

ESCAGENETICS CORP  
Form 10KSB  
January 02, 2003

[QuickLinks](#) -- Click here to rapidly navigate through this document

---

---

## SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

### FORM 10-KSB

#### ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2002

Commission file number 1-9431

### ESCAGENETICS CORPORATION

(Name of Small Business Issuer in Its Charter)

**Delaware**

(State or Other Jurisdiction of  
Incorporation or Organization)

**94-3012230**

(I.R.S. Employer Identification No.)

**Suite 605, 1075 Bellevue Way NE, Bellevue, WA**

(Address of Principal Executive Offices)

**98004**

(Zip Code)

**(206) 901-3595**

(Issuer's Telephone Number, Including Area Code)

Securities registered under Section 12(b) of the Exchange Act:

None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, \$0.0001 par value per share.

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 past 90 days.

Yes  No

Check if disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

Issuer's revenues for its most recent fiscal year were \$-0-.

As of December 10, 2002, the aggregate market value of the voting stock held by non-affiliates (based upon the average bid and asked price on such date) was \$8,297. Check whether the issuer has filed all documents and reports required to be filed by Section 12, 13, or 15(d) of the

## Edgar Filing: ESCAGENETICS CORP - Form 10KSB

Exchange Act after the distribution of securities under a plan confirmed by a court.

Yes  No

The number of shares outstanding of the issuer's common stock as of December 10, 2002 was 73,402,516 shares.

Transitional Small Business Disclosure Format (check one):

Yes  No

---

---

---

### Part I

#### Item 1 Description of Business

Formed in 1986, ESCAgenetics Corporation ("the Company") was organized to develop and commercialize high-value, plant derived products for the agricultural and pharmaceutical markets. The Company actively conducted its business between 1987 and the early part of 1995. In January 1995, the Company scaled back its business activities and became largely a dormant business. In January 1996, the Company filed a bankruptcy petition for protection under Chapter 11 of the U.S. Bankruptcy Code.

The Company's amended plan of reorganization (the "Amended Plan of Reorganization") became effective on August 22, 1996. Under the Amended Plan of Reorganization, GFL Ultra Fund, Ltd. ("Ultra"), the Company's largest debt holder, received 25% of the cash available to unsecured creditors and 90% of the Company's common stock. The remaining cash was distributed proportionately to the remaining unsecured creditors and the remaining 10% of the Company's common stock remained owned by its previous shareholders. The bankruptcy proceeding was officially closed effective March 31, 1997. In July, 1998 Genesee Holdings, Inc. ("Holdings") acquired by merger all the assets of Ultra.

By the end of 1996, the Company sold or disposed of all of its assets other than cash on hand and the stock of PHYTOpharmaceuticals, Inc. (an inactive majority owned subsidiary) and SRE ESCAgenetics Corporation (an inactive wholly owned subsidiary).

The Company has been dormant during the fiscal year ended September 30, 2002. The Company has had no employees since November 1996. The Company does not plan to continue the business activities that it conducted prior to its reorganization. It plans to pursue a business combination or other strategic transaction. No candidate for such a transaction has been identified. The Company believes its status as a public company may be attractive to a private company wishing to avoid an initial public offering but there is no guarantee that a business combination or other strategic transaction will be consummated.

#### Item 2 Description of Property

None.

#### Item 3 Legal Proceedings

None.

#### Item 4 Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of the shareholders during the fourth quarter of fiscal 2002.

**Part II****Item 5** Market for Common Equity and Related Shareholder Matters

The Company's Common Stock trades under the symbol "ESNG" on the OTC Bulletin Board. The market for the Company's Common Stock is limited, sporadic and highly volatile. The following table sets forth the high and low bid prices per share of the Company's Common Stock during its last two fiscal years as reported by the OTC Bulletin Board. These prices reflect inter-dealer prices, without retail mark-ups, mark-downs or commissions, and may not necessarily represent actual transactions.

	<b>High</b>	<b>Low</b>
	<b>_____</b>	<b>_____</b>
Fiscal 2001		
First Quarter	0.0313	0.0110
Second Quarter	0.0290	0.0110
Third Quarter	0.0220	0.0150
Fourth Quarter	0.0150	0.0100
Fiscal 2002		
First Quarter	0.0100	0.0070
Second Quarter	0.0090	0.0060
Third Quarter	0.0050	0.0050
Fourth Quarter	0.0050	0.0050

The number of shareholders of record as of September 30, 2002 was 491.

It is the present policy of the Company not to pay cash dividends. Any payment of cash dividends in the future will depend upon the amount of funds legally available for that purpose, the Company's earnings, financial condition, capital requirements and other factors that the Board of Directors may deem relevant.

