

Edgar Filing: VOLT INC - Form 10QSB

VOLT INC  
Form 10QSB  
May 17, 2004

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended March 31, 2004

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-28555

VOLT INC.

-----  
(Exact name of small business issuer as specified in its charter)

NEVADA

86-0960464

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(IRS  
Employer Identification No.)

41667 Yosemite Pines Dr., Oakhurst CA 93644

-----  
(Address of principal executive offices)

(559) 692-2474

-----  
(Issuer's telephone number)

-----  
(Former name, former address and former fiscal year,  
if changed since last report)

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 4,919,422 Common Shares \$0.001 par value as of March 31, 2004

Transitional Small Business Disclosure Format (Check one): Yes  No

PART I -- FINANCIAL INFORMATION

Item 1. Financial Statements.

The information required by Item 310(b) of Regulation S-B is attached hereto as Exhibit One.

Item 2. Management's Discussion and Analysis or Plan of Operation.

## Edgar Filing: VOLT INC - Form 10QSB

THE FOLLOWING DISCUSSION OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE COMPANY SHOULD BE READ IN CONJUNCTION WITH THE FINANCIAL STATEMENTS AND NOTES THERETO INCLUDED ELSEWHERE IN THIS REPORT.

THIS DISCUSSION CONTAINS FORWARD-LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES, AND THE COMPANY'S ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THESE FORWARD-LOOKING STATEMENTS AS A RESULT OF CERTAIN FACTORS, INCLUDING, BUT NOT LIMITED TO COMPETITION AND OVERALL MARKET AND ECONOMIC CONDITIONS.

### RESULTS OF CONTINUING OPERATIONS

The Company generated \$1,212,216 of revenue, \$541,624 of gross profit, \$172,564 of net earnings from continuing operations, and \$0.04 in earnings per weighted-average common share from continuing operations for the six months ended March 31, 2004.

For total operations, net income for the six months ended March 31, 2004, was \$172,564 or \$0.04 in earnings per weighted-average common share with 4,669,422 weighted average common shares outstanding compared with net income of \$136,731 or \$0.03 in earnings per weighted-average common share with 3,919,422 weighted average common shares outstanding for the six months ended March 31, 2003.

	Six Months Ended March 31	
	2004	2003
Revenue	\$1,212,216	\$1,762,777
Cost of Revenue	670,592	982,336
	-----	-----
Gross profit	541,624	780,441
Operating Expenses	369,060	643,710
	-----	-----
Income from continuing operations	\$ 172,564	\$ 136,731
	=====	=====
Gross profit margin	45%	44%
Earnings per share of common stock	\$ 0.04	\$ 0.03

The Company generated \$600,044 of revenue, \$300,508 of gross profit, \$137,331 of net earnings from continuing operations and \$0.03 in earnings per weighted-average common share from continuing operations for the three months ended March 31, 2004.

For total operations, net income for the three months ended March 31, 2004, was \$137,331 or \$0.03 in earnings per weighted-average common share with 4,919,422 weighted average common shares outstanding compared with net income of \$54,621 or \$0.01 in earnings per weighted-average common with 3,919,422 weighted average common shares outstanding for the three months ended March 31, 2003.

	Three Months Ended March 31	
	2004	2003
Revenue	\$600,044	\$1,218,811
Cost of Revenue	299,536	760,526

## Edgar Filing: VOLT INC - Form 10QSB

	-----	-----
Gross profit	300,508	458,285
Operating Expenses	163,177	403,644
	-----	-----
Income from continuing operations	\$137,331 =====	\$ 54,621 =====
 Gross profit margin	 50%	 38%
 Earnings per share of common stock	 \$ 0.03	 \$ 0.01

Revenue for the six months ended March 31, 2004, decreased \$550,561 from the same period last year. Cost of revenue for the six months ended March 31, 2004, decreased \$311,744 from the same period last year. Operating expenses for the six months ended March 31, 2004, decreased \$274,650 from the same period last year. Income from continuing operations for the six months ended March 31, 2004, increased \$35,833 from the same period last year.

