

Edgar Filing: BAIL CORP - Form 10QSB

BAIL CORP  
Form 10QSB  
August 10, 2001

U.S. 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 June 30, 2001

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

Commission file number: 0-27321

Bail Corporation  
(Name of small business issuer in its charter)

Colorado  
-----

(State or other jurisdiction of  
incorporation or organization)

84-1493152  
-----

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

11952 Farley, Shawnee Mission, KS 66213  
(Address of principal executive offices, including ZIP Code)

Issuer's telephone number: (913) 814-8313

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 the past 90 days.  
Yes  No

Transitional Small Business Disclosure Format Yes  No

The issuer had 5,640,000 shares of its common stock issued and outstanding as of August 8, 2001, the latest practicable date before the filing of this report.

BAIL CORPORATION

INDEX TO QUARTERLY REPORT ON FORM 10-QSB

Page  
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PART I--FINANCIAL INFORMATION

Item 1. Financial Statements\*

Condensed balance sheet - June 30, 2001 (Unaudited)..... 4

## Edgar Filing: BAIL CORP - Form 10QSB

Condensed statement of operations (Unaudited) - Three months ended June 30, 2001 and 2000 and April 9, 1998 (inception) through June 30, 2001.....	5
Condensed statements of cash flows (Unaudited) - Three months ended June 30, 2001 and 2000 and April 9, 1998 (inception) through June 30, 2001.....	6
Notes to condensed financial statements (Unaudited).....	7
Item 2. Plan of Operation.....	9
PART II--OTHER INFORMATION.....	11
Item 1. Legal Proceedings.....	11
Item 2. Changes in Securities and Use of Proceeds.....	11
Item 3. Defaults Upon Senior Securities.....	11
Item 4. Submission of Matters to a Vote of Security Holders.....	11
Item 5. Other Information.....	11
Item 6. Exhibits and Reports on Form 8-K.....	12
Signatures.....	13

\*The accompanying financial statements are not covered by  
an Independent Certified Public Accountant's report.

2

### PART I - FINANCIAL INFORMATION

#### Forward-Looking Statements

This report on Form 10-QSB contains forward-looking statements that concern our business. Such statements are not guarantees of future performance and actual results or developments could differ materially from those expressed or implied in such statements as a result of certain factors, including those factors set forth in Item 2 - Plan of Operation and elsewhere in this report. All statements, other than statements of historical facts, included in this report that address activities, events or developments that we expect, believe, intend or anticipate will or may occur in the future, including the following matters, are forward looking statements:

- o our ability to acquire valuable properties,
- o future capital costs of acquisitions and exploration,
- o the size of various markets,
- o market share,
- o project margins,
- o business strategies, and
- o expansion and growth of our operations.

These statements are based on certain assumptions and analyses made by us in light of our experience and our perception of the following:

- o historical trends,
- o current conditions,
- o expected future developments, and
- o other factors we believe are appropriate under the circumstances.

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Such statements are subject to a number of assumptions including the following:

- o risks and uncertainties,
- o general economic and business conditions,
- o the business opportunities that may be presented to and pursued by us,
- o changes in laws or regulations and other factors, many of which are beyond our control, and
- o ability to obtain financing on favorable conditions.

The cautionary statements contained or referred to in this report should be considered in connection with any subsequent written or oral forward-looking statements that may be issued by us or persons acting on our behalf. We undertake no obligation to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

3

### Item 1. Financial Statements

BAIL CORPORATION  
(A Development Stage Company)

Balance Sheet (Unaudited)

June 30, 2001

ASSETS

Current assets:

Cash .....	\$120,154	
Expense advance to Officer.....	8,127	
	-----	
Total current assets	128,281	
	-----	
	\$128,281	
	=====	

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Accrued liabilities .....	\$ 34,014	
	-----	
Total current liabilities	34,014	
	-----	

Shareholders' equity (Note D):

Preferred Stock, no par value, 5,000,000 shares authorized, -0- shares issued and outstanding .....		--
Common stock, no par value, 20,000,000 shares authorized, 5,640,000 shares issued and outstanding .....		170,111
Additional paid-in capital .....		3,600
Deficit accumulated during the development stage .....		(79,444)
		-----
Total shareholders' equity		94,267
		-----

\$128,281  
=====

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See accompanying notes to financial statements

4

BAIL CORPORATION  
(A Development Stage Company)

Statements of Operations (Unaudited)

