

Edgar Filing: AMERICAS POWER PARTNERS INC - Form 10QSB

AMERICAS POWER PARTNERS INC  
Form 10QSB  
May 17, 2001

UNITED STATES  
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, 2001

Commission file Number: 0-24989

AMERICAS POWER PARTNERS, INC.  
(Exact Name of Registrant as Specified in its Charter)

COLORADO  
(State or Other Jurisdiction  
of Incorporation)

05-0499526  
(I.R.S. Employer  
Identification Number)

710 NORTH YORK ROAD, HINSDALE, IL  
(Address of Principal Executive Offices)

60521  
(Zip code)

(630) 325-9111  
(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 (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 [ ] NO [ X ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date:

Common Stock, no par value - 7,078,100 shares as of March 31, 2001.

Transitional Small Business Disclosure Format: YES [X] NO [ ]

-----  
FORWARD LOOKING STATEMENTS  
-----

THIS FORM 10-QSB AND OTHER STATEMENTS ISSUED OR MADE FROM TIME TO TIME BY AMERICAS POWER PARTNERS, INC. (HEREINAFTER REFERRED TO AS "APPI" AND/OR "COMPANY" AND/OR "REGISTRANT") OR ITS REPRESENTATIVES CONTAIN STATEMENTS WHICH MAY CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE

## Edgar Filing: AMERICAS POWER PARTNERS INC - Form 10QSB

SECURITIES ACT OF 1933 AND THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED BY THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995, FIFTEEN U.S.C.A. SECTIONS 77Z-2 AND 78U-5 (SUPP. 1996). THOSE STATEMENTS INCLUDE STATEMENTS REGARDING THE INTENT, BELIEF OR CURRENT EXPECTATIONS OF APPI AND MEMBERS OF ITS MANAGEMENT TEAM AS WELL AS THE ASSUMPTIONS ON WHICH SUCH STATEMENTS ARE BASED.

PROSPECTIVE INVESTORS ARE CAUTIONED THAT ANY SUCH FORWARD-LOOKING STATEMENTS ARE NOT GUARANTEES OF FUTURE PERFORMANCE AND INVOLVE RISKS AND UNCERTAINTIES, AND THAT ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE CONTEMPLATED BY SUCH FORWARD-LOOKING STATEMENTS. IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE DISCUSSED IN FORWARD-LOOKING STATEMENTS INCLUDE: SUPPLY/DEMAND FOR PRODUCTS, COMPETITIVE PRICING PRESSURES, AVAILABILITY OF CAPITAL ON ACCEPTABLE TERMS, CONTINUING RELATIONSHIPS WITH STRATEGIC PARTNERS, DEPENDENCE ON KEY PERSONNEL, CHANGES IN INDUSTRY LAWS AND REGULATIONS, COMPETITIVE TECHNOLOGY, AND FAILURE TO ACHIEVE COST REDUCTION TARGETS OR COMPLETE CONSTRUCTION PROJECTS ON SCHEDULE. THE COMPANY UNDERTAKES NO OBLIGATION TO UPDATE OR REVISE FORWARD-LOOKING STATEMENTS TO REFLECT CHANGED ASSUMPTIONS, THE OCCURRENCE OF UNANTICIPATED EVENTS OR CHANGES TO FUTURE OPERATING RESULTS OVER TIME.

### PART I - FINANCIAL INFORMATION

#### ITEM 1. FINANCIAL STATEMENTS

##### AMERICAS POWER PARTNERS, INC.

##### CONSOLIDATED BALANCE SHEET

March 31, 2001

##### ASSETS

##### CURRENT ASSETS

Cash and cash equivalents	\$ 229,740
Accounts receivable	268,277
Receivable from related parties - Note D	345,021
Current portion of net investment in leases	141,011
Inventory - fuel oil	187,390
Prepaid expenses and deferred contract costs	60,782

TOTAL CURRENT ASSETS 1,232,221

##### EQUIPMENT AND FIXTURES

Computer equipment	120,482
Office equipment	55,997
Equipment leased to clients	922,848
Leasehold improvements	8,729

1,108,056

Less accumulated depreciation and amortization (66,452)

TOTAL EQUIPMENT AND FIXTURES 1,041,604

##### OTHER ASSETS

Net investment in leases, less current portion	613,005
Deposits	50,904
Deferred contract costs, net of accumulated	

Edgar Filing: AMERICAS POWER PARTNERS INC - Form 10QSB

amortization of \$225,789	154,908
	-----
TOTAL OTHER ASSETS	818,817
	-----
TOTAL ASSETS	\$3,092,642
	=====

See accompanying Notes to Consolidated Financial Statements.

