

Edgar Filing: BRL HOLDINGS INC - Form 10-Q

BRL HOLDINGS INC
Form 10-Q
May 20, 2002

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, 2002

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)

8-0218411
(Internal Revenue Service
Employer Identification No.)

340 Granite St. Suite 200, Manchester, NH 03102-4004
(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, 5,568,423 shares of common stock, par value \$.01 per share as of May 13, 2002.

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

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BRL HOLDINGS, INC.

INDEX

PART I. FINANCIAL INFORMATION

Item 1.	Financial Statements
	Balance Sheet as of March 31, 2002 (unaudited) and Balance Sheet at June 30, 2001.....
	Consolidated Statements of Operations for the Three Months Ended March 31, 2002 and 2001 and for the nine months ended March 31, 2002 and 2001 and from inception of development stage (November 9, 2001) until March 31, 2002 (unaudited).....
	Consolidated Statements of Cash Flows for the Nine Months Ended March 31, 2002 and 2001 inception of development stage (November 9, 2001) until March 31, 2002 (unaudited).....
	Notes to Unaudited Consolidated Financial Statements
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operation.....

PART II. OTHER INFORMATION

Item 1.	Legal Proceedings.....
Item 2.	Changes in Securities
Item 3.	Defaults Upon Senior Securities
Item 4.	Submission of Matters to a Vote of Security Holders.....
Item 5.	Other Information.....
Item 6.	Exhibits and Reports on Form 8-K.

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statement

BRL HOLDINGS, INC.
(A DEVELOPMENT STAGE ENTERPRISE)
BALANCE SHEETS
March 31, 2002 and June 30, 2001

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March 31,
2002

(Unaudited)

ASSETS		
Current Assets:		
Cash		\$ 3,163
Notes Receivable		-
Other receivables		995
Prepaid expenses and other current assets		1,575

Total current assets		5,733

Property, software and equipment, net		66,015
Other assets:		
Intangible assets, patent costs		8,161
Intangible assets-non compete agreements, net		259,187
Investments in related party securities		6,382

Total assets		\$ 345,478
		=====
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCIES)		
Current liabilities:		
Accounts payable		\$ 204,276
Accrued expenses		36,530

Total current liabilities		240,806
Long term debt - notes to stockholders		140,755
Other liabilities - related party		-

Total liabilities		381,561

Stockholders' equity (Deficiency):		
Preferred stock of \$.10 per share value, authorized 5,000,000 shares, no shares outstanding at March 31, 2002 and June 30, 2001		
Common stock of \$.01 par value, authorized 50,000,000 shares, 5,568,423 and 1,433,939 issued and outstanding at March 31, 2002 and June 30, 2001 respectively		55,684
Additional paid-in capital		7,755,759
Accumulated deficit prior to development stage activities		(7,168,117)
Development stage accumulated earnings (deficit)		(666,009)

Less: Deferred offering costs		(22,683)
		(13,400)

Total Stockholder's Equity (Deficit)		(36,083)
Total liabilities and stockholders' equity (deficit)		\$ 345,478
		=====

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

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3

BRL HOLDINGS, INC.
 (A DEVELOPMENT STAGE ENTERPRISE)
 CONSOLIDATED STATEMENTS OF OPERATIONS
 For the Three Months and Nine Months Ended March 31, 2002
 and the Cumulative Period (November 9,2001) to March 31, 2002
 (Unaudited)

	Three Months Ended March 31,		Nine Months Ended	
	-----		-----	
	2002	2001	2002	2001
	----	----	----	----
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	\$ -	\$ -	\$ -	\$ 1
Cost of goods sold	-	-	-	-
	-----	-----	-----	-----
	-	-	-	1
Gross profit				
Costs and expenses:				
Research and development	(169,501)	-	(262,879)	-
General and administrative income	(186,736)	(2,071)	(425,918)	(3,650)
	-----	-----	-----	-----
(expense)				
Total costs and expenses	(356,237)	(2,071)	(688,797)	(3,650)
	-----	-----	-----	-----
(Loss)/Gain from operations	(356,237)	(2,071)	(688,797)	-
	-----	-----	-----	-----
Other Income (Costs):				
Offering costs	-	-	-	(1,000)
Option compensation	-	(135,000)	-	(135,000)
Other income (cost)	3,000	-	13,000	-
Realized loss for decline in value of investment	-	-	-	(3,650)
Gain on sale of assets	-	-	-	-
	-	-	-	-
		(8,331)		-
		-----		-----
Total other income (cost)	3,000	(143,331)	13,000	(3,810)
	-----	-----	-----	-----
Gain (loss) before provision for (benefit from) income taxes	(353,237)	(145,402)	(675,797)	(3,810)
Provision for income taxes	-	-	-	-
	-	-	-	-
Net gain (loss)	\$ (353,237)	\$ (145,402)	\$ (675,797)	\$ (3,810)
	=====	=====	=====	=====
Weighted average shares	5,401,756	17,379,125	3,577,878	14,900
Basic and fully diluted loss per share	\$ (.07)	\$ (0.01)	\$ (\$0.19)	\$ (0.25)