Revenue for the three months ended March 31, 2004, decreased \$618,767 from the same period last year. Cost of revenue for the three months ended March 31, 2004, decreased \$460,990 from the same period last year. Operating expenses for the three months ended March 31, 2004, decreased \$240,467 from the same period last year. Income from continuing operations for the three months ended March 31, 2004, increased \$82,710 from the same period last year.

Earnings per weighted-average common share was \$0.04 for the six months ended March 31, 2004 based on weighted-average common shares outstanding of 4,669,422, and earnings per weighted average common share was \$0.03 for the six months ended March 31, 2003, based on per weighted-average common shares outstanding of 3,919,422.

Earnings per weighted-average common share was \$0.03 for the three months ended March 31, 2004, based on weighted-average common shares outstanding of 4,919,422, and earnings per weighted-average common share was \$0.01 for the three months ended March 31, 2003 based upon weighted-average common shares outstanding of 3,919,422.

The Company attributes the decrease in Cost of Revenue and Operating Expenses and the corresponding increase Income From Continuing Operations for the periods reflected to the consolidation of the Company's mortgage business in the Central Valley of California where the Company's senior management is located.

The company has consolidated its mortgage business to the Central California Valley where senior management is located and is also focusing on real estate development in this fast growing area and has several projects in the development and due diligence phase. The energy side of the business is currently processing several deals as well and expects to complete both company's pending transaction by year end.

### PART II -- OTHER INFORMATION

#### Item 1. Legal Proceedings.

There are no pending or threatened legal proceedings against the Company or any of its subsidiaries.

#### Item 2. Changes in Securities.

NONE

Edgar Filing: VOLT INC - Form 10QSB

Item 3. Defaults Upon Senior Securities

NONE

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

NONE

Item 5. Other Information.

During the year ended September 30, 2003, the Company closed in escrow on the purchase of Wolverine Power Corporation, a Michigan hydroelectric facility. However, the escrow conditions were not satisfied and therefore the escrow was terminated and the purchase of the hydroelectric facility was not consummated.

The Company is still in the due diligence phase of the purchase of the Franklin Hydro facility located in Malone New York.

The Company's purchase of Tract #4 of the Fiatt Coal Mine in Fulton County, Illinois is in escrow subject to the satisfaction of certain contingencies by the seller. There can be no guarantee that the contingencies will be satisfied or that the closing of the purchase will be finalized. The purchase of additional coal tracts pursuant to existing options is contingent upon satisfaction of the escrow by the seller to the satisfaction of the Company.

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

INDEX TO EXHIBITS.

EXHIBIT

NUMBER	DESCRIPTION OF DOCUMENT
1	VOLT INC. AND SUBSIDIARIES FINANCIAL STATEMENTS

On April 1, 2004, the Company filed a Form 8-K reflecting the resignation of a director of the Company on March 27, 2004.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date May 14, 2004

VOLT INC.  
(Registrant)  
/s/ Denis C. Tseklenis  
Denis C. Tseklenis  
Chief Executive Officer  
Chairman of the Board

EXHIBIT 1

VOLT INC. AND SUBSIDIARIES

INDEX TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED):

## Edgar Filing: VOLT INC - Form 10QSB

BALANCE SHEETS AS OF MARCH 31, 2004 (UNAUDITED)  
AND SEPTEMBER 30, 2003 (AUDITED)

STATEMENTS OF INCOME FOR THE SIX MONTHS AND THREE MONTHS ENDED  
MARCH 31, 2004 AND 2003 (UNAUDITED)

STATEMENTS OF CASH FLOWS FOR SIX MONTHS ENDED  
MARCH 31, 2004 AND 2003 (UNAUDITED)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

VOLT INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
MARCH 31, 2004 (UNAUDITED) AND SEPTEMBER 30, 2003 (AUDITED)