AMERICAS POWER PARTNERS, INC.

CONSOLIDATED BALANCE SHEET

March 31, 2001

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES	
Accounts payable	\$ 550,155
Due to related party in connection with client contracts	478,803
Note payable to related party	17,500
Current maturities of long-term debt	129,142
	-----
TOTAL CURRENT LIABILITIES	1,175,600
LONG-TERM DEBT - net of current maturities	
10 1/2 % note payable to bank, due May 2005 - Note B	436,674
Capital leases	26,694
	-----
TOTAL LIABILITIES	1,638,968
MINORITY INTEREST	417,110
STOCKHOLDERS' EQUITY - Note D	
Preferred Stock, no par value, 10,000,000 shares authorized; 2,725,000 Series A authorized; 2,709,519 shares issued and outstanding	3,952,250
Common Stock, no par value, 40,000,000 shares authorized; 7,078,100 shares issued and outstanding	1,567,101
Retained earnings deficit	(4,482,787)
	-----
TOTAL STOCKHOLDERS' EQUITY	1,036,564
	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$3,092,642
	=====

See accompanying Notes to Consolidated Financial Statements.

AMERICAS POWER PARTNERS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

Edgar Filing: AMERICAS POWER PARTNERS INC - Form 10QSB

	Nine Months Ended MARCH 31, 2001 -----	Nine Months Ended March 31, 2000 - NOTE D -----
Contract revenues	\$ 606,808	\$ 30,437
Cost of client services	445,825	32,437
	-----	-----
Gross profit (loss)	160,983	(2,000)
Costs and expenses:		
Payroll and employee benefits	1,157,941	308,822
Management and consulting fees - Note D	209,426	739,582
Write-off project contract costs	89,880	-
Other professional fees	146,262	288,861
General and administrative	630,144	434,430
	-----	-----
Total expenses	2,233,653	1,771,695
	-----	-----
LOSS FROM OPERATIONS	(2,072,670)	(1,773,695)
Interest income	(59,344)	(19,034)
Interest expense	45,909	1,528
Gain on sale of assets	(394,766)	-
	-----	-----
Total other income, net	(408,201)	(17,506)
LOSS BEFORE MINORITY INTEREST	(1,664,469)	(1,756,189)
Minority interest in earnings of limited liability corporation	(29,364)	-
	-----	-----
NET LOSS	(\$ 1,693,833)	(\$1,756,189)
	=====	=====
Net loss per share - basic and diluted	(\$0.14)	(\$0.21)
Weighted average number of common shares outstanding - Note G	12,256,581	8,489,259

See accompanying Notes to Consolidated Financial Statements.

AMERICAS POWER PARTNERS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED)

	Three Months Ended MARCH 31, 2001	Three Months Ended March 31, 2000 - NOTE D
Contract revenues	\$ 271,853	\$ 30,437
Cost of client services	252,494	32,437
	-----	-----
Gross profit (loss)	19,359	(2,000)
Costs and expenses:		

Edgar Filing: AMERICAS POWER PARTNERS INC - Form 10QSB

Payroll and employee benefits	303,290	135,243
Management and consulting fees - Note D	75,000	349,582
Write-off project contract costs	4,015	-
Other professional fees	1,888	132,384
General and administrative	166,721	209,162
	-----	-----
Total expenses	550,914	826,371
	-----	-----
LOSS FROM OPERATIONS	(531,555)	(828,371)
Interest income	(10,297)	(17,772)
Interest expense	17,659	182
Gain on sale of assets	(394,766)	-
	-----	-----
Total other income, net	(387,404)	17,590
	-----	-----
LOSS BEFORE MINORITY INTEREST	(144,151)	(810,781)
Minority interest in earnings of limited liability corporation	17,195	-
	-----	-----
NET LOSS	(\$ 126,956)	(\$810,781)
	=====	=====
Net loss per share - basic and diluted	(\$0.01)	(\$0.08)
Weighted average number of common shares outstanding - Note G	12,186,761	9,616,483

See accompanying Notes to Consolidated Financial Statements.

