

Edgar Filing: BRL HOLDINGS INC - Form 10QSB

BRL HOLDINGS INC
Form 10QSB
February 19, 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 December 31, 2001

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 88-0218411
(State or other jurisdiction of (Internal Revenue Service Employer
incorporation or organization) 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, 5,378,423 shares of
common stock, par value \$.01 per share as of February 14, 2001.

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)
BALANCE SHEETS
December 31, 2001 and June 30, 2001

December 31,
(Consolidated)
2001

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(Unaudited)

ASSETS			
Current Assets:			
Cash		\$	768
Notes Receivable			13,624
Other receivables			995
Prepaid expenses and other current assets			2,100

Total current assets			17,487

Property, software and equipment, net			61,602
Other assets:			
Intangible assets, patent costs			8,161
Intangible assets - non compete agreements, net			322,760
Investments in related party securities			6,382

Total assets		\$	\$ 416,392
			=====
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCIES)			
Current liabilities:			
Loans payable - related party		\$	20,687
Accounts payable			128,630
Accrued expenses			59,739

Total current liabilities			209,056

Other liabilities - related party			11,624

Total liabilities			220,680

Stockholders' equity (Deficiency):			
Preferred stock of \$.10 per share value, authorized 5,000,000 shares, no shares outstanding at December 31, 2001 and June 30, 2001			-
Common stock of \$.01 par value, authorized 50,000,000 shares, 4,869,939 and 1,433,939 issued and outstanding at December 31, 2001 and June 30, 2001 respectively			48,699
Additional paid-in capital			7,694,902
Accumulated deficit prior to development stage activities			(7,168,117)
Development stage accumulated earnings (deficit)			(312,772)

			262,712
Less: Deferred offering costs			(67,000)

Total Stockholder's Equity (Deficit)			195,712

Total liabilities and stockholders' equity (deficit)		\$	416,392
			=====

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 Six Months Ended December 31, 2001
and the Cumulative Period (October 2,2001) to December 31, 2001
(Unaudited)

	Three Months Ended December 31,		Six Months
	-----		-----
	2001	2000	2001
	----	----	----
	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	\$ -	\$ 6,060	\$ -
Cost of goods sold	-	353	-
Gross profit	-	5,707	-
Costs and expenses:			
Research and development	(93,378)	-	(93,378)
General and administrative income (expense)	(229,394)	4,451	(239,182)
Total costs and expenses	(322,772)	4,451	(332,560)
(Loss)/Gain from operations	(322,772)	10,158	(332,560)
Other Income (Costs):			
Offering costs	-	(1,697)	-
Other income (cost)	10,000	-	10,000
Realized loss for decline in value of investment	-	(3,659,141)	-
Gain on sale of assets	-	2,133	-
Total other income (cost)	10,000	(3,658,705)	10,000
Gain (loss) before provision for (benefit from) income taxes	(312,772)	(3,648,547)	(322,560)
Provision for income taxes	-	-	-
Net gain (loss)	\$ (312,772)	\$ (3,648,547)	\$ (322,560)
Weighted average shares	3,724,606	13,634,058	2,579,272
Basic and fully diluted loss per share	\$ (.08)	\$ (0.27)	\$ (\$0.13)

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 Six Months Ended December 31, 2001 and 2000 and
 the Cumulative Period from Inception to December 31, 2001
 (Unaudited)

	Six Months Ended	
	December 31,	
	2001	2000
	----	----
Cash flows from operating activities:		
Net (loss)/Gain	\$ (322,560)	\$ (3,657,476)
Adjustments to reconcile net loss to net cash used in development activities:		
Depreciation and amortization	47,240	31
Recognized loss on investment	-	3,659,14
(Gain) Loss on sale of assets	-	(2,13
Common Stock issued in exchange for services rendered	-	
(Increase) Decrease in current assets:		
Accounts Receivable	-	
Inventories	-	16,01
Other receivables	(995)	89
Prepaid expenses and other current assets	(1,120)	
Related party securities	-	(9,13
Other non-current assets	-	
Increase (Decrease) in current liabilities:		
Accounts payable	144,642	(13,75
Accrued expenses	46,725	(7,00
Other liabilities	1,500	(1,00
	-----	-----
Net cash used in operating activities	\$ (84,568)	\$ (14,13
	-----	-----

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 Six Months Ended December 31, 2001 and 2000 and
 the Cumulative Period from Inception to December 31, 2001

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(Unaudited)