ASSETS

	(Unaudited) March 31, 2004	(Audited) September 30, 2003
	-----	-----
Current Assets:		
Cash and cash equivalents	\$ 524,463	\$249,993
Commissions receivable	88,000	30,022
Prepaid expenses and other assets	2,000	2,000
	-----	-----
Total Current Assets	614,463	282,015
Property and equipment, net	5,792,362	5,806,927
Other Assets:		
Goodwill	3,031,840	3,031,840
Advances receivable	342,826	347,326
	-----	-----
Total Other Assets	3,374,666	3,379,166
	-----	-----
Total Assets	\$9,781,491 =====	\$9,468,108 =====

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

VOLT INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)  
MARCH 31, 2004 (UNAUDITED) AND SEPTEMBER 30, 2003 (AUDITED)

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	(Unaudited) March 31, 2004	(Audited) September 30, 2003
	-----	-----
Current Liabilities:		
Accounts payable	\$ 48,982	\$ 51,663
	-----	-----
Total Current Liabilities	48,982	51,663

## Edgar Filing: VOLT INC - Form 10QSB

### Commitments and Contingencies

#### Stockholders' Equity (Deficit):

Class A Preferred Stock, \$.001 par value, 10,000,000 shares authorized at March 31, 2004 and September 30, 2003, respectively, and 1,000,000 issued and outstanding at March 31, 2004 and September 30, 2003, respectively	1,000	1,000
Class B Preferred Stock, no par value, 125,000 shares authorized at March 31, 2004 and September 30, 2003, respectively, and 0 shares issued and outstanding at March 31, 2004 and September 30, 2003, respectively	-	-
First Washington Class A Preferred Stock, no par value, 500,000 shares authorized at March 31, 2004 and September 30, 2003, respectively, and 500,000 shares issued and outstanding at March 31, 2004 and September 30, 2003, respectively	-	-
Common Stock - \$.001 par value; 25,000,000 shares authorized at March 31, 2004 and September 30, 2003, respectively and 4,919,422 and 3,919,422 shares issued and outstanding at March 31, 2004 and September 30, 2003, respectively	4,919	3,919
Additional paid-in capital	13,166,519	13,024,019
Accumulated deficit	(3,439,929)	(3,612,493)
	-----	-----
Total stockholders' equity	9,732,509	9,416,445
	-----	-----
 Total Liabilities and Stockholders' Equity	 \$9,781,491	 \$9,468,108
	=====	=====

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

VOLT INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)  
FOR THE SIX MONTHS AND THREE MONTHS ENDED MARCH 31, 2004 AND 2003

	(UNAUDITED) SIX MONTHS ENDED MARCH 31		(UNAUDITED) THREE MONTHS ENDED MARCH 31	
	2004	2003	2004	2003
	-----	-----	-----	-----
Revenues	\$ 1,212,216	\$ 1,713,777	\$ 600,044	\$ 1,218,811

Edgar Filing: VOLT INC - Form 10QSB

Cost of Revenue	670,592	982,336	299,536	760,526
Gross Profit (Loss)	541,624	780,441	300,508	458,285
Operating Expenses				
General and administrative	369,060	643,710	163,177	406,664
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	172,564	136,731	137,331	54,621
Income taxes	-	-	-	-
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	\$ 172,564	\$ 136,731	\$ 137,331	\$ 54,621
BASIS AND DILUTED EARNINGS PER SHARE:				
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	\$ 0.04	\$ 0.03	\$ 0.03	\$ 0.01
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	4,469,422	3,919,422	4,919,422	3,919,422

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

VOLT INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)  
FOR THE SIX MONTHS ENDED MARCH 31, 2004 AND 2003