AMERICAS POWER PARTNERS, INC.

STATEMENTS OF CASH FLOWS

	Nine Months Ended MARCH 31, 2001	Nine Months Ended March 31, 2000- NOTE D
Cash Flows from Operating Activities:		
Net loss	(\$1,693,833)	(\$1,756,189)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Provision for depreciation and amortization	276,291	3,297
Loss on sale of equipment and fixtures	47,662	-
Redemption of Common Stock in exchange for assets	(291,480)	-
Common Stock issued for services	37,500	-
Minority interest	29,364	-
Change in accounts receivable	23,304	(62,499)
Change in receivable from related parties	(151,418)	(300,000)
Change in inventory	(187,390)	-

Edgar Filing: AMERICAS POWER PARTNERS INC - Form 10QSB

Change in prepaid expenses and deferred contract costs	(2,043)	(44,521)
Change in accounts payable	(43,899)	40,627
Change in accrued expenses	(3,432)	81,936
Change in deferred revenues	-	32,060
	-----	-----
Total adjustments	(265,541)	(249,100)
	-----	-----
Net cash used in operating activities	(1,959,374)	(2,005,289)
Cash Flow from Investing Activities:		
Purchase of equipment and fixtures	(844,784)	(22,168)
Purchase of equipment underlying lease agreements	(488,600)	-
Payments from lessees regarding finance lease receivables	116,075	-
Increase in deposits	(16,938)	(7,770)
Payment of deferred contract costs	(179,053)	-
Repayments from related parties	308,000	(34,515)
	-----	-----
Net cash used in investing activities	(1,105,300)	(64,453)
Cash Flow from Financing Activities:		
Payments on capital leases	(11,138)	(2,877)
Payments on long-term debt	(59,202)	-
Minority interest investment in limited liability company	387,745	-
Payments on insurance financing	-	(17,635)
Payments for redemption of Common Stock	(592,000)	
Proceeds of related party note/advance	17,500	10,000
Proceeds from issuance of note payable to bank	600,000	-
Proceeds from issuance of Common Stock	2,000,000	551,350
Proceeds from issuance of Preferred Stock	-	3,000,000
	-----	-----
Net cash provided by financing activities	2,342,905	3,540,838
	-----	-----
Net Increase (Decrease) in Cash and Cash Equivalents	(721,769)	1,471,096
Cash and cash equivalents at beginning of period	951,509	306,658
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 229,740	\$ 1,777,754
	=====	=====

See accompanying Notes to Consolidated Financial Statements.

AMERICAS POWER PARTNERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF THE BUSINESS AND DEVELOPMENT STAGE ACTIVITIES

## Edgar Filing: AMERICAS POWER PARTNERS INC - Form 10QSB

The Company was in the development stage since its inception on January 27, 1998. There was no financial statement activity between the date of inception and June 30, 1998, except for the issuance of Common Stock, resulting in a credit to Common Stock of \$100. During the third quarter of the fiscal year ended June 30, 2000, the Company emerged from its development stage with the signing of two client contracts, billings under these contracts and the raising of additional capital through a private placement Preferred Stock offering.

The Company was formed to develop, optimize, own and operate power plant systems (steam, electric, compressed air, water, waste water and condensate return) for industrial, commercial and institutional clients. The Company has formed strategic alliances with several recognized energy companies in the areas of power plant optimization, operations and maintenance, fuel supply and electric power marketing. The Company's strategic partners bring key skill sets to the development process and have provided the Company with project opportunities from their established customer bases. The Company generates revenue primarily from fees produced from structuring and financing these energy projects. All of the Company's customers are in the United States.

The Company is prepared to participate in the private energy market through two distinct avenues, namely, financing upgrades, or purchasing powerhouse assets and selling utilities back to clients through long-term contracts.

### PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its newly-formed, 50%-owned limited liability corporation, Armstrong-Americas I, LLC. The limited liability corporation agreement provides that the Company has management control over the operations of the LLC. All material intercompany accounts and transactions are eliminated.

