

Edgar Filing: OBSIDIAN ENTERPRISES INC - Form 10-Q/A

OBSIDIAN ENTERPRISES INC  
Form 10-Q/A  
August 26, 2003

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q/A  
AMENDMENT NO. 1

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JULY 31, 2001 OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

0-17430

-----  
Commission File Number

DANZER CORPORATION

-----  
(Exact name of registrant as specified in its charter)

DELAWARE

35-2154335

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

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

111 MONUMENT CIRCLE, SUITE 3680  
INDIANAPOLIS, INDIANA

46204

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

-----  
(Zip code)

317-237-4122

-----  
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes \_\_\_ No X

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes \_\_\_ No \_\_\_

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

Common Stock	Outstanding at July 31, 2001
\$.0001 par value	36,007,855 shares

### Introductory Note

This Amendment No. 1 amends the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2001, to amend and restate Items 1 and 2 of Part I to incorporate certain changes.

### PART I - FINANCIAL INFORMATION

#### ITEM 1. FINANCIAL STATEMENTS.

DANZER CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(in thousands, except share data)

(unaudited)

		July 31, 2001
		----- (as restated)
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$	58
Marketable securities		297
Accounts receivable, net of allowance for doubtful accounts of \$95 for 2001 and \$0 for 2000		4,186
Notes receivable, related party, current portion		--
Inventories, net		5,928
Prepaid expenses and other assets		1,196
		-----
Total current assets		11,665
Property, plant and equipment, net		25,735
<b>Other assets:</b>		
Accounts and notes receivable, related party, net of current portion		--
Goodwill, not subject to amortization		5,829
Goodwill, net of accumulated amortization of \$210		5,825
Other intangible assets, net of accumulated amortization of \$75		2,304
Other		661
		-----
	\$	52,019
		=====

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

DANZER CORPORATION AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (in thousands, except share data)  
 (unaudited)

	July 31, 2001
	----- (as restated)
Liabilities and Stockholders' Equity	
Current liabilities:	
Current portion of long-term debt	\$ 12,129
Accounts payable, trade	2,918
Accounts payable, related parties	2,777
Accrued expenses and customer deposits	2,426
	-----
Total current liabilities	20,250
Long-term debt, net of current portion	23,470
Deferred income tax liabilities	1,910
Accounts payable, related parties	679
Commitments and contingencies	--
Mandatory redeemable preferred stock	1,505
Stockholders' equity (deficit):	
Common stock, par value \$.0001 per share; 40,000,000 shares authorized, 36,007,855 shares outstanding	3
Preferred stock, 5,000,000 shares authorized; Class of Series C convertible preferred stock, par value \$.001, 4,600,000 authorized and 3,739,169 shares issued and outstanding, 400,000 shares of undesignated Preferred Stock authorized	4
Additional paid-in capital	5,612
Accumulated other comprehensive income	111
Retained earnings (accumulated deficit)	(1,525)
	-----
Total stockholders' equity	4,205
	-----
	\$ 52,019
	=====

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DANZER CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(in thousands, except share and per share data)  
(unaudited)

	Three Months Ended		Seven M
	July 31, 2001	July 31, 2000	July 31, 2001
Net sales	\$ 6,040	\$ 3,033	\$ 12,937
Cost of sales	4,768	2,513	10,274
Gross profit	1,272	520	2,663
Selling, general and administrative expenses	1,258	663	2,614
Income (loss) from operations	14	(143)	49
Other income (expense):			
Interest expense, net	(690)	(136)	(1,570)
Other income (expense)	11	110	(56)
Loss before income taxes	(665)	(169)	(1,577)
Income tax benefit (expense)	52	56	52
Net income (loss)	\$ (613)	\$ (113)	\$ (1,525)
Net income (loss) per share:			
Basic	\$ (.02)	\$ --	\$ (.07)
Diluted	\$ (.02)	\$ --	\$ (.07)
Weighted average common and common equivalent shares outstanding:			
Basic	26,184,890	--	21,393,492
Diluted	26,184,890	--	21,393,492

The accompanying notes are an integral part of the

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condensed consolidated financial statements.

