003 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	(878,330)	(747,893)
Unrealized net loss on investments, net of deferred income taxes at March 31,2003 and June 30, 2002	(257,355)	(185,796)
	-----	-----
	752,566	954,562
	-----	-----
	\$ 977,540	\$ 1,046,965
	=====	=====

See notes to financial statements

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Enercorp, Inc.
Schedule of Investments
March 31, 2003 (Unaudited)

Affiliated Fair Mkt Companies Value	Description of Business Discount	Expir. Date Market Value	Net Fair Restrictions 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	0.045	
79		79				
450,000	Site Dev. (135,000)	315,000		10,000,000	0.045	106,477
Ajay Sports,	Golf			294,118	0.005	600,000
1,471		1,471				
83		83		16,667	0.005	37,500
Preferred Stocks-Public Market Method of Valuation						
Ajay Sports,	Golf			2,000	0.019	20,000
38		38				
Common Stocks-Board Appraisal Method of Valuation						
Pro Golf	Franchisor of	a & b		7,450		195,000

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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
1,648,671	(674,400)	974,271			

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					
Vitro Diagnostics			300	.04	1,500
12		12			
Proconnexions, Inc.-Sports Memor'blia	a		191,610		19,161
-					

Total All Companies					\$1,231,638
\$1,648,683	(674,400)	\$974,283			
=====					

- 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	Expir.	No. of	Share	Cost
Fair Mkt		Net Fair			
Companies	of Business	Date	Restrictions	Shares	Price
Value	Discount	Market Value			Equity

Common Stocks-Public Market Method of Valuation

CompuSonics Video					
Corp	Digital Video				

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	Product & Web		1,751	\$0.055	
96			96		
			10,000,000	\$0.055	106,477
550,000	(165,000)	385,000			
Ajay Sports,	Golf		294,118	\$0.01	600,000
2,941		2,941			
			16,667	\$0.01	37,500
167		167			
Preferred Stocks-Public Market Method of Valuation					
Ajay Sports,	Golf		2,000		20,000
20		20			
Common Stocks-Board Appraisal Method of Valuation					
Pro Golf	Franchisor of	a & b	7,450		195,000
447,000	(49,400)	357,600			
Intern'l	Retail Golf Stores				
ProGolf.com,	Web Sales of	b	300,000	2.5	252,000
750,000	(450,000)	300,000			
Inc.	Golf Equipment				-----

	Subtotal				\$1,210,977
1,750,224	(694,400)	1,045,842			
Unaffiliated Companies					
Common Stocks-Public Market Method of Valuation					
Vitro Diagnostics			300	0.06	1,500
18		18			
Proconnexions, Inc.-Sports Memor'blia			191,610		19,161

Total All Companies					
\$1,750,242	\$(694,400)	\$1,045,842			\$1,231,638
=====					

- a No public market for this security
- b Subject to Rule 144

See notes to financial statements

Enercorp, Inc.
Statements of Operations
(Unaudited)

	For the three Months		For Nine Months	
	Ended March. 31		Ended March.31	
	2003	2002	2003	2002
	-----	-----	-----	-----
REVENUES				
Miscellaneous Income	\$-0-	\$-0-	\$-0-	\$3,875
	-----	-----	-----	-----
	-0-	-0-	-0-	3,875
EXPENSES				