### USE OF ESTIMATES AND BASIS OF PRESENTATION

The financial statements have been prepared in conformity with generally accepted accounting principles and, as such, include amounts based on informed estimates and judgments of management. Changes in such estimates may affect amounts reported in future periods.

The interim financial information presented in the accompanying financial statements reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of results for the interim periods. Results shown for interim periods are not necessarily indicative of the results for a full fiscal year. The interim financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Form 10-KSB for the fiscal year ended June 30, 2000.

AMERICAS POWER PARTNERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

March 31, 2001

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### REVENUE RECOGNITION

The Company evaluates the terms of the energy services agreements (ESA) and operation and maintenance agreements (O&M) which it executes with clients to determine the applicable accounting treatment on an individual case basis.

## Edgar Filing: AMERICAS POWER PARTNERS INC - Form 10QSB

To the extent that ESA's provide for fixed minimum payments and terms that qualify as a capital lease as defined in Statement of Financial Accounting Standards No. 13, "Accounting for Leases", the net investment in the contract is recorded on the balance sheet and unearned income is amortized over the term of the agreement using the interest method. Revenue from ESA's that qualify as operating leases under SFAS No. 13 is recorded on a straight-line basis over the term of the contract. O&M revenue also is recognized on a straight-line basis, which coincides with the monthly payments to vendors that provide the operations and maintenance service. Revenue from sale of commodities that the Company inventories is recognized as the products are delivered. The Company grants credit to all of its customers.

### PER SHARE OF COMMON STOCK

Primary earnings (loss) per share of Common Stock are computed based on the weighted average number of shares of Common Stock and common stock equivalents outstanding during the year. For fiscal 2001 and 2000, the fully diluted loss per share computation was antidilutive; therefore, the amount reported for primary and fully diluted loss per share is the same.

### NOTE B - NOTE PAYABLE

On August 9, 2000, the Company obtained a loan in the amount of \$606,000 from a bank to finance an optimization project. The note is payable in 57 monthly installments of \$13,593, including interest at a rate of 10.651% per annum.

### NOTE C - DISPOSITION OF CERTAIN ASSETS AND TERMINATION OF EMPLOYMENT AGREEMENTS

On January 24, 2001, the Company entered into an agreement that provided for the following, effective on that date:

- 1 The redemption of 1,699,000 shares of Common Stock from the Company's chief executive officer/chairman of the board of directors and another employee in exchange for the transfer of certain of the Company's assets to a newly formed company. The assets included all accounts receivable, development rights, and engineering and environmental studies related to client prospects in the carbon black and calcined coke industries (net of all related liabilities), as well as certain office equipment and fixtures, plus cash and a note totaling \$592,000.

AMERICAS POWER PARTNERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

March 31, 2001

### NOTE C - DISPOSITION OF CERTAIN ASSETS AND TERMINATION OF EMPLOYMENT AGREEMENTS (CONTINUED)

- 2 The resignation of the chief executive officer and four other employees, effective January 15, 2001. These former employees formed the new company referred to above. The chief executive officer's employment and deferred compensation agreements were terminated, and the Company accepted and returned to the treasury 1,200,000 shares of Common Stock in full satisfaction of the chief executive officer's \$1,000,000

## Edgar Filing: AMERICAS POWER PARTNERS INC - Form 10QSB

promissory note payable to the Company.

- 3 Provisions for cooperation between the two companies on certain future joint projects, as well as non-compete provisions on others.

The Company realized a gain of \$394,766 on this transaction, which included the elimination of all deferred contract costs relating to the transferred business and the deferred compensation and interest applicable to the former chief executive officer's agreements.

### NOTE D - RELATED PARTY TRANSACTIONS AND PRIOR PERIOD ADJUSTMENT

On April 24, 1999, the Company entered into a three-year contract with a management consulting firm owned by two officers and directors of the Company that provides for payment of various consulting fees. The contract provided for minimum monthly consulting fees of \$15,000 and an annual expense allowance of \$125,000. The agreement also provided for additional minimum consulting fees totaling \$150,000 upon completion of a reverse merger, such as that described in Note F, plus 550,000 shares of the Company's Common Stock. Subsequent to June 30, 2000, this contract was amended and extended, as further described below.

