

Edgar Filing: AMERICAS POWER PARTNERS INC - Form 10-Q

AMERICAS POWER PARTNERS INC  
Form 10-Q  
February 16, 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: DECEMBER 31, 2000

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

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 - 10,017,100 shares as of December 31, 2000.

Transitional Small Business Disclosure Format: YES  NO

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

THIS FORM 10-QSB AND OTHER STATEMENTS ISSUED OR MADE FROM TIME TO TIME BY

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

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 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

December 31, 2000

##### ASSETS

##### CURRENT ASSETS

Cash and cash equivalents	\$ 327,602
Accounts receivable	1,305,452
Receivable from related parties - Note D	391,640
Current portion of net investment in leases	259,939
Prepaid expenses and deferred contract costs	357,544
	-----
TOTAL CURRENT ASSETS	2,642,177

##### EQUIPMENT AND FIXTURES

Computer equipment	166,281
Office equipment	83,627
Equipment leased to clients	783,195
Leasehold improvements	7,773
	-----
	1,040,876
Less accumulated depreciation and amortization	(42,243)
	-----
TOTAL EQUIPMENT AND FIXTURES	998,633

##### OTHER ASSETS

Net investment in leases, less current portion	530,174
Deposits	31,682

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

Deferred contract costs, net of accumulated amortization of \$111,248	134,387
Note receivable from related party - Note D	1,000,000
	-----
TOTAL OTHER ASSETS	1,696,243
	-----
 TOTAL ASSETS	 \$5,337,053

See accompanying Notes to Consolidated Financial Statements.

### AMERICAS POWER PARTNERS, INC.

#### CONSOLIDATED BALANCE SHEET

December 31, 2000

#### LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES	
Accounts payable	\$ 419,769
Due to related party in connection with client contracts	437,221
Current maturities of long-term debt	138,315
Deferred compensation - Note D	296,449
TOTAL CURRENT LIABILITIES	1,291,754
LONG-TERM DEBT - net of current maturities	
10 1/2 % note payable to bank, due May 2005 - Note B	465,473
Capital leases	51,903
TOTAL LIABILITIES	1,809,130
MINORITY INTEREST	434,304
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; 10,017,100 shares issued and outstanding	3,497,200
Retained earnings deficit	(4,355,831)
TOTAL STOCKHOLDERS' EQUITY	3,093,619
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$5,337,053

See accompanying Notes to Consolidated Financial Statements.

### AMERICAS POWER PARTNERS, INC.

#### CONSOLIDATED STATEMENTS OF OPERATIONS

Edgar Filing: AMERICAS POWER PARTNERS INC - Form 10-Q

	Six Months Ended DECEMBER 31, 2000	Six Months Ended DECEMBER 31, 1999
Contract revenues	\$ 334,955	\$ -
Cost of client services	193,331	-
Gross profit	141,624	-
Costs and expenses:		
Payroll and employee benefits	854,652	173,579
Management and consulting fees - Note D	134,425	390,000
Write-off project contract costs	85,865	-
Other professional fees	144,374	156,477
General and administrative	463,423	225,268
Total expenses	1,682,739	945,324
LOSS FROM OPERATIONS	(1,541,115)	(945,324)
Interest income	(49,047)	( 1,262)
Interest expense	28,250	1,346
Total interest income, net	(20,797)	( 84)
LOSS BEFORE MINORITY INTEREST	(1,520,318)	(945,408)
Minority interest in earnings of limited liability corporation	(46,559)	-
NET LOSS	(\$ 1,566,877)	\$ (945,408)
Net loss per share - basic and diluted	(\$0.13)	(\$0.14)
Weighted average number of common shares outstanding - Note F	12,288,776	6,766,694

See accompanying Notes to Consolidated Financial Statements.

AMERICAS POWER PARTNERS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended DECEMBER 31, 2000	Three Months Ended DECEMBER 31, 1999
Contract revenues	\$ 235,777	\$ -
Cost of client services	98,537	-
Gross profit	137,240	-
Costs and expenses:		
Payroll and employee benefits	570,138	173,579

Edgar Filing: AMERICAS POWER PARTNERS INC - Form 10-Q

Management and consulting fees - Note D	28,333	172,007
Write-off project contract costs	(18,340)	-
Other professional fees	64,477	7,282
General and administrative	290,965	144,157
Total expenses	935,573	497,025
LOSS FROM OPERATIONS	(798,333)	(497,025)
Interest income	(31,206)	(265)
Interest expense	20,609	1,346
Total interest income, net	(10,597)	(1,081)
LOSS BEFORE MINORITY INTEREST	(787,736)	(498,106)
Minority interest in earnings of limited liability corporation	(43,478)	-
NET LOSS	(\$ 831,214)	(\$498,106)
Net loss per share - basic and diluted	(\$0.06)	(\$.07)
Weighted average number of common shares outstanding - Note F	13,646,445	6,782,396

See accompanying Notes to Consolidated Financial Statements.