	SIX MONTHS ENDED	
	(UNAUDITED)	(UNAUDITED)
	MARCH 31, 2004	MARCH 31, 2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 172,564	\$ 136,731
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation and amortization	14,465	14,428
Acquisition of Mortgage-Matic	-	177,348
Changes in assets and liabilities		
Prepaid expenses and other current assets	-	2,000
Commissions receivable	(57,978)	-
Accounts payable	(2,681)	(3,750)
Total adjustments	(46,094)	186,062
Net cash provided by (used in)		

## Edgar Filing: VOLT INC - Form 10QSB

operating activities	126,470	322,793
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	-	(45,500)
Net change in advances receivable	4,500	-
	-----	-----
Net cash provided by investing activities	4,500	(45,500)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions of equity	143,500	25,000
	-----	-----
Net cash provided by (used in) financing activities	143,500	25,000
	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	274,470	302,293
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	249,993	172,521
	-----	-----
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 524,463	\$ 474,814
	=====	=====

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

VOLT INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2004 AND 2003

NOTE 1- ORGANIZATION AND BASIS OF PRESENTATION

The condensed consolidated unaudited interim financial statements included herein have been prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. The consolidated financial statements and notes are presented as permitted on Form 10-QSB and do not contain information included in the Company's annual consolidated statements and notes. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. The results for the six months ended March 31, 2004 may not be indicative of the results for the entire year.

These statements reflect all adjustments, consisting of normal recurring adjustments which, in the opinion of management, are necessary for fair presentation of the information contained herein.

Volt Inc. and Subsidiaries is a power provider and marketer of alternative energy and financial services. The Company is in the initial stages of implementing its business plan.



## Edgar Filing: VOLT INC - Form 10QSB

Deerbrook Publishing Group, Inc. was a distributor of fine arts. Effective March 31, 2001, Deerbrook Publishing Group, Inc. entered into an agreement to spin off its subsidiaries; Inter Arts, Inc. and Cimmaron Studios, Inc. As of March 31, 2001, the Company ceased its printing and publishing business and the shares of stock of its former operating subsidiaries were distributed to certain shareholders. The Company did not spin off Deerbrook Publishing, Deerbrook Publishing changed its name to Volt, Inc. when on April 6, 2001, Denis C. Tseklenis acquired 127,995 shares of the Company's common stock, \$.001 par value per share, which constituted approximately 53% of the company's issued and outstanding common stock for \$255,000 and there was a change in control. At this time, the Company effected a 1 for 100 reverse stock split for its \$.001 par value common stock.

In May, 2001, Mr. Tseklenis sold shares of stock of Arcadian Renewable Power which owns the wind farm to the Company in exchange for 1,000,000 shares of Preferred Convertible Stock. The wind farm had a historical value of \$5,700,000.

On May 17, 2002, the Company acquired First Washington Financial Corporation, a company which provides financial services in Bethesda, Maryland ("First Washington"). First Washington, is a mortgage company whose emphasis lies in residential mortgages in the greater Washington D.C. service area. The combination was treated as a purchase with First Washington becoming a wholly owned subsidiary of Volt, Inc. Volt, Inc. recognized an intangible asset (goodwill) which represented the amount of value received over the net assets acquired. The operations of First Washington are included in the consolidated statements of income for the year ended September 30, 2002 from the date of inception May 17, 2002 to September 30, 2002. There was no predecessor entity of First Washington. The fair value of the transaction was recorded based on the number of shares issued to First Washington (2,000,000) at the fair value of the stock of Volt on the date of acquisition net of a discount since the stock issued in the acquisition was restricted stock (\$1.50).

### VOLT INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) MARCH 31, 2004 AND 2003

#### NOTE 1- ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

The cost of the net assets purchased and liabilities assumed approximated zero, however, the value of \$3,000,000 was based on the mortgage company's future earnings.

The Company acquired Opportunity Knocks, LLC. during the third fiscal quarter of 2002 to rehab HUD homes and other properties in Washington, D.C., Maryland and Virginia under the HUD Gift Program. This acquisition was done simultaneously with the acquisition of First Washington, and Opportunity Knocks is a wholly owned subsidiary of the Company.