The Company also had independent contractor agreements with three individuals who are officers and directors of the Company. These agreements provided for consulting services related to business development and the day-to-day management of the Company. Each agreement provided for a monthly payment to the independent contractor of \$10,000. Subsequent to June 30, 2000, these contracts were voluntarily cancelled, as further described below.

On October 13, 2000, the board of directors of the Company authorized a special committee of the board to review prior related party transactions that occurred during a period when all of the Company's directors also were consultants or employees of the Company. The special committee reported the following matters, among others, to the board of directors on November 13, 2000:

- a. 2,848,186 options previously granted to purchase Common Stock for one-cent per share were deemed to be invalid, as the full board of directors had not approved an option plan or the issuance of the options. The special committee recommended and the full board agreed to adopt an omnibus option plan as of November 13, 2000 and to grant 1,140,645 options at the market price of \$1.25 per share on that date to partially substitute for the invalid options.

AMERICAS POWER PARTNERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

March 31, 2001

### NOTE D - RELATED PARTY TRANSACTIONS AND PRIOR PERIOD ADJUSTMENT (CONTINUED)

All persons holding the one-cent options voluntarily agreed to return those options and acknowledged that they were not valid.

The Company had not previously recorded any expense related to the granting of the 2,848,186 options and, because they were not validly

## Edgar Filing: AMERICAS POWER PARTNERS INC - Form 10QSB

issued, the Company did not restate expenses for the respective prior quarterly periods.

In addition, the board granted 994,101 options on November 13, 2000 at \$1.25 per share to new employees and other parties.

- b. 930,000 shares of Common Stock were awarded to related party consultants and employees subsequent to the Company raising outside capital, and these shares were not properly approved by the board of directors. The individuals who received these shares have agreed to voluntarily return the shares to the treasury. In return, the board agreed to grant options to purchase 597,000 shares of stock at the market price on November 13, 2000 of \$1.25 per share.

The Company had not previously recorded any expense in connection with the above shares and, in light of their issuance subsequently being determined invalid, prior quarterly results will not be restated.

The Company had issued 60,000 shares of Common Stock to vendors in consideration of services rendered that were previously valued at \$155,000. The committee determined that 25,000 of these shares were not authorized and these shares have been returned to the treasury.

- c. Under the valid contract referred to above, the Company had paid consulting fees of \$505,770 in connection with the raising of equity in the third quarter of fiscal 2000 and a reverse merger in the first quarter of fiscal 2000 (see Note F). However, the special committee found that provisions of a Preferred Stock Purchase Agreement did not allow the Company to pay fees on that issue, and, accordingly, the Company will receive a refund of \$300,000. Management and consulting fee expense for the periods of nine and three months ended March 31, 2000 has been restated to record this reduction of consulting expense, and the Company was reimbursed for this amount in fiscal 2001.
- 1) The board has agreed to renegotiate payments for past services, and amend and extend the contract (at \$25,000 per month, cancelable by either party on 30 days notice) with the related party consulting firm referred to above. In consideration of this, the consulting firm has agreed to reduce its past consulting fees by \$306,639. The employment contract of another officer/director also was renegotiated, resulting in a recovery by the Company of

AMERICAS POWER PARTNERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

March 31, 2001

### NOTE D - RELATED PARTY TRANSACTIONS AND PRIOR PERIOD ADJUSTMENT (CONTINUED)

\$93,000. This amount was partially satisfied in fiscal 2001 by the transfer of 40,000 shares of Common Stock to the treasury.

On April 19, 2001, the board agreed to forgive the aforementioned receivable from the related party consulting firm in consideration for cancellation of past due rent on the Company's corporate office space, early termination of the related office lease, and the cancellation of

## Edgar Filing: AMERICAS POWER PARTNERS INC - Form 10QSB

250,000 options for Company stock owned by the firm. In addition, the consulting firm agreed to transfer to the Company treasury shares of Common Stock it owned as final satisfaction of the outstanding balance of the officer/director's receivable, and 40,000 shares were forfeited on April 23, 2001.

On September 13, 2000, the Company signed an executive employment agreement with its former chief executive officer. Concurrently, the former officer acquired 2,400,000 shares of Common Stock for \$2,000,000 cash and a \$1,000,000 promissory note. The note was secured by 1,200,000 of the underlying shares. The agreement also provided that the former officer's first year salary and bonus would be earned and accrued ratably during the period, but payment would be deferred, with interest accruing and paid annually, until the earlier of the former officer's termination or tenth anniversary. See Note C regarding the subsequent termination of these agreements in January 2001.