**Item 6** Management's Discussion and Analysis or Plan of Operation

The Company has had no revenues from operations since the reorganization date. The Company does not plan to continue the business activities that it previously conducted. It plans to pursue a business combination or other strategic transaction. No candidate for such a transaction has been identified. The Company believes its status as a public company may be attractive to a private company wishing to avoid an initial public offering but there is no guarantee that a business combination or other strategic transaction will be consummated.

The Company expects to fund its expenses during fiscal 2003 with advances from its majority shareholder, Holdings. These advances are expected to total approximately \$50,000 during fiscal 2003. The Company expects Holdings to continue to fund its expenses until a business combination or other strategic transaction is consummated, however such funding is not guaranteed. There is no guarantee that the Company is a viable party for a business combination or other strategic transaction. If a business combination or other strategic transaction is not consummated in a timeframe suitable to Holdings or cannot be consummated due to excessive cost or for any other reason, Holdings may cease to advance funds to the Company.

The Company has no employees and no fixed assets. The Company does not anticipate hiring any employees or purchasing any assets until such time as a business combination or other strategic transaction is consummated or is imminent.

**Item 7** Financial Statements

The financial statements of the Company are included in this report commencing on page F-1.

**Item 8** Changes In and Disagreements with Accountants on Accounting and Financial Disclosure

None.

**Part III****Item 9** Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act*Executive Officers and Directors*

The following table sets forth the name, age and position of each person who was serving as an executive officer or director of the Company as of December 10, 2002:

Name	Age	Office
Michelle Kline	45	President, Treasurer, Secretary, Director
Greg L. Key	37	Director

Ms. Kline was appointed as an officer and director on August 23, 1996. Mr. Key was appointed as a director on October 9, 1998. Ms. Kline and Mr. Key have been employees of Genesee Services Corp., an affiliate of Holdings, since 1990.

*Section 16(a) Beneficial Ownership Reporting Compliance*

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's officers and directors, and persons who own more than ten percent of a registered class of the Company's equity securities, to file reports of ownership and changes of ownership with the Securities and Exchange Commission (the "SEC"). Officers, directors and greater than ten percent shareholders are required by SEC regulation to furnish the Company with copies of all such reports they file.

Based solely on its review of the copies of such reports received by the Company, the Company believes that, during the fiscal year ended September 30, 2002, all filing requirements applicable to its officers and directors, and all of the persons known to the Company to own more than ten percent of its Common Stock, were complied with by such persons.

**Item 10** Executive Compensation

The Company has had no employees since November 1996 and did not compensate its officer or directors during the fiscal year ended September 30, 2002. Ms. Kline and Mr. Key are compensated by their employer for services rendered to their employer. No portion of their compensation is specifically attributable to their service as an officer or director of the Company.

**Item 11** Security Ownership of Beneficial Owners and Management

The table below sets forth information as to the beneficial owner of record that was known by the Company to own beneficially more than 5% of the issued and outstanding Common Stock of the Company as of December 10, 2002.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common Stock	Genesee Holdings, Inc. c/o ESCAgenetics Corporation Suite 605, 1075 Bellevue Way NE Bellevue, WA 98004	97,910,000 shares*	93.0%

\*

## Edgar Filing: ESCAGENETICS CORP - Form 10KSB

Includes 31,850,000 shares that may be issued at the option of Holdings upon conversion of the Company's outstanding debt due to Holdings.

Neither Ms. Kline nor Mr. Key beneficially owns any shares of the Company or an interest in Holdings.

4

---

### Item 12 Certain Relationships and Related Transactions

At September 30, 2002 the Company owed \$240,000 to Holdings for loans provided to finance the Company's business activities. The loans are convertible into equity at the rate of 130 shares per dollar at Holding's option. Holdings has waived its right to receive interest on the loans through September 30, 2002. Subsequent to September 30, 2002, Holdings advanced an additional \$5,000 to the Company.

During the fiscal year ended September 30, 2002, the Company paid \$2,700 to an affiliate of Holdings for general and administrative expenses consisting primarily of accounting and research services.

### Item 13 Exhibits, Lists and Reports on Form 8-K

(a)

The following exhibits are filed as part of this report:

<u>Exhibit #</u>	<u>Exhibit Title</u>
3.1 *	Certificate of incorporation
3.2 **	By-laws
21	Subsidiaries of registrant
99.1	Certification Pursuant to 18 U.S.C Section 1350

---

\*  
Incorporated by reference to the Company's Form 10-QSB for the quarter ended December 31, 1998.

\*\*  
Incorporated by reference to the Company's Form 10-QSB for the quarter ended December 31, 1996.

(b)

No reports on Form 8-K were filed during the fourth quarter of fiscal year 2002.