## Edgar Filing: VOLT INC - Form 10QSB

In fiscal 2003, the Company expanded its financial services business, and brought in two businesses, that operationally failed to meet the Company's business model. Subsequent to these agreements being in force, the Company spun them out. Additionally, the Washington Metropolitan Area market had not met Company expectations, so the Company's subsidiary First Washington acquired Yosemite Brokerage, Inc. in Oakhurst, California, a few miles from the Company's headquarters. The Company had issued Preferred Stock Class B, which has been cancelled by the Company.

In July 2003 (effective August 1, 2003), First Washington acquired Yosemite Brokerage, Inc. ("Yosemite"), a California corporation for 500,000 shares of First Washington Class A Preferred Stock. The acquisition was recorded for accounting purposes as a purchase acquisition. The Company valued this transaction at \$200,000 (\$.40 per share), which included the recognition of \$31,840 in goodwill.

The Company has three other power related wholly-owned subsidiaries, Sun Volt, Inc., Sun Electronics, Inc. and Arcadian Renewable Power, Inc. Arcadian Renewable Power, Inc. is the corporation that holds the Altamont Wind Farm in the Altamont Pass in Livermore, California.

NOTE 2-

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Principles of Consolidation

The condensed consolidated balance sheet for March 31, 2004 and consolidated balance sheet for September 30, 2003 and condensed consolidated statements of income and cash flows for the six months ended March 31, 2004 includes Volt Inc. and its wholly-owned subsidiaries. Intercompany transactions and balances have been eliminated in consolidation.

#### 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 reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### VOLT INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) MARCH 31, 2004 AND 2003

NOTE 2-

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Cash and Cash Equivalents

The Company considers all highly liquid debt instruments and other short-term investments with an initial maturity of three months or less to be cash or cash equivalents.

## Edgar Filing: VOLT INC - Form 10QSB

The Company maintains cash and cash equivalent balances at several financial institutions which are insured by the Federal Deposit Insurance Corporation up to \$100,000.

### Property and Equipment

Property and equipment are stated at cost. Depreciation is computed primarily using the straight-line method over the estimated useful life of the assets.

Furniture and fixtures	5-7 years
Office and computer equipment	3-5 years
Wind Farm	40 years

### Revenue Recognition

For the Company's power division, sold merchandise and revenue was recorded under the accrual method of accounting.

For the Company's financial services division, they record commission income upon the closing of their respective transactions.

### Advertising

Advertising costs are typically expensed as incurred. Advertising expense was approximately \$10,720 and \$80,655 for the six months ending March 31, 2004 and 2003, respectively.

### Income Taxes

The income tax benefit is computed on the pretax loss based on the current tax law. Deferred income taxes are recognized for the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end based on enacted tax laws and statutory tax rates.

### Fair Value of Financial Instruments

The carrying amount reported in the condensed consolidated balance sheet for cash and cash equivalents, advances receivable, commissions receivable, accounts payable and accrued expenses approximate fair value because of the immediate or short-term maturity of these financial instruments.

VOLT INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2004 AND 2003

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Earnings Per Share of Common Stock

## Edgar Filing: VOLT INC - Form 10QSB

Historical net income per common share is computed using the weighted average number of common shares outstanding. Diluted earnings per share (EPS) includes additional dilution from common stock equivalents, such as stock issuable pursuant to the exercise of stock options and warrants.

The following is a reconciliation of the computation for basic and diluted EPS:

	2004	2003
	----	----
Net income	\$172,564	\$136,731
	-----	-----
Weighted- average common shares Outstanding (Basic)	4,669,422	3,919,422
Weighted-average common stock Equivalents:		
Stock options	-	-
Warrants	-	-
	-----	-----
Weighted-average common shares Outstanding (Diluted)	4,669,422	3,919,422
	=====	=====

### Deferred Financing Fees

The Company paid a \$10,000 financing fee in connection with a line of credit in April 2002. This fee was written off over a one-year period of time. The unamortized balance at March 31, 2004 was \$ -0-. Amortization of these fees were \$-0- and \$5,000, respectively for the six months ended March 31, 2004 and 2003.