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Officer salaries	30,000	-0-	90,000	-0-
Legal, accounting and other professional Fees	4,123	1,627	14,955	6,260
Management fees related	7,500	7,500	22,500	22,500
Interest expense - other	882	666	2,359	939
Other general and administrative expenses	128	338	623	4,047
	-----	-----	-----	-----
	42,633	10,131	130,437	33,746
	-----	-----	-----	-----
Net gain (loss) from operations before taxes	(42,633)	(10,131)	(130,437)	(29,871)
	-----	-----	-----	-----
Income taxes	-0-	-0-	-0-	-0-
	-----	-----	-----	-----
Net gain (loss) from operations after taxes	(42,633)	(10,131)	(130,437)	(29,871)
	-----	-----	-----	-----
Net unrealized gain (loss) on investments Before Taxes	237,752	(139,718)	(71,559)	(90,568)
Income taxes	-0-	-0-	-0-	-0-
	-----	-----	-----	-----
Net unrealized gain (loss) on investment after taxes	237,752	(139,718)	(71,559)	(90,568)
	-----	-----	-----	-----
Increase (decrease) in net assets resulting from operations	\$195,119	\$(149,849)	\$(201,996)	\$(120,439)
	=====	=====	=====	=====
Increase (decrease) in net assets per share	\$ 0.28	\$(0.22)	\$(0.29)	\$(0.17)
	=====	=====	=====	=====

See notes to financial statements

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Enercorp, Inc.
Statements of Cash Flows
(Unaudited)

	For Nine Months Ended March 31	
	2003	2002
	-----	-----
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (387,793)	\$(120,439)
Adjustments to reconcile net income to net Cash provided by operating activities:		
Depreciation	-0-	700
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	257,355	90,568
(Increase) Decrease in other assets	-0-	-0-
Increase (Decrease) in accounts payable and accrued expenses	119,621	(25,824)
Increase (Decrease) in deferred taxes	-0-	-0-
	-----	-----
Total adjustments	376,976	65,444

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Net cash (used) by operating activities	(10,816)	(54,995)
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	12,950	57,000
Net cash provided by investing activities	-0-	-0-
Net cash provided by investing Activities	-0-	-0-
Increase (Decrease) in cash	2,134	2,006
Cash, beginning of period	1,123	342
Cash, end of period	\$ 3,257	\$ 2,348
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 March 31, 2003 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 March 31, 2003.

Note 4: Relate 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, 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, 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 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, 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 \$39,950 to Dearborn Wheels, Inc., of which the Chairman's daughter is the President. The Note was issued on December 6, 2001 at 10% interest rate per annum, and was renewed on December 23, 2002. This Note is due after 180 days. The terms were approved by the independent Directors of the Registrant Enercorp, Inc. As of 03/31/03, balance of interest payable on this Note is \$5,212.67.

The Registrant Enercorp, Inc. is accruing \$2,500 per month in Management fees due to Acrodyne Corporation, a company in which the Registrant's President has an interest and also serves as President of Acrodyne. As of 03/31/03, balance of accrued fees due to Acrodyne Corporation was \$ 42,500.

The Registrant Enercorp, Inc. is also accruing \$30,000 salary for this quarter due to Thomas W. Itin, the Registrant's CEO. Balance of accrued salaries at the end of this quarter is \$ 90,000.

Member of the Board of Directors of the Registrant Enercorp, Inc., Director Salvatore M. Parlatore is a nephew of the wife of Thomas W. Itin, Chairman, President and CEO. This relationship is deemed not to be a blood relationship with Thomas W. Itin.

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.

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 its credit lines.

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The only change in the Registrant's financial condition for the nine-month period ending 03/31/03 is the decrease in investments value. This change is mainly due to decrease in market value of the common stock of CompuSonics Video Corporation and Ajay Sports, Inc. The value of CompuSonics Video Corporation stock has significantly decreased from \$0.055 per share in June 30, 2002 to \$0.011 per share in December 31, 2002, and subsequently increased to \$0.045 per share in March 31, 2003. The primary cause of change in value of the investments of the Registrant is due to the change in value of CompuSonics Video Corporation common stock.

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Liquidity and Capital Resources.

The Registrant has an issued and outstanding promissory note of \$30,000 owed 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, Corporation.

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 March 31, 2003.

The Registrant's revenues were \$0 and \$0 for the quarter ended March 31, 2003 and 2002, respectively. There was no sale of investment, no consulting services provided to other parties, no dividend or interest income paid or incurred from other parties for this quarter.