DANZER CORPORATION AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY  
 (dollars in thousands)  
 (unaudited)

	Comprehensive	Common Stock		Preferred Stock		Additional	Accum
	Income	Shares	Amount	Shares	Amount	Paid-in	Ot
	(as restated)					Capital	Compre
Balance at December 31, 2000	\$ --	\$17,760,015	\$1	\$ --	\$ --	\$ --	\$
Conversion of debt to common stock	--	1,750,000	--	--	--	355	
To record the effect of the reverse merger June 21, 2001	--	--	1	1,970,962	2	3,760	
Conversion of Series C Preferred Stock to common stock	--	16,497,840	1	(824,892)	(1)	--	
Issuance of 2,593,099 shares of Series C Convertible Preferred Stock associated with the acquisition of United and capital contribution	--	--	--	2,593,099	3	1,497	
Unrealized gain on available-for-sale marketable securities	214	--	--	--	--	--	
2001 net loss	(1,525)	--	--	--	--	--	
Total comprehensive loss	\$ (1,311)						
Balance at July 31, 2001		36,007,855	\$33,739,169	\$	4	\$ 5,612	\$

DANZER CORPORATION AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

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(in thousands)  
(unaudited)

	Seven Months Ended July 31 2001 ----- (as restated)
Cash flow from operating activities:	
Net income (loss)	\$ (1,525)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization	1,374
Other	250
Changes in operating assets and liabilities net of effect of acquisitions:	
Accounts receivable, net	231
Inventories	875
Other, net	(985)
	-----
Net cash provided by (used in) operating activities	220
	-----
Cash flows from investing activities:	
Capital expenditures	(687)
Payments to acquire U.S. Rubber	(5,528)
Payments to acquire United Expressline	(12,040)
Other	95
	-----
Net cash used in investing activities	(18,160)
	-----

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

DANZER CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in thousands)  
(unaudited)

	Seven Months Ended July 31 2001 ----- (as restated)
Cash flows from financing activities:	

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Borrowings from and distributions to related parties, net	\$ 2,187
Net borrowings (payments) on lines of credit	3,346
Net borrowings (repayments) on long-term debt	10,092
Debt issuance cost	(224)
Proceeds from stock issuance and capital contribution of U.S. Rubber common stock	2,380
	-----
Net cash provided by (used in) financing activities	17,781
	-----
Decrease in cash and cash equivalents	(159)
Cash and cash equivalents, beginning of period	217
	-----
Cash and cash equivalents, end of period	\$ 58
	=====
Interest paid	\$ 1,562
	=====
Taxes paid (refunded)	\$ (163)
	=====
Supplemental disclosure of noncash operating, investing and financing activities:	
Advances to construct coaches funded by issuance of debt	\$ 292
Seller notes issued in acquisition of U.S. Rubber	\$ 2,573
Conversion of contributed amounts to equity	\$ 355
Seller note issued in acquisition of United Expressline	\$ 1,500

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

DANZER CORPORATION AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(in thousands, except per-share data and share data)  
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1. BASIS OF PRESENTATION, DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business:

Danzer Corporation, formerly named Global Environmental Corp., was incorporated on October 6, 1987. Effective August 1, 1988, the Company acquired all of the issued and outstanding common shares of Global Environmental Holdings, Inc. ("Global Holdings"). On October 7, 1999, the Company changed its name from Global Environmental Corp. to Danzer Corporation.

Danzer Corporation was reorganized through an Acquisition and Plan of Reorganization with U.S. Rubber Reclaiming, Inc. and Related Entities ("U.S.

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Rubber Companies"), which was consummated on June 21, 2001 (the "Effective Date"). The Acquisition and Plan of Reorganization of Danzer Corporation with U.S. Rubber Companies (see Note 3, the "Acquisition and Plan of Reorganization") was accounted for as a reverse acquisition as the shareholders of the U.S. Rubber Companies owned a majority of the outstanding stock of Danzer subsequent to the Acquisition and Plan of Reorganization.

For accounting purposes, U.S. Rubber Reclaiming, Inc. is deemed to have acquired Danzer. Accordingly, the 2000 financial information presented herein represents only the financial results of U.S. Rubber Reclaiming,

Inc.

Pursuant to the Plan of Acquisition and Reorganization, United Expressline, Inc. was acquired July 31, 2001.

The accompanying financial data as of July 31, 2001 and for the three and seven months ended July 31, 2001 and 2000 has been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). 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. The December 31, 2000 balance sheet was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. However, the Company believes that the disclosures are adequate to make the information presented not misleading.