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

4

BRL HOLDINGS, INC.
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended March 31, 2002 and 2001 and
the Cumulative Period from Inception to March 31, 2002
(Unaudited)

	Nine Months Ended	
	2002	March 31, 2001
	-----	-----
Cash flows from operating activities:		
Net (loss)/Gain	\$ (675,797)	\$ (3,802,878)
Adjustments to reconcile net loss to net cash used in development activities:		
Depreciation and amortization	110,813	334
Recognized loss on investment	-	3,659,141
(Gain) Loss on sale of assets	-	(2,133)
Common Stock issued in exchange for services rendered	-	135,000
(Increase) Decrease in current assets:		
Accounts Receivable	-	-
Inventories	-	16,012
Other receivables	(995)	898
Prepaid expenses and other current assets	(595)	-
Related party securities	-	(800)
Other non-current assets	-	-
Increase (Decrease) in current liabilities:		
Accounts payable	199,601	(13,696)
Accrued expenses	23,516	(7,000)
Other liabilities	(10,124)	500
Net cash used in operating activities	\$ (353,581)	\$ (14,622)
	-----	-----

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

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5

BRL HOLDINGS, INC.
 (A DEVELOPMENT STAGE ENTERPRISE)
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 For the Nine Months Ended March 31,
 2002 and 2001 and the Cumulative Period from
 Inception (November 9, 2001) to March 31, 2002
 (Unaudited)

	Nine Months Ended March 31,	
	2002	2001
	----	----
Cash flows from investing activities:		
Purchase of fixed assets	(66,015)	-
Purchase of intangible assets	(378,161)	-
Proceeds from sale of assets	-	14,571
	-----	-----
Net cash used in investing activities	(444,176)	14,571
	-----	-----
Cash flows from financing activities:		
Notes receivable	13,624	-
Notes payable	140,755	-
Issuance of common stock, net	659,822	-
Payment of deferred offering costs	(13,400)	-
	-----	-----
Net cash provided from financing activities	800,801	-
	-----	-----
Net increase (decrease) in cash	3,044	(51,000)
Cash at beginning of period	119	502,000
	-----	-----
Cash at end of period	\$ 3,163	\$ 451,000
	=====	=====

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

Supplemental disclosure of non-cash transactions:

Cash paid for interest	-	-	-
Stock issued for acquisition of Subsidiary	\$490,000	-	\$490,000
Liabilities repaid through issuance of common stock	\$121,442	-	\$223,422

6

BRL HOLDING, INC.

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(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2002
(UNAUDITED)

Item 1. Basis of presentation

The accompanying unaudited consolidated financial statements have been prepared 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 financial statements at and for the fiscal year ended June 30, 2001. In the opinion of management, all adjustments (consisting only of normal recurring accruals and adjustments associated with the AssureTec acquisition) considered necessary for a fair presentation have been included. Operating results for the nine months ended March 31, 2002 are not necessarily indicative of the results that may be expected for the year ended June 30, 2002.

Investment in related parted securities

Under the terms of the Asset Purchase Agreement an option to acquire sixty percent (60%) of the Company's subsidiary, Biorelease Technologies, Inc. ("BTI"), was exercised effective December 31, 2000. Of the 4,582,122 shares of the subsidiaries common stock owned by the Company, 1,032,749 were given to certain directors and officers of the Company for services to the Subsidiary through June 30, 2000 and 2,749,373 shares were sold to an entity that is controlled by family members of the Company's CEO. A onetime charge to the statement of operations at December 31, 2001 in the amount of \$3,659,141 represents the original cost of Biorelease's investment in the subsidiary. The remaining basis of the 800,000 shares of common stock of the subsidiary, Biorelease Technology, Inc., is computed utilizing the equity method.