	Three Months Ended June 30,		April 9, 1998 (Inception) Through June 30, 2001
	2001	2000	2001
	-----	-----	-----
Costs and expenses:			
Legal fees .....	25,374	488	29,269
Accounting fees .....	3,000	1,250	8,751
Travel .....	6,087	--	11,426
General and administrative .....	2,565	21	3,564
Project evaluation costs .....	27,603	--	27,603
Rent, related party .....	--	300	3,600
Organizational costs .....	--	--	500
	-----	-----	-----
Operating loss	(64,629)	(2,059)	(84,713)
Interest income .....	--	8	114
	-----	-----	-----
Loss before income taxes and extraordinary item	(64,629)	(2,051)	(84,599)
Provision for income taxes (Note C) .....	--	--	--
	-----	-----	-----
Loss before extraordinary item	(64,629)	(2,051)	(84,599)
Extraordinary gain on extinguishment of debt, net of income taxes of \$-0- .....	--	--	5,155
	-----	-----	-----
Net loss	\$ (64,629)	\$ (2,051)	\$ (79,444)
	=====	=====	=====
Basic and diluted loss per common share:			
Before extraordinary item .....	\$ *	\$ *	
	=====	=====	
Gain on extinguishment of debt .....	\$ *	\$ *	
	=====	=====	
Net loss .....	\$ *	\$ *	
	=====	=====	
Basic and diluted weighted average common shares outstanding .....	3,848,352	1,230,000	
	=====	=====	

\* Less than \$.01 per share

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See accompanying notes to financial statements

5

BAIL CORPORATION  
(A Development Stage Company)

Statements of Cash Flows (Unaudited)

	Three Months Ended June 30,		April 9, 1998 (Inception) Through June 30, 2001
	2001	2000	
	-----	-----	-----
Cash flows from operating activities:			
Net loss .....	\$(64,629)	\$ (2,051)	\$(79,444)
Transactions not requiring cash:			
Common stock issued for services .....	--	--	500
Contributed rent .....	--	300	3,600
Changes in operating assets and liabilities:			
Receivables and advances .....	(8,127)	(8)	(8,127)
Accounts payable and accrued liabilities	25,898	1,093	34,014
	-----	-----	-----
Net cash used in operating activities	(46,858)	(666)	(49,457)
	-----	-----	-----
Cash flows from financing activities:			
Advances from officer (Note B) .....	(10,500)	--	--
Sale of common stock .....	198,000	--	200,300
Offering costs incurred .....	(20,561)	--	(30,689)
	-----	-----	-----
Net cash provided by financing activities	166,939	--	169,611
	-----	-----	-----
Net change in cash .....	120,081	(666)	120,154
Cash, beginning of period .....	73	813	--
	-----	-----	-----
Cash, end of period	\$120,154	\$ 147	\$120,154
	=====	=====	=====
Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Interest .....	\$ --	\$ --	\$ --
	=====	=====	=====
Income taxes .....	\$ --	\$ --	\$ --
	=====	=====	=====
Non-cash financing activities:			
Extraordinary gain on the extinguishment of debt .....	\$ --	\$ --	\$ 5,155
	=====	=====	=====

See accompanying notes to financial statements

6

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BAIL CORPORATION  
A Development Stage Company  
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NOTES TO CONDENSED FINANCIAL STATEMENTS  
(Unaudited)

June 30, 2001

Note A: Basis of Presentation  
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The financial statements presented herein have been prepared by the Company in accordance with the accounting policies in its audited financial statements for the period ended March 31, 2001 as filed in its Form 10K-SB filed July 13, 2001 and should be read in conjunction with the notes thereto. The Company entered the development stage in accordance with Statement of Financial Accounting Standard ("SFAS") No. 7 on April 9, 1998 and its purpose was to evaluate, structure and complete a merger with, or acquisition of, a privately owned corporation. On or about March 3, 2001, a transfer of ownership of common stock was completed in order to change from an inactive company to a company active in the oil and gas business.

In the opinion of management, all adjustments (consisting only of normal recurring adjustments) which are necessary to provide a fair presentation of operating results for the interim period presented have been made. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the year.

Interim financial data presented herein are unaudited. The unaudited interim financial information presented herein has been prepared by the Company in accordance with the policies in its audited financial statements for the period ended March 31, 2001 and should be read in conjunction with the notes thereto.

On April 18, 2001, the Company changed its year-end from April 30 to March 31. The accompanying statements of operations and cash flows reflect the three-month period ended June 30, 2001. The comparative figures for the three months ended June 30, 2000 have been included in the accompanying statements of operations and cash flows for comparison on an unaudited basis.

Note B: Related Party Transactions  
-----

On April 11, 1998, the Company issued an affiliate 1,000,000 shares of common stock in exchange for services related to management and organization costs of \$500. The affiliate provided administrative and marketing services as needed. The affiliate, from time to time, advanced to the Company additional funds that the Company needed for operating capital and for costs in connection with searching for or completing an acquisition or merger.