In the opinion of management, all adjustments (which include normal recurring adjustments except as disclosed herein) necessary to present a fair statement of financial position as of July 31, 2001, results of operations for the three and seven months ended July 31, 2001, and cash flows and stockholders' equity for the seven months ended July 31, 2001 have been made. The results of operations for the three and seven months ended July 31, 2001 are not necessarily indicative of the operating results for the full fiscal year or any future periods.

The entities resulting from the merger described above, considered accounting subsidiaries of U.S. Rubber Reclaiming, Inc. (the accounting acquirer) and legal subsidiaries of Danzer Corporation (formerly Danzer) after the Acquisition and Plan of Reorganization, are as follows:

DANZER CORPORATION AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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U.S. Rubber Reclaiming, Inc. ("U.S. Rubber", the accounting acquirer), which is engaged in reclaiming scrap butyl rubber into butyl reclaim for resale to manufacturers of rubber products.

Danzer Corporation ("Danzer", the legal acquirer), a holding company.

Danzer Industries, Inc. ("Danzer Industries"), which is principally engaged in the design, manufacture and sale of truck bodies.

Pyramid Coach, Inc. ("Pyramid"), which is engaged in the leasing of coaches, designed and fitted out for use for travel by country, rock bands and other business enterprises, primarily on weekly to monthly leases. The financial



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statements of Pyramid are presented on a combined basis. The combined financial statements of Pyramid also include the assets, liabilities, equity and results of operations of DW Leasing, LLC ("DW Leasing"). DW Leasing is controlled by individuals which are also controlling shareholders of Danzer Corporation and, accordingly, Pyramid. DW Leasing also owns substantially all coaches operated by Pyramid. All intercompany transactions are eliminated in combination of this entity.

Champion Trailer, Inc. ("Champion"), which manufactures and sells transport trailers to be used primarily in the auto racing industry.

United Expressline, Inc. ("United") manufactures and sells general use cargo trailers and specialty trailers used in the racing industry and for other special purposes.

### Significant Accounting Policies:

#### Principles of Consolidation:

The accompanying condensed consolidated financial statements as of and for the three months and seven months ended July 31, 2001 present the accounts of Danzer Corporation and its wholly owned subsidiaries described above, all of which are treated for accounting purposes as purchases in a reverse merger more fully described in Note 3. The entities are collectively referred to herein as the "Company." All significant intercompany transactions and balances have been eliminated in consolidation. The accompanying financial statements include the operations of U.S. Rubber for all periods presented. Operations for all other companies in the consolidated group are included from their respective dates of acquisition as follows:

Champion	January 1, 2001
Pyramid	January 1, 2001
Danzer Corporation	June 21, 2001
Danzer Industries	June 21, 2001
United Expressline	July 31, 2001

Financial statements as of July 31, 2000 and for the three months and seven months then ended include only the accounts and results of operations of U.S. Rubber.

### Earnings Per Share:

Basic per-share amounts are computed, generally, by dividing net income or loss by the weighted-average number of common shares outstanding. Diluted per-share amounts are computed similar to basic per-share amounts except that the weighted-average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants and conversion of preferred stock, if dilutive.

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No common shares of the legal acquirer were issued in connection with the

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acquisition which was accounted for as a reverse merger. Accordingly, there were no common shares outstanding for the period ended July 31, 2000.

The Company's Series C Preferred Stock Preferred Stock, which has all the rights and privileges of the Company's common stock, is convertible at rates of 20 to 1. The inclusion of these potential common shares in the calculation of loss per share would have an antidilutive effect. However, pursuant to the Acquisition Agreement and Plan of Reorganization entered into in connection with the reorganization, these shares will be converted to common stock immediately upon approval by the stockholders. Accordingly, we are presenting the following pro forma information to indicate the effect on earnings per share had such shares been converted to common shares for the periods presented.

Pro forma basic and diluted loss per share have been computed below as if the Series C Preferred Stock was converted to common stock. For the three and seven months ended July 31, 2001, respectively, the Series C Preferred Stock has been reflected on a weighted average basis outstanding as common shares of 32,167,442 and 36,291,687 respectively. There were no Series C Preferred Stock shares issued or outstanding during the three and seven months ended July 31, 2000.