### Item 14 Controls and Procedures

The Company has been dormant during the fiscal year ended September 30, 2002. The Company has had no employees since November 1996. Within 90 days prior to the filing date of this report, to the extent applicable to a dormant company, the Company carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-14c). Based upon that evaluation, the Chief Executive and Financial Officer concluded that the Company's disclosure controls and procedures are effective.

## Edgar Filing: ESCAGENETICS CORP - Form 10KSB

There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation.

5

---

### SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ESCAGENETICS CORPORATION

By /s/ MICHELLE KLINE

\_\_\_\_\_  
Michelle Kline, President

Dated: December 30, 2002

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ MICHELLE KLINE

\_\_\_\_\_  
Michelle Kline, Principal Executive, Financial and Accounting Officer  
and Director

Date: December 30, 2002

/s/ GREG L. KEY

\_\_\_\_\_  
Greg L. Key, Director

Date: December 30, 2002

---

### CERTIFICATIONS

I, Michelle Kline, certify that:

1. I have reviewed this annual report on Form 10-KSB of ESCAgenetics Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial conditions, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

Edgar Filing: ESCAGENETICS CORP - Form 10KSB

- (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this annual report is being prepared;
- (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
- (c) presented in this annual report my conclusions about the effectiveness of the disclosure controls and procedures based on my evaluation as of the Evaluation Date;

5.

I have disclosed, based on my most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or person performing the equivalent functions):

- (a) all significant deficiencies in the design or operations of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
- (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6.

I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of my most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

December 30, 2002

/s/ MICHELLE KLINE

---

Michelle Kline  
Chief Executive Officer  
Chief Financial Officer

---

**INDEPENDENT AUDITORS' REPORT**

ESCAgenetics Corporation  
Bellevue, Washington

We have audited the accompanying consolidated balance sheet of ESCAgenetics Corporation and subsidiaries (the Company) as of September 30, 2002, and the related consolidated statements of operations and shareholders' equity (deficit), and cash flows for the year then ended. The financial statements of the Company for the year ended September 30, 2001, were audited by other auditors whose report, dated November 1, 2001, expressed an unqualified opinion on those statements and included an explanatory paragraph that described the going concern issue discussed in Note 1 to the financial statements. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

## Edgar Filing: ESCAGENETICS CORP - Form 10KSB

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at September 30, 2002, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company's recurring losses from operations and shareholders' capital deficiency raise substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

DELOITTE & TOUCHE LLP

Seattle, Washington  
December 18, 2002

F-1

### ESCAGENETICS CORPORATION AND SUBSIDIARIES

#### CONSOLIDATED BALANCE SHEET

SEPTEMBER 30, 2002

#### ASSETS

Current assets

Cash	\$	0
		0
Total assets	\$	0

#### LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)

Liabilities:

Accounts payable	\$	4,000
Due to Genesee Holdings, Inc.		240,000
		244,000
Total liabilities, all current		244,000

Shareholders' equity (deficit):

Preferred stock; \$0.01 par value; 1,000,000 shares authorized; none issued or outstanding		
Common stock; \$0.0001 par value; 101,000,000 shares authorized; 73,402,516 shares issued and outstanding		7,000
Additional paid-in capital		134,000
Accumulated deficit		(385,000)
		(244,000)



Total shareholders' equity (deficit)	(244,000)
--------------------------------------	-----------

Total liabilities and shareholders' equity (deficit)	<u>\$ 0</u>
--	-------------

*See notes to consolidated financial statements.*

F-2

### ESCAGENETICS CORPORATION AND SUBSIDIARIES

#### CONSOLIDATED STATEMENTS OF OPERATIONS AND SHAREHOLDERS EQUITY (DEFICIT)

	Years ended September 30,	
	2002	2001
Revenues	\$ 0	\$ 0
Operating expenses:		
Accounting and legal	17,000	17,000
General and administrative	23,000	21,000
Total expenses	40,000	38,000
Net loss	<b>(40,000)</b>	<b>(38,000)</b>
Accumulated deficit, beginning of year	(345,000)	(307,000)
Accumulated deficit, end of year	<b>\$ (385,000)</b>	<b>\$ (345,000)</b>
Net loss per share, basic and diluted	\$ (0.00)	\$ (0.00)
Weighted average common shares outstanding	73,402,516	73,402,516

*See notes to consolidated financial statements.*

F-3

### ESCAGENETICS CORPORATION AND SUBSIDIARIES

#### CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended September 30,	
	2002	2001
<b>Cash flows from operating activities:</b>		
Net loss	\$ (40,000)	\$ (38,000)
Change in accounts payable	(2,000)	(1,000)
Net cash used in operating activities	(42,000)	(39,000)
Net cash provided by financing activities, advances from Genesee Holdings, Inc.	31,000	49,000
Net increase (decrease) in cash	(11,000)	10,000
Cash at beginning of year	11,000	1,000
Cash at end of year	<b>\$ 0</b>	<b>\$ 11,000</b>

*See notes to consolidated financial statements.*

F-4

## ESCAGENETICS CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### FOR THE YEARS ENDED SEPTEMBER 30 2002 AND 2001

1.