The Registrant recorded \$30,000 of officer salaries for the quarter ended March 2003 compared to officer salaries of \$0 for the quarter ended March 31, 2002. Salary is due to Thomas W. Itin, CEO of the Registrant. This change is due to the employment agreement between the Registrant and Mr. 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 \$4,123 and \$1,627 for the quarter ended March 31, 2003 and 2002, respectively. The change is mainly due to changes in accounting fees, which were significantly low during the quarter ending March 31, 2002. The Registrant filed the quarterly 2002 reports late, so the corresponding auditor's invoices were received in a later period.

The Registrant's interest expenses were \$ 882 and \$ 666 for the quarter ended March 31, 2003 and 2002 respectively. The change is due to the continuous increase in principal of notes 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 \$ 128 for this Quarter which ended March 31, 2003 compared to general and administrative expenses of \$ 338 for the quarter ended March 31, 2002. This change is due to

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the decrease in the Registrant's activity related to such expenses. General and administrative expenses include travel, telephone and other miscellaneous expenses.

The Registrant recorded an unrealized gain on investments of \$ 237,752 for the quarter ended March 31, 2003 compared to a loss of \$ 139,718 for the quarter ended March 31, 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. The Registrant is also taking higher discount rates for this quarter for its investment in Pro Golf International, Inc., ProGolf.com, Inc. and CompuSonics Video Corporation. The Board of Directors, following careful deliberation, determined that the new discount rates are more reasonable and fair. (See schedule of investment, page 5)

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Nine-month period ended March 31, 2003.

The Registrant's revenues were \$0 and \$3,875 for the nine months period ended March 31, 2003 and 2002, respectively. There were no sale of investments, no consulting services provided to other parties, no dividend or interest income from other parties for the period ending March 31, 2003. Miscellaneous income recorded for 2002 is reflecting the adjustments made to some overstated liability accounts, which originated from the overstated previously recorded expenses.

The Registrant recorded \$90,000 of Officer salaries for the nine-month period ended March 31, 2003 compared to officer salaries of \$0 for the nine-month period ended March 31, 2002. Salary is due to Thomas W. Itin, CEO of the Registrant. This change is due to the employment agreement entered into by and between Mr. Itin and the Registrant for the year 2002.

The Registrant's legal, accounting and professional fees were \$14,955 and \$6,260 for the nine-month period ending March 31, 2003 and 2002, respectively. The change is mainly due to changes in accounting fees, which were low during the nine-month period ending March 31, 2002. The Registrant filed the quarterly 2002 reports late, so the corresponding auditor's invoices were received in a later period.

The Registrant's interest expenses were \$ 2,359 and \$ 939 for the nine-month period ended March 31, 2003 and 2002 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 period compared to the previous one.

The Registrant recorded general and administrative expenses of \$ 623 for the nine-month period ended March 31, 2003 compared to general and administrative expenses of \$ 4,047 the nine-month period ended March 31, 2002. This change is due to the decrease in the Registrant'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 \$ 71,559 for the nine-month period ended March 31, 2003 compared to a loss of \$ 90,568 for the period ended March 31, 2002. This difference is mainly due to the changes in market 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 Pro Golf International, Inc., ProGolf.com, Inc. and CompuSonics Video Corporation. The Board of Directors, after careful deliberation, unanimously determined that the

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new discount rates are more reasonable and fair. (See schedule of investment, page 5.)

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 are not being paid at this time.

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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 Securities Exchange Act Rule 13a-14. Management concluded that the internal controls and procedures are sufficiently effective.

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

None

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Enercorp, Inc.

Form 10-QSB

For the Quarter Ended March 31, 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/ Thomas W. Itin

Thomas W. Itin
President

Date: May 20, 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 March 31, 2003 (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 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

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material respects the financial condition and results of operations of the Registrant as of, and for, the periods presented in the Report.

6. We acknowledge that the Chief Executive Officer and Chief Financial 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 Registrant'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 Registrant (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

Thomas W. Itin
Chief Executive Officer

/s/ Majlinda Xhuti

Majlinda Xhuti
Chief Financial Officer

Dated: May 20, 2003

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