### NOTE E - CUSTOMER CONCENTRATION

On September 1, 2000, the Company signed a contract with a food processing corporation to purchase certain of its utility generation assets and, in turn, provide the company's full requirement energy services for the next sixteen years at estimated annual billings of \$4 million, of which approximately \$400,000 will be recognized as annual revenues (excluding potential revenues from the direct sale of commodities). The Company's 50%-owned limited liability corporation began recognizing revenue from this contract in the second quarter of fiscal 2001. In April, 2001, a credit for prior rental payments was issued to the customer in recognition of mutually agreed upon schedule changes in the installation of certain equipment. The portion of the credit applicable to periods prior to March 31 has been recorded as a reduction of revenue in the third quarter of fiscal 2001, and the customer has agreed to increase future rentals by a corresponding amount, plus interest, over the term of the lease agreement.

### NOTE F - MERGER AND EXCHANGE OF COMMON STOCK

On August 17, 1999, the Company completed a reverse merger with Oak Brook Capital II, Inc., a fully reporting public "shell" company under the Securities and Exchange Commission's Securities

AMERICAS POWER PARTNERS, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

March 31, 2001

### NOTE F - MERGER AND EXCHANGE OF COMMON STOCK (CONTINUED)

Act of 1934. Upon completion of the merger, Oak Brook Capital II, Inc. changed its name to Americas Power Partners, Inc., and issued 10,000 shares of common stock for each share of the former Americas Power Partners, Inc. then outstanding. All shares of the former Americas Power Partners, Inc. were retired.

The merger was accounted for as a pooling of interests. At the time of the merger, Oak Brook Capital II, Inc. had no assets, had recognized no revenue, and had incurred expenses of \$11,925. All other expenses up to the date of the combination were incurred by the original Americas Power Partners, Inc.

## Edgar Filing: AMERICAS POWER PARTNERS INC - Form 10QSB

### NOTE G - RECLASSIFICATION

For comparability, the fiscal 2000 financial statements reflect reclassifications where applicable to conform to the financial statement presentation used in fiscal 2001. The weighted average number of common shares outstanding for fiscal 2000 has been adjusted to reflect the adjustments for options referred to in Note D and the equivalent number of shares after the effect of the reverse merger referred to in Note F.

### NOTE H - SUBSEQUENT EVENT

On April 16, 2001, Armstrong-Americas I, LLC ("LLC"), the Company's 50%-owned limited liability corporation, signed the first of several interim promissory notes with a bank that provided for the sale to the bank of the equipment previously purchased from a customer. The LLC received 80% of the value of the note (\$571,295) and will continue to finance approximately \$2,300,000 in planned improvements to the client facility as they are installed over the ensuing eight month period. Upon completion of the project, the LLC will lease the energy generation facility from the bank under a master lease arrangement.

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following information should be read in conjunction with the historical financial information and the notes thereto included in Item 1 of this Quarterly Report.

During the period from January 27, 1998 (date of inception) through December 31, 1999, the Company engaged in no significant operations other than organizational activities, acquisition of capital and preparation for registration of its securities under the Securities Exchange Act of 1934, as amended. The Company recorded no revenues during this period.

During the third quarter of fiscal 2000, the Company signed its first two contracts for the monetization and optimization of steam generation facilities, and recognized revenue and expenses associated with the contracts. Three additional contracts were signed in the quarter ended September 30, 2000, with two of these resulting in revenues and costs recorded in that quarter. Services provided under the third contract, signed between Armstrong-Americas I, LLC, the Company's majority controlled limited liability corporation, and a food processing company, began in October 2000 and generated revenues of approximately \$93,700 through March 31, 2001, after the prorated effect of a credit memorandum issued as a result of a mutually agreed to change in the schedule for installation of certain equipment (see Note E of Notes to Consolidated Financial Statements).