### Goodwill

In June 2001, the FASB issued Statement No. 142 "Goodwill and Other Intangible Assets". This Statement addresses financial accounting and reporting for acquired goodwill and other intangible assets and supersedes APB Opinion No. 17, Intangible Assets. It addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for in financial statements upon their acquisition. This Statement also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. This statement has been considered when determining impairment of goodwill in certain transactions. During fiscal 2003, the Company recognized \$31,840 of goodwill acquired in the Yosemite transaction. There was no recognition of impairment of goodwill during the six months ended March 31, 2004 and 2003.

## Edgar Filing: VOLT INC - Form 10QSB

VOLT INC. AND SUBSIDIARIES  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 MARCH 31, 2004 AND 2003

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncement

On October 3, 2001, the FASB issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), that is applicable to financial statements issued for fiscal years beginning after December 15, 2001. The FASB's new rules on asset impairment supersede SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and portions of Accounting Principles Board Opinion 30, "Reporting the Results of Operations." This Standard provides a single accounting model for long-lived assets to be disposed of and significantly changes the criteria that would have to be met to classify an asset as held-for-sale. Classification as held-for-sale is an important distinction since such assets are not depreciated and are stated at the lower of fair value and carrying amount. This Standard also requires expected future operating losses from discontinued operations to be displayed in the period (s) in which the losses are incurred, rather than as of the measurement date as presently required.

Reclassifications

Certain amounts for the six months ended March 31, 2003 have been reclassified to conform with the presentation of the March 31, 2004 amounts. The reclassifications have no effect on net income for the six months ended March 31, 2003.

NOTE 3- PROPERTY AND EQUIPMENT

Property and equipment consist of the following at March 31, 2004:

Wind Farm	\$5,700,000
Furniture and fixtures	16,000
Leasehold improvements	8,885
Computer and office equipment	116,293
	-----
	5,841,178
Less: accumulated depreciation	48,816
	-----
Net book value	\$5,792,362
	=====

Depreciation expense for the six months ended March 31, 2004 and 2003 was \$14,565 and \$9,428, respectively. There is no depreciation recognized on the Wind Farm as it is non operational until placed in service. In the Company's acquisition of Yosemite in their fourth quarter of 2003, they acquired \$55,261 office and computer equipment.

# Edgar Filing: VOLT INC - Form 10QSB

VOLT INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2004 AND 2003

NOTE 4- ADVANCES RECEIVABLE

As of March 31, 2004, advances receivable were \$342,826. There was no interest due the Company on these loans, and the amounts due at March 31, 2004, are deemed by management to have no specific repayment terms.

NOTE 5- DEPOSITS

During the quarter ended March 31, 2003, the Company's subsidiary, Opportunity Knocks placed deposits down on four homes in Virginia Beach, Virginia. Opportunity Knocks placed \$500 down per home for a total of \$2,000.

NOTE 6- STOCKHOLDERS' EQUITY

Common and Preferred Stock

Effective April 23, 2001, the Registrant effected a 1 for 100 reverse stock split for its common stock, \$.001 par value per share.

The Company issued 1,000,000 shares of Class A Preferred Stock to Denis C. Tseklenis in consideration for the Wind Farm.

On April 6, 2001, Denis C. Tseklenis acquired 127,995 original issue shares of the Company's common stock, \$.001 par value per share, which constituted approximately 53% of the Company's issued and outstanding common stock. Mr. Tseklenis paid the Company \$255,000 for the common stock.

During the year ended September 30, 2001, in addition to the initial acquisition by Denis C. Tseklenis, the Company had issued 1,678,000 shares and cancelled 225,000 of common stock for \$366,711.