7

On behalf of the Company, the affiliate sold 230,000 shares of the Company's common stock in a private placement for \$2,300. The private placement, which closed in July 1998, also included the offering of common shares in nineteen

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other corporations. The costs related to the offering and certain legal fees and general and administrative fees were allocated to each of the twenty companies participating in the offering. The Company's pro rata one twentieth share of the costs and expenses were deducted from the gross proceeds from the sale of the Company's common shares. The gross proceeds of \$2,300 were transferred to the Company net of offering costs of \$127 and certain general and administrative costs incurred by the affiliate of \$89.

On February 28, 2001, an officer advanced the Company \$10,500 for working capital. The advance carried no interest rate and was payable on demand. The Company repaid the advance in April 2001.

The officer also paid travel and administrative expenses totaling \$6,115 on behalf of the Company during the three months ended March 31, 2001 and \$7,963 during the three months ended June 30, 2001. He received reimbursements and advances from the Company totaling \$22,102 during the three months ended June 30, 2001. The net advance of \$8,127 is included in the accompanying financial statements as expense advance to officer at June 30, 2001.

### Note C: Income Taxes

-----

The Company records its income taxes in accordance with Statement of Financial Accounting Standard No. 109, "Accounting for Income Taxes". The Company incurred net operating losses during the periods shown on the condensed financial statements resulting in a deferred tax asset, which was fully allowed for, therefore the net benefit and expense result in \$0 income taxes.

### Note D: Shareholders' Equity

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During April of 2001, the Company conducted a private placement offering of up to 5,000,000 shares of its no par value common stock for \$.01 per share pursuant to an exemption from registration claimed under Rule 506 of Regulation D of the Securities Act of 1933, as amended (the "Act"). The Company closed the offering after selling 3,300,000 shares. The Company received proceeds of \$33,000.

During June of 2001, the Company conducted a private placement offering of up to 800,000 shares of its no par value common stock for \$.10 per share pursuant to an exemption from registration claimed under Rule 506 of Regulation D of the Act. The Company closed the offering after selling 750,000 shares. The Company received proceeds of \$75,000.

During June of 2001, the Company conducted a private placement offering of 1,000,000 shares of its no par value common stock for \$.25 per share pursuant to an exemption from registration claimed under Rule 506 of Regulation D of the Act. The Company closed the offering after selling 360,000 shares. The Company received proceeds of \$90,000. In conjunction with the three private placement offerings, the Company incurred offering costs totaling \$30,561.

## Item 2. Plan of Operation.

We intend to acquire and develop oil and gas producing properties in the United States. This may be accomplished by way of leasing oil and gas interests and drilling the leased property to prove reserves or by acquiring working interests in production or reserves.

In June 2001 we retained a geological consultant to identify areas in

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southeast Kansas suitable for coal bed methane exploration and development. We are interested in properties lying in the Cherokee Basin which contain Pennsylvanian age coal beds. These coal beds are believed to be contiguous from the northern part of the basin that runs from the Bourbon Arch in the north to the state border with Oklahoma to the south.

Historically, coal bed methane gas flow rates for wells completed in the Cherokee Basin south of Miami and Johnson Counties in Kansas and south of Jackson County in Missouri have varied from 50 to over 900 thousand cubic feet (or "Mcf") from a single four foot coal seam or black shale. Water production from these wells generally has been less than 50 barrels per day initially, eventually dropping to below 10 barrels per day. Other wells drilled in the Cherokee Basin within the last 15 years have reported similar reservoir thickness and production rates in Labette, Wilson, Neosho and Cherokee Counties, Kansas.

In July 2001 we opened an office in Burlington, Kansas for \$350.00 per month and, with the help of our consultant, we have chosen to start leasing land in the south half of Coffey County, Kansas (the "Shiloh Project") which is also in the Cherokee Basin. If we are successful at leasing enough land to move forward with drilling activities (25,000 acres is our minimum goal), we will need additional capital to develop these properties. Our initial intent is to drill and, if commercial quantities of gas is produced, to complete the drilled wells. If this phase is successful, we may determine to perform core drilling activities to prove up reserves. If we take this action and we are able to prove up reserves that merit additional drilling activity, our management may determine to either raise additional funds to expand drilling or partner or farm out certain parcels to rapidly develop our leases.

Although there are existing gas pipelines in southern Kansas, until we identify specific properties to lease it will be difficult to estimate the costs of transporting our products to such pipelines or other distribution facilities, should we successfully drill and complete any gas wells.

The prices obtained for oil and gas are dependent on numerous factors beyond our control, including domestic and foreign production rates of oil and gas, market demand and the effect of governmental regulations and incentives. We do not have any delivery commitments with respect to any oil or gas produced from any properties that we acquire. However, due to the high demand for natural gas, we do not anticipate any difficulties in selling any oil and gas that we produce, once it has been delivered to a distribution facility. Assuming we discover and prove reserves on any properties that we lease, we may decide to sell some or all of these fields if we receive an appropriate offer for them.