During the period of nine months ended March 31, 2001, the Company incurred a net loss of \$1,693,833, compared to a net loss of \$1,756,189 for the corresponding prior year period (see Note D of Notes to Consolidated Financial Statements regarding a prior period adjustment recorded for the nine month period ended March 31, 2000). For the current three-month period, the Company recorded a net loss of \$126,956, compared to a net loss of \$810,781 for the fiscal 2000 third quarter. The reduction in the aforementioned fiscal 2001 net losses is partially attributable to a gain of \$394,766 realized on the sale of assets and termination of a deferred compensation agreement in January 2001.

## Edgar Filing: AMERICAS POWER PARTNERS INC - Form 10QSB

In the nine and three month fiscal 2001 periods, the Company recorded the following expenses that were either not present in or changed over the corresponding amounts recorded during the respective periods of fiscal 2000.

**PAYROLL AND BENEFITS:** Payroll and benefit expense for the nine and three month periods ended March 31, 2001 increased \$849,000 and \$169,000 over the corresponding periods of the prior fiscal year. The Company's first employee was hired and placed on the payroll in October 1999. As of the end of December 2000, payroll expense included ten employees. As a result of the sale of assets and the resignations of four employees effective January 15, 2001 (refer to Note C of Notes to Consolidated Financial Statements) there were six employees on the payroll for most of the third quarter of fiscal 2001. In addition, payroll expense for the nine months ended March 31, 2001 increased approximately \$357,000 over the corresponding previous period as a result of a provision for deferred compensation required by an agreement signed in September 2000 and terminated in January 2001 (see Notes C and D of Notes to Consolidated Financial Statements).

**MANAGEMENT AND CONSULTING FEES:** Management and consulting fees decreased approximately \$530,000 for the nine months ended March 31, 2001, compared to the corresponding period of the prior year, principally as a result of the renegotiation of a contract with the venture capital/management firm responsible for organizing the August 1999 reverse merger with a publicly-traded corporate entity and certain other capital formation activities (see Note F of Notes to Consolidated Financial Statements). A decrease of approximately \$315,000 was realized between the three month periods ended March 31, 2001 and 2000 for the same reason.

**WRITE-OFF PROJECT CONTRACT COSTS:** During the period of three months ended September 30, 2000, management concluded that several client projects were no longer economically feasible or did not justify further investment of resources and, accordingly, approximately \$104,200 of previously deferred development costs relating to these projects was written-off. In subsequent periods, the Company received a \$20,000 vendor retainer credit to apply against the aforementioned charge and also determined that an additional \$4,000 should be written off in the quarter ended March 31, 2001.

**OTHER PROFESSIONAL FEES:** Professional fees decreased approximately \$142,600 and \$130,500 during the current nine and three month periods, respectively, compared to the corresponding prior year periods as a result of the decisions in the fourth quarter of the prior fiscal year to internally perform the Company's legal function and to reduce public relation activities in the second and third quarters of fiscal 2001.

**GENERAL AND ADMINISTRATIVE:** General and administrative expenses for the nine month period ended March 31, 2001 increased approximately \$195,700 over the corresponding prior year period with the additional expenditures relating to increased personnel, rental of new office facilities, depreciation of Company-owned and client-leased equipment, accounting fees associated with the reporting requirements of a publicly-held company, and the initiation of marketing programs. However, these expenses decreased \$42,400 between the three month periods ended March 31, 2001 and 200, respectively, as a result of the decrease in general and administrative expenses associated with the previously described reduction in staff effective January 15, 2001 (see Note C of Note to Consolidated Financial Statements).

**INTEREST INCOME:** Interest income increased approximately \$40,300 in the nine month period ended March 31, 2001 over the corresponding prior year period as a result of the higher cash balances available from the sale of

## Edgar Filing: AMERICAS POWER PARTNERS INC - Form 10QSB

Common Stock in September 2000, and the outside investment made in Armstrong-Americas I, LLC, the Company's majority controlled 50%-owned limited liability company. However, for the three-month period ended March 31, 2001 interest income was \$7,500 less than the corresponding prior year period as a result of the investment of the proceeds from the issuance of Preferred Stock in January 2000.

**INTEREST EXPENSE:** Interest expense in the nine and three month fiscal 2001 periods increased \$44,000 and \$17,500, respectively, as a result of a bank loan entered into early in the current fiscal year and capital leases for equipment signed subsequent to December 1999.