#### Summary of significant accounting policies

##### *Principles of consolidation and basis of presentation*

The consolidated financial statements include the accounts of ESCAgenetics Corporation (the "Company") and its majority and wholly owned subsidiaries, PHYTOpharmaceuticals, Inc. and SRE ESCAgenetics Corporation, after elimination of all significant intercompany accounts and transactions. The Company's subsidiaries did not have any significant operating activities during the periods presented.

##### *Operations*

Formed in 1986, the Company was organized to develop and commercialize high-value, plant-derived products for the agricultural and pharmaceutical markets. In January 1995, the Company scaled back its business activities and became largely a dormant business. In January 1996, the Company filed a bankruptcy petition for protection under Chapter 11 of the U.S. Bankruptcy Code, and the Company's plan of reorganization became effective on August 22, 1996. The bankruptcy proceeding was officially closed effective March 31, 1997.

Genesee Holdings, Inc. ("Holdings") owns ninety percent of the outstanding common stock of the Company. Currently, all operating expenses are being funded by Holdings through a line of credit (Note 3). During the years ended September 30, 2002 and 2001, the Company paid \$2,700 and \$4,930, respectively, to an affiliate for operating expenses.

## Edgar Filing: ESCAGENETICS CORP - Form 10KSB

The Company does not plan to continue the business activities that it conducted prior to its reorganization. It plans to pursue a business combination or other strategic transaction. No candidate for such a transaction has been identified. Ultimately, the continuation of the Company as a going concern is dependent upon the establishment of profitable operations. Management believes Holdings will continue to fund expenditures until such time as a business combination or other strategic transaction is consummated, however such funding is not guaranteed.

Because the achievement of these plans is dependent upon future events, there can be no assurance that future profitable operations will occur as planned.

### *Use of estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### *Net loss per share*

Net loss per share is calculated on the basis of weighted average number of common shares outstanding. Common stock equivalents are excluded from the computation, as their effect is antidilutive.

2.

### Shareholders' equity

The Company has authorized 101,000,000 shares of Common Stock with a par value of \$.0001 per share and 1,000,000 shares of Preferred Stock with a par value of \$.01 per share. There were

F-5

---

73,402,516 shares of Common Stock issued and outstanding at September 30, 2002 and 2001. No shares of Preferred Stock are outstanding.

3.

### Due to Holdings

At September 30, 2002 the Company owed \$240,000 to Holdings for loans provided to finance the Company's business activities. The loans are convertible into equity at the rate of 130 shares per dollar at Holding's option. Holdings has waived its right to receive interest on the loans through September 30, 2002. Subsequent to September 30, 2002, Holdings advanced an additional \$5,000 to the Company.

On December 1, 2002, the Company entered into a promissory note with Holdings for the lesser of \$300,000 or the aggregate principal amount of all unreimbursed advances made by Holdings to the Company. The note carries an annual interest rate of 5% and is due on demand.

4.

### Income taxes

The Company has accumulated net operating loss carryforwards of approximately \$250,000 that are available to offset future taxable income, if any, through 2020. Realization of the net operating loss carryforwards is dependent upon future profitable operations. Accordingly, management has recorded a valuation allowance to reduce deferred tax assets associated with net operating loss carryforwards to zero at September 30, 2002.

F-6

---

QuickLinks

Part I

Item 1 Description of Business

Item 2 Description of Property

Item 3 Legal Proceedings

Item 4 Submission of Matters to a Vote of Security Holders

Part II

Item 5 Market for Common Equity and Related Shareholder Matters

Item 6 Management's Discussion and Analysis or Plan of Operation

Item 7 Financial Statements

Item 8 Changes In and Disagreements with Accountants on Accounting and Financial Disclosure

Part III

Item 9 Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act

Item 10 Executive Compensation

Item 11 Security Ownership of Beneficial Owners and Management

Item 12 Certain Relationships and Related Transactions

Item 13 Exhibits, Lists and Reports on Form 8-K

Item 14 Controls and Procedures

SIGNATURES

CERTIFICATIONS

ESCAGENETICS CORPORATION AND SUBSIDIARIES CONSOLIDATED BALANCE SHEET SEPTEMBER 30, 2002

ESCAGENETICS CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS AND SHAREHOLDERS EQUITY (DEFICIT)

ESCAGENETICS CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS

ESCAGENETICS CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30 2002 AND 2001