AMERICAS POWER PARTNERS, INC.

STATEMENTS OF CASH FLOWS

	Six Months Ended DECEMBER 31, 2000	Six Months Ended DECEMBER 31, 19
Cash Flows from Operating Activities:		
Net loss	(\$1,566,877)	(\$945,408)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Provision for depreciation and amortization	123,333	527
Common Stock issued for services	37,500	-
Minority interest	46,559	-
Change in accounts receivable	(1,013,871)	-
Change in prepaid expenses and deposits	(48,239)	(2,352)
Change in accounts payable	(98,501)	16,576
Change in accrued expenses	(3,432)	100,000
Change in advances from investors	-	250,000
Change in deferred compensation	296,449	-
Total adjustments	(660,202)	364,751
Net cash used in operating activities	(2,227,079)	(580,657)
Cash Flow from Investing Activities:		
Purchase of equipment and fixtures	(811,052)	-
Purchase of equipment underlying lease agreements	(488,600)	-
Payments from lessees regarding finance lease receivables	79,977	-
Increase in deposits	(2,979)	(13,710)
Payment of deferred contract costs	(279,411)	-

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

Repayments from related parties	156,581	-
Net cash used in investing activities	(1,345,484)	(13,710)
<b>Cash Flow from Financing Activities:</b>		
Payment on capital leases	(5,845)	-
Payment on note payable to bank	(33,244)	(1,878)
Minority interest investment in limited liability company	387,745	-
Payments on insurance financing	-	(6,905)
Proceeds of related party loans	-	67,000
Proceeds from issuance of note payable to bank	600,000	-
Proceeds from issuance of Common Stock	2,000,000	376,250
Net cash provided by financing activities	2,948,656	434,467
Net Decrease in Cash	(623,907)	(159,900)
Cash at beginning of period	951,509	306,658
CASH AT END OF PERIOD	\$ 327,602	\$ 146,758

See accompanying Notes to Consolidated Financial Statements.

AMERICAS POWER PARTNERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### NATURE OF THE BUSINESS AND DEVELOPMENT STAGE ACTIVITIES

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. These strategic relationships bring key skill sets to the development process, as well as a steady flow of project opportunities from their established client base. 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

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

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)

December 31, 2000

#### 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. 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. 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 - MERGER AND EXCHANGE OF COMMON STOCK

On August 17, 1999, the Company completed a reverse merger with Oak Brook

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

Capital II, Inc., a fully reporting public "shell" company under the Securities and Exchange Commission's Securities 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.

### AMERICAS POWER PARTNERS, INC.

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2000

#### NOTE D - RELATED PARTY TRANSACTIONS

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 C, 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:

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

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

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

2. 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

AMERICAS POWER PARTNERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2000

### NOTE D - RELATED PARTY TRANSACTIONS (CONTINUED)

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.

3. 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 the reverse merger in the first quarter of fiscal 2000. 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. The third quarter of fiscal 2000 will be restated to record this reduction of consulting expense.
4. The board has agreed to renegotiate payments for past services, and amend and extend for two years the contract 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 refund to the Company of \$93,000. The December 31, 2000 consolidated balance sheet includes the remaining receivable of \$391,640 from the aforementioned related parties.

On September 13, 2000, the Company signed an executive employment agreement with an individual that provides that the individual will be employed as the chief executive officer and will be named as a member and chairman of the board of directors. Concurrently, the individual acquired 2,400,000 shares of Common Stock for \$2,000,000 cash and a \$1,000,000 promissory note. The note is secured by 1,200,000 of the underlying shares. The agreement also provides that the employee's first year salary and bonus will be earned and accrued ratably during the period, but payment will be deferred, with interest accruing and paid annually, until the earlier of the employee's termination or tenth anniversary.

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

AMERICAS POWER PARTNERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2000

## NOTE E - CUSTOMER CONCENTRATION

On September 1, 2000, the Company signed a contract with a food processing corporation to purchase certain of its energy 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 an approximately \$400,000 will be recognized as annual revenues. The Company began recognizing revenue from this contract in the second quarter of fiscal 2001.

## NOTE F - 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 equivalent number of shares after the effect of the reverse merger referred to in Note C.