	Six Months Ended December 31,	
	2001	2000
	----	----
Cash flows from investing activities:		
Purchase of fixed assets	(61,602)	
Purchase of intangible assets	(378,161)	
Proceeds from sale of assets	-	14,577
	-----	-----
Net cash used in investing activities	(439,763)	14,577
	-----	-----
Cash flows from financing activities:		
Notes receivable	-	
Notes payable	-	
Issuance of common stock, net	591,980	
Payment of deferred offering costs	(67,000)	
	-----	-----
Net cash provided by investing activities	524,980	
	-----	-----
Net increase (decrease) in cash	649	43,154
Cash at beginning of period	119	50,000
	---	---
Cash at end of period	\$ 768	\$ 94,154
	=====	=====

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	
Liabilities repaid through issuance of common stock	101,980	

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BRL HOLDING, INC.
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001
(UNAUDITED)

ITEM 1. Basis of presentation

The accompanying unaudited consolidated financial statements have been

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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 consolidated 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 six months ended December 31, 2001 are not necessarily indicative of the results that may be expected for the year ended June 30, 2002.

ITEM 2 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 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 President. A onetime charge to the statement of operations 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") 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 at a discounted value of \$490,000. The purchase 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. (See Item 4)

Item 3. Consolidation of financial statements

For the three month period ended December 31, 2001 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. (See Item 6. Exhibits and Reports on Form 8-K). 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.

Item 4. Property, software and equipment, net

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

Item 4 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 ended December 31, 2001 was \$47,240.

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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 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 December 31, 2001 and 2000

For the three months ended December 31, 2001, the Company, including the Subsidiary had no revenues, research and development costs of \$93,378, general and administrative expenses of \$229,394 and other income of \$10,000 for a net loss of \$312,772 as compared with the three months ended December 31, 2000 wherein the Company and its prior Subsidiary (BTI) had revenues of \$6,060, cost of goods sold of \$353, a reduction of administrative expenses of \$4,451, offering costs associated with a terminated merger agreement with POLAR of \$1,697, a realized loss for the decline in value of its investment in the subsidiary of \$3,659,141, a gain in the sale of assets of \$2,133 therein yielding a net loss of \$3,648,547.

Six Months Ended December 31, 2001 and 2000

For the six months ended December 31, 2001 the Company, including the subsidiary from November 9, 2001 through December 31, 2001 had research and development costs of \$93,378, general and administrative expenses of \$239,182, other income of \$10,000 yielding a net loss of \$322,560 as compared with the six months ended December 31, 2000 wherein the Company, including its previous subsidiary had revenues of \$14,315, cost of goods sold of \$2,698, net administrative expenses of \$1,644, offering costs of \$10,441, a realized loss for decline in value of investment of \$3,659,141, a gain on sale of assets of \$2,133 and no income taxes resulting in a net loss of \$3,657,476. Without the one time charge off of the decline in value of investment in the subsidiary totaling \$3,659,141 the Company would have a net income of \$1,665 for the six months ended December 31, 2000.

Inception to December 31, 2001

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From November 9, 2001, the initial date of the consolidation of the Company with AssureTec Systems, Inc.'s activity, through December 31, 2001, the Company, including the Subsidiary, had revenues of \$0, cost of goods sold of \$0, research and developmental expenses of \$93,378, general and administrative expenses of \$229,394, other income of \$10,000 thereby yielding an accumulated net loss of \$312,772.

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 the funds of the Company and parties related to the Company.

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. | Defaults Upon Senior Securities. |
| | None |
| Item 4. | Submission of matters to a Vote of Securities Holders |
| | None |
| Item 5. | Other Information |

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None

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

Effective November 9th, 2001, BRL Holdings, Inc. ("the Company") acquired 100% of the stock of AssureTec Systems, Inc. ("AssureTec") in a stock for stock transaction ("the Acquisition"). To complete the Acquisition, the Company issued 3,177,000 restricted shares of restricted common stock. Further, 2,325,000 options for a like number of shares of common stock were issued to employees and consultants of AssureTec to replace options issued by AssureTec. 1,050,000 of these options are subject to continuing employment of the management team and the remaining 1,275,000 are subject to the management team meeting specific technical and financial milestones. Under terms of the Acquisition, all persons receiving shares and options issued under the Acquisition waived any rights to spin-off shares, if any such shares are issued by the Company, resulting from the Company's continuing sponsorship of three independent business units.

Prior management of the Company continues to hold three seats of four seats on the Company's Board of Directors and the Company's shareholders prior to the Acquisition, including shares issued to them in the Acquisition, now own 64% of the Company's common stock on a fully diluted basis. The Company believes the Acquisition does not represent a change of control of the Company.

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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.

BRL Holdings, Inc.

February 19, 2001

By: /s/ R. Bruce Reeves

R. Bruce Reeves, CEO and
Principal Financial Officer

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