In November 2001, BRL Holdings, Inc. ("the Company" or "BRL") acquired 100% of the stock of AssureTec Systems, Inc. ("AssureTec") in a stock for stock transaction ("the Acquisition"). The transaction was computed using the purchase method of accounting by issuing 3,177,000 shares of common stock of BRL at a discounted value of \$490,000. The purchases price consisted of \$60,000 of software, \$7,500 of patent costs, \$370,000 of non-compete assets and \$92,500 of purchased research and development costs net of \$40,000 of liabilities assumed.

Consolidation of financial statements

For six months and the nine months ended March 31, 2002 the Company was consolidated with AssureTec Systems, Inc. Consolidation commenced on the purchase date, November 9, 2001. From January 2001 through October 2001, the Company had no business activities other than administrative costs necessary for remaining a publicly reporting entity.

Through December 31, 2000 the financial statements of the Company were consolidated with its subsidiary, Biorelease Technologies, Inc. ("BTI"). From January 1, 2001 through October 31, 2001 the financial statements of the Company only included the business of the Company. In November 2001 the Company acquired AssureTec Systems, Inc. as a wholly owned subsidiary of the Company. In comparing the results of operations for 2000 the subsidiary, Biorelease Technologies, Inc. was a development stage company that had limited revenues and costs. The Company, in divesting itself of substantially all of its investment in BTI, recorded as a realized loss on investment of \$3,659,141 at December 31, 2000.

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Property, software and equipment, net

The Company, with its acquisition of its subsidiary acquired \$60,000 of computer software for its security technology that will be written off over the estimated life of 3-5 years. No amortization was recorded in these financial statements.

Non compete agreements

The Company and its subsidiary had allocated \$370,000 of the purchase price of the subsidiary as Non-compete agreement costs which will be amortized over the term of the contract and the non-compete period subsequent to the termination of the various contracts that run for a period between 30 and 42 months. The amortization charged to the consolidated financial statements for the three months end and the nine months ended March 31, 2002 was \$63,573 and \$110,813 respectively.

7

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

Results of Operations

The following discussion includes the business of AssureTec Systems, Inc. (the "Subsidiary"), since the Company, prior to its acquisition of the Subsidiary, 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 acquisition of the Subsidiary by the Company.

Three Months Ended March 31, 2002 and 2001

For the three months ended March 31, 2002, the Company, including the Subsidiary had no revenues, research and development costs of \$169,501, general and administrative expenses of \$186,736 other income of \$3,000 for a net loss of \$353,237 as compared with the three months ended March 31, 2001 wherein the Company had administrative expenses of \$2,071, option compensation of \$135,000, a loss on the sale of assets of \$8,331 therein yielding a net loss of \$145,402.

Nine Months Ended March 31, 2002 and 2001

For the nine months ended March 31, 2002 the Company, including the subsidiary 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 as compared with the nine months ended March 31, 2001 wherein the Company, including its previous subsidiary had revenues of \$14,315, cost of goods sold of \$2,698, administrative expenses of \$3,715, offering costs of \$10,441, option compensation cost of \$135,000, a realized loss for decline in value of investment of \$3,659,141, a loss on sale of assets of \$6,198 and no income taxes resulting in a net loss of \$3,802,878. Without the one time charge off of the decline in value of investment in the subsidiary totaling \$0 at March 31, 2002 and \$3,659,141 at March 31, 2001 the Company, including the subsidiary had a loss of \$675,797 and \$143,737 for the nine months ended March 31, 2002 and 2001, respectively.

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Inception to March 31, 2002

From November 9, 2001, the initial date of the consolidation of the Company with AssureTec Systems, Inc.'s activity, through March 31, 2002, the Company, including the Subsidiary, had revenues of \$0, cost of goods sold of \$0, research and developmental expenses of \$262,879, general and administrative expenses of \$416,130, other income of \$13,000 thereby yielding an accumulated net loss of \$666,009.

Liquidity and Capital Resources

The Company including the subsidiary has a negative working capital. It's liquidity from inception until the closing of the Reorganization was primarily from the funds of a party related to the Company and notes from stockholders to the Company's subsidiary.

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.

Effect of Inflation

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

8

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 Securities Holders |
| | None |

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Item 5. Other Information

None

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

None

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.

BRL Holdings, Inc.

May 20, 2002

By: /s/ R. Bruce Reeves

R. Bruce Reeves, CEO and
Principal Financial Officer