9

In addition to our activities in Kansas, in June 2001 we acquired an option for a lease on 4,560 acres in Blaine County, Montana from Geominerals Corp. for \$1,400. Geominerals Corp. is controlled by George Andrews, our former president and director.

We intend to change our name to "Vista Exploration Corporation" to reflect our new plan of operation. At our annual shareholders meeting scheduled for Friday, August 10, 2001, our shareholders will vote on an amendment to our Articles of Incorporation to change our name.

### Liquidity and Capital Reserves

In April and June of 2001 we concluded three private placements of our common stock, selling 4,410,000 shares of our common stock and raising \$198,000.



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We used \$16,615 of the proceeds to repay advances to us by Mr. Charles Ross in March 2001. We spent approximately \$36,000 pursuing potential oil and gas properties and approximately \$55,000 in legal fees in connection with negotiating potential acquisitions, preparing investment documents in connection with our capital raising efforts, and preparing and filing a registration statement with the Securities and Exchange Commission registering the resale of a portion of our outstanding shares of common stock.

We intend to use the remaining proceeds to acquire oil and gas leases in the Shiloh Project, to get our registration statement effective, and to fund our operations. At June 30, 2001, we had cash of \$120,154, an increase of \$120,081 from March 31, 2001. At June 30, 2001, we had current liabilities of \$34,014, which liabilities have since been paid.

We anticipate that each well in the Shiloh Project will cost approximately \$25,000 to drill and test and an additional \$15,000 to complete. We intend to hire third parties to perform our drilling activities. We will need to raise additional funds to commence drilling operations.

As a result of our changed plan of operation, we have not yet developed a formal budget for the balance of the fiscal year. Our budget is almost entirely discretionary and therefore our inability to finance operations will slow our progress but should not cause us to cease operations. However, if we were unable to meet a required payment for land leased for our oil and gas operations or lack the resources necessary to move forward with our drilling activities, we could suffer a substantial loss of a business opportunity.

### Employees

We currently have no full time employees except our president who is devoting his full-time to our activities. In July 2001 we retained two independent leasing consultants to help us lease land for our oil and gas operations. We have agreed to pay these consultants \$0.50 for each leased acre in the Shiloh Project.

10

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings.

None.

### Item 2. Changes in Securities and Use of Proceeds.

During the first quarter of the year ended June 30, 2001, we sold 4,410,000 shares of our common stock at prices ranging from \$0.01 to \$0.25 per share to 9 accredited investors without registering the shares under the Securities Act of 1933. No underwriter, sales or placement agent was involved in any of these sales. All of the sales were made pursuant to Section 4(2) and Rule 506 of Regulation D adopted under the Securities Act of 1933. All of the purchasers were known to us and our management through pre-existing business or personal relationships, as long standing business associates, friends, employees, relatives or members of the immediate family of management or other shareholders. All purchasers were provided access to the material information which they requested and all information necessary to verify such information, and were afforded access to our management in connection with their purchases. All purchasers of the unregistered securities acquired such securities for investment and not with a view toward distribution, acknowledging such intent to

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us.

Item 3. Defaults Upon Senior Securities.

None.

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

There were no items submitted to a vote of security holders during the first quarter of the year ended June 30, 2001.

Item 5. Other Information.

None.

11

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

(a) The following exhibits are furnished as part of this report:

Exhibit No. -----	Description -----
10.1	Agreement for the Purchase of Common Stock dated as of February 27, 2001, and effective as of March 3, 2001, by and between Corporate Management Services, Inc., Bail Corporation and Charles A. Ross, Sr. (incorporated by reference herein to Exhibit 7.1 of the Form 8-K filed March 9, 2001, Commission file #000-27321).
10.2	Mutual Release dated as of April 30, 2001, between Bail Corporation and Corporate Management Services, Inc. (incorporated by reference herein to Exhibit 10.2 of the Registrant's 10-KSB for the period ended March 31, 2001).
10.3	Agreement dated June 22, 2001, between Bail Corporation, TCC Royalty Corp. and Austin Exploration L.L.C. regarding Shiloh Project / Cherokee Basin Coal Bed Methane (incorporated by reference herein to Exhibit 10.3 of the Registrant's 10-KSB for the period ended March 31, 2001).

(b) Reports on Form 8-K.

Bail Corporation filed a current report on Form 8-K on May 2, 2001, to report under Item 8 the change in fiscal year end from April 30 to March 31.

12

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.

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BAIL CORPORATION

Date: August 9, 2001

By: /s/ Charles A. Ross

-----  
Charles A. Ross, Sr.,  
President and Chief Accounting Officer