Prior to the initial acquisition by Denis C. Tseklenis, the Company had issued 1,850,000 shares of common stock for accrued payroll, accounts payable and services.

During the quarter ended December 31, 2001, 225,000 shares were reissued that were cancelled from the prior year ended September 30, 2001.

## Edgar Filing: VOLT INC - Form 10QSB

VOLT INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2004 AND 2003

NOTE 6- STOCKHOLDERS' EQUITY (CONTINUED)

Common and Preferred Stock (Continued)

On May 17, 2002, the Company issued 2,000,000 shares of common stock to acquire First Washington and thus it became a wholly-owned subsidiary. The shares were valued at a fair value at the time of the transaction (\$1.50 per share) or \$3,000,000.

On January 1, 2003, the Company issued a board resolution for the authorization of a new class of preferred stock, Class B Preferred Stock, no par value. The Company authorized the issuance of 125,000 shares of Class B Preferred Stock.

On July 1, 2003, First Washington issued a board resolution for the authorization of a new class of preferred stock, Class A Preferred Stock, no par value. First Washington authorized the issuance of 500,000 shares of Class A Preferred Stock.

During fiscal 2003, the Company had issued shares of Class B Preferred Stock, only to cancel them later in that fiscal year. As of September 30, 2003, there were no shares of Class B Preferred Stock issued and outstanding.

In July 2003 (effective August 1, 2003), First Washington issued 500,000 shares of the Class A Preferred Stock, to acquire Yosemite Brokerage, Inc. ("Yosemite"). The acquisition was recorded for accounting purposes as a purchase acquisition. The transaction was valued at \$200,000 (\$.40 per share), which included goodwill of \$31,840.

In November 2003, the Company issued 1,000,000 shares of common stock. The stock was an additional payment on the Wind Farm. The Company charged additional paid-in capital.

NOTE 7- RELATED PARTY TRANSACTIONS

On January 1, 2003, the Company entered into a lease agreement for the rental of office space for its home office. An officer of the Company is a partner in the partnership that rents this space to the Company. The lease is a five-year lease with a five-year option, with rent of \$2,750 per month.

Yosemite Brokerage, rents space from its officer. The lease commenced February 1, 2000 and runs through January 31, 2005. The monthly rents commenced at \$5,600 per month and calls for increase annually up to 3%. Rent expense for the six months ended March 31, 2004 was \$16,800. No rent expense was incurred for the six months ended March 31, 2003.

The President of the Company owns a controlling percentage of the common stock outstanding.

# Edgar Filing: VOLT INC - Form 10QSB

VOLT INC. AND SUBSIDIARIES  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 MARCH 31, 2004 AND 2003

NOTE 8- PROVISION FOR INCOME TAXES

Deferred income taxes will be determined using the liability method for the temporary differences between the financial reporting basis and income tax basis of the Company's assets and liabilities. Deferred income taxes will be measured based on the tax rates expected to be in effect when the temporary differences are included in the Company's consolidated tax return. Deferred tax assets and liabilities are recognized based on anticipated future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases.

At March 31, 2004 and 2003, deferred tax assets consist of the following:

	2004	2003
	----	-----
Net operating loss carryforwards	\$139,963	\$165,889
Less: valuation allowance	(139,963)	(165,889)
	-----	-----
	\$ -0-	\$ -0-
	=====	=====

At March 31, 2004 and 2003, the Company had federal net operating loss carryforwards in the approximate amounts of \$424,129 and \$414,723, respectively, available to offset future taxable income. The Company established valuation allowances equal to the full amount of the deferred tax assets due to the uncertainty of the utilization of the operating losses in future periods.

NOTE 9- PENDING ACQUISITION

The Company in January 2004 reached an agreement to purchase all of the outstanding shares of the Whittlesey hydro-electric project on the Salmon River in Malone, New York from Franklin Hydro for cash. The purchase will include the real estate, turbines and power purchase agreement which runs approximately seven more years at 8.25 cents per KWH produced.