### LIQUIDITY AND CAPITAL RESOURCES

The working capital of the Company at March 31, 2001 was \$56,621, compared to \$1,350,423 and \$743,482 at December 31, 2000 and June 30, 2000, respectively. Cash balances at March 31, 2001 decreased \$721,700 from the prior year-end principally as a result of payments totaling \$592,000 made in connection with the disposition of the business associated with the Company's previous initiatives in the carbon black industry.

The Company has signed one bank note, in the amount of \$606,000, relating to the financing of a client project. The Company's 50%-owned limited liability corporation has a \$700,000 line of credit at March 31, 2001, which use is restricted to paying client utility invoices and is secured by receivables related to those billings.

The Company has experienced liquidity difficulties during the latter part of the quarter ended March 31, 2001 and subsequently. Certain unneeded assets have been sold and expenses have been reduced where possible. In addition, the Company has entered into an agreement with Sanders Morris Harris, Inc., an investment banking firm, to raise \$7 to \$10 million of additional equity through the sale of stock or other securities, the proceeds of which are to be used as working capital for ongoing operations and to fund future projects. It is anticipated that this equity raise will take between 60 and 150 days. In the interim, a related party company and strategic partner, Armstrong International, Inc., has agreed to support the Company's efforts to obtain short-term working capital, if necessary, to meet essential business requirements on a temporary basis.

Management believes that, in order to attract and finance additional optimization and monetization projects, significant amounts of new capital will be needed. In addition, working capital financing will be needed to facilitate the Company's utility invoice processing service for current and future clients. The Company intends to secure such additional capital to sustain its project development plans, which may include acquisition of client energy facilities, through bank financing or equity markets. The Company cannot be certain that it will be successful in efforts to raise such new funds.

On April 16, 2001, Armstrong-Americas I, LLC ("LLC"), the Company's 50%-owned limited liability corporation, signed the first of several interim promissory notes with a bank that provided for the sale to the bank of the equipment previously purchased from a customer. The LLC received 80% of the value of the note (\$571,295) and will continue to finance approximately \$2,300,000 in planned improvements to the client facility as they are installed over the ensuing eight month period. Upon completion of the project, the LLC will lease the energy generation facility from the bank under a master lease arrangement.

## Edgar Filing: AMERICAS POWER PARTNERS INC - Form 10QSB

### RECENT ACCOUNTING PRONOUNCEMENTS

In July 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income." This statement established standards for reporting comprehensive income in the financial statements. The Company's adoption of this new standard in June 2000 did not result in material changes to the financial statements.

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." This statement established standards for the way companies report information about operating segments and requires that those enterprises report selected information about operating segments in the financial reports issued to shareholders. The Company's operations are deemed to be one reportable segment for purposes of this disclosure.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" which requires companies to recognize all derivatives as assets and liabilities measured at their fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and whether it qualifies for hedge accounting. The Company believes adoption of this statement as amended by SFAS No. 137, which will occur by July 2001, will not have an affect on the financial statements, as the Company currently does not hold any derivative instruments.

### PART II OTHER INFORMATION

#### ITEM 1. Legal Proceedings

Neither the Registrant nor any of its affiliates are a party, nor is any of their property subject, to material pending legal proceedings or material proceedings known to be contemplated by governmental authorities.

#### ITEM 2. Changes in Securities

During the period of nine months ended March 31, 2001, there were no changes in the Company's outstanding securities.

#### ITEM 3. Defaults Upon Senior Securities

None

#### ITEM 4. Submission of Matters to a Vote of Security Holders

None

#### ITEM 5. Other Information

None

#### ITEM 6. Exhibits and Reports on Form 8-K

\* Exhibits:

Edgar Filing: AMERICAS POWER PARTNERS INC - Form 10QSB

27.0 Financial Data Schedule

\* Reports on Form 8-K:

Form 8-K dated January 26, 2001 regarding redemption of Common Stock and sale of development rights related to projects in the carbon black and calcined carbon industries.

SIGNATURES

In accordance with 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 hereunto duly authorized.

AMERICAS POWER PARTNERS, INC.

May 15, 2001	/s/ Thomas W. Smith THOMAS W. SMITH, President
May 15, 2001	/s/ Tom F. Perles TOM F. PERLES, Chief Accounting Officer