## NOTE G - SUBSEQUENT EVENT

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

- \* The purchase of 2,899,000 shares of Common Stock from the chief executive officer and another employee. Concurrently, the chief executive officer and three other employees resigned effective January 15, 2000.
- \* The sale to a company formed by the aforementioned group of former employees of the development rights related to large power projects in the carbon black and calcined carbon industries.

Accordingly, the deferred contract costs relating to the abovementioned sold projects and the deferred compensation applicable to the former chief executive officer are classified as current assets and liabilities on the December 31, 2000 consolidated balance sheet.

## 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.

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

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 the Company's majority controlled limited liability corporation and a food processing company, began in October 2000 and generated revenues of approximately \$100,000 for the quarter ended December 31, 2000.

During the period of six months ended December 31, 2000, the Company incurred a net loss of \$1,566,877, compared to a net loss of \$945,408 for the corresponding prior year period. For the current three-month period, the Company recorded a loss of \$831,214, compared to a loss of \$498,106 for the 1999 second quarter. In the current 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:** 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. In addition, payroll expense for the quarter ended December 2000 increased approximately 285,600 over the previous quarter, principally as a result of a provision for deferred compensation as required by an agreement signed at the end of the first fiscal quarter (see Note D of Notes to Consolidated Financial Statements).

**MANAGEMENT AND CONSULTING FEES:** Management and consulting fees decreased approximately \$255,500 for the six months ended December 31, 2000, 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 orchestrating the August 1999 reverse merger with a publicly-traded corporate entity and certain other capital formation activities (see Note D of Notes to Consolidated Financial Statements). A decrease of approximately \$143,700 was realized between the three month periods ended December 31, 2000 and 1999 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 the subsequent three month period, the Company received a \$20,000 vendor retainer credit to apply against the aforementioned charge.

**OTHER PROFESSIONAL FEES:** Professional fees decreased approximately \$12,100 during the current six month period compared to the prior year as a result of the decision in the fourth quarter of the prior fiscal year to internally perform the Company's legal function, offset by a \$60,000 increase in public relations expense in fiscal 2001. Professional fees increased approximately \$57,000 during the current three month period ended December 31, 2000 compared to the corresponding period of the prior year as a result of the internal legal function involvement with an increased volume of activity.

**GENERAL AND ADMINISTRATIVE:** General and administrative expenses in the six and three month periods ended December 31, 2000 increased approximately 100% over the corresponding prior year periods with the additional expenditures relating to increased personnel, rental of office facilities, depreciation of Company-owned and client-leased equipment, accounting fees associated with the reporting requirements of a publicly-held company, and the

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

initiation of marketing programs.

**INTEREST INCOME:** Interest income increased approximately \$45,000 and \$31,000, respectively, in the six and three month periods ended December 31, 2000 over the corresponding prior year periods as a result of the higher cash balances available from the sale of Common Stock in September 2000, and the outside investment made in the Company's majority controlled 50%-owned limited liability company.

**INTEREST EXPENSE:** Interest expense in the six and three month fiscal 2001 periods increased \$27,000 and \$19,200, 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 December 31, 2000 was \$1,350,423, compared to \$743,482 at June 30, 2000. Cash balances at December 31 decreased \$624,000 from the prior year-end principally as a result of payments made for the first time by the 50%-owned limited liability company on behalf of a client, for which it was not reimbursed as of the end of the period. The initiation of billing activity by the aforementioned affiliate resulted in a \$1,230,000 increase in accounts receivable over the prior year end.

The Company has signed one bank note, in the amount of \$606,000, relating to the financing of a client project. The Company has no line of credit at December 31, 2000.

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 January 24, 2001, the Company entered into an agreement pursuant to which 2,899,000 shares of Common Stock were repurchased from the chief executive officer and another employee of the Company for \$600,000 and the development rights related to certain large power projects in the carbon black and

calcined carbon industries. The transaction results in a decrease in the monthly operating expenses of the Company and reduces the number of outstanding shares of Common Stock. However, the transaction also has reduced the Company's cash balance available to meet future capital requirements.

### 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

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

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 three months ended December 31, 2000, 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

##### 1) Exhibits:

10. Agreement dated January 24, 2001 between Americas Power Partners, Inc., Thomas R. Casten, the Casten Family Partnership, Larry Cox, and Private Power LLC,

27.0 Financial Data Schedule

\* Reports on Form 8-K:

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

There were no Form 8-K filings during the three months ended December 31, 2000.

### 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.

February 14, 2001

/s/ Thomas W. Smith  
THOMAS W. SMITH, President

February 14, 2001

/s/ Tom F. Perles  
TOM F. PERLES, Chief Accounting Officer