	Three Months Ended		Seven
	July 31, 2001	July 31, 2000	July 31, 2001
Pro forma weighted average common			
shares outstanding, basic and diluted	58,352,332	39,419,240	57,685,179
Pro forma net loss per share, basic and diluted, attributable to common shareholders			
	\$ (.01)	\$ .00	\$ (.03)

The pro forma net loss per share is presented for informational purposes only and is not indicative of the weighted average common shares outstanding or net loss per share presented in accordance with accounting principles generally accepted in the United States of America.

As described in Note 5, at July 31, 2001, the Company has a note payable agreement which is convertible by the holder to common stock totaling 5,000,000 shares at a conversion rate of \$0.10 per share. In addition, and as described in Note 7, the Company has options and warrants outstanding to purchase a total of 1,047,500 and 200,000 shares of common stock, respectively, at a weighted average exercise price of \$0.09 and \$0.25, respectively, and has preferred stock that has a conversion rate of 20 shares of common for each share of preferred. However, because the Company incurred a loss for the period ended July 31, 2001, the inclusion of those potential common shares in the calculation of diluted loss per share would have an antidilutive effect.

DANZER CORPORATION AND SUBSIDIARIES  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (in thousands, except per-share data and share data)  
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### Recently Issued Accounting Pronouncements:

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. In addition, companies are required to review goodwill and intangible assets reported in connection with prior acquisitions, possibly disaggregate and report separately previously identified intangible assets and possibly reclassify certain intangible assets into goodwill. SFAS No. 142 establishes new guidelines for accounting for goodwill and other intangible assets. In accordance with SFAS No. 142, goodwill associated with acquisitions consummated after June 30, 2001 is not amortized. The Company implemented the provisions of SFAS Nos. 141 and 142 when recording the acquisition of United on July 31, 2001. The Company will implement the remaining provisions of SFAS No. 142 effective November 1, 2001. Upon adoption of these provisions, existing goodwill will no longer be amortized but instead will be assessed for impairment at least annually. The adoption of this pronouncement will result in \$5,829 of goodwill not being amortized and the elimination of approximately \$225 of amortization annually on an additional \$3,381 of goodwill previously being amortized. The Company is currently assessing the impact of the impairment provisions of these standards.

In June 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations. SFAS No. 143 addresses accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This statement is effective for fiscal years beginning after June 15, 2002. The Company is currently assessing the impact of this new standard.

In July 2001, the FASB issued SFAS No. 144, Impairment or Disposal of Long-Lived Assets, which is effective for fiscal years beginning after December 15, 2001. The provisions of this statement provide a single accounting model for impairment of long-lived assets. The Company is currently assessing the impact of this new standard.

### 2. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

The Company originally reported its financial position and results of operations for the periods ended July 31, 2001 in September 2001 as part of its filing under Form 10-Q. That filing included accounting for the reverse merger transaction and the acquisition of United Expressline on a preliminary basis. Subsequently and in conjunction with the Company's annual report filed on Form 10-K in February 2002 and as amended on Form 10-K/A filed in August 2003, certain preliminary accounting and reporting decisions were revised and finalized. Accordingly, these condensed financial statements are being restated to reflect such changes.

### 3. ACQUISITIONS AND PLAN OF REORGANIZATION

On June 21, 2001 ("Acquisition Date"), a change of control of the Registrant occurred through an Acquisition Agreement and Plan of Reorganization dated June 21, 2001 (the "Reorganization Agreement") by and among Danzer, Danzer Industries, Inc., a wholly owned subsidiary of Danzer, and Obsidian Capital Partners, LP ("OCP"), Timothy S. Durham (the newly elected Chairman of the Board of Danzer), and other individual owners of Pyramid and Champion. On the Acquisition Date, Danzer acquired: all of the outstanding capital stock of Pyramid in exchange for 810,099 shares of Danzer Series C Convertible Preferred Stock ("Danzer Preferred"); all of the outstanding capital stock of Champion for 135,712 shares of Danzer Preferred and all of the outstanding capital stock of U.S. Rubber for 1,025,151 shares of Danzer Preferred. On July 31, 2001, Danzer acquired all of the outstanding capital stock of United Acquisition, Inc.

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("UAI"), the holding company formed to acquire assets of United, from OCP for 2,593,099 shares of Danzer Preferred.

DANZER CORPORATION AND SUBSIDIARIES  
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Pursuant to the Reorganization Agreement, Danzer issued 4,564,061 shares of its preferred stock to OCP, Timothy Durham, and other individual owners of Pyramid and Champion ("OCP Partners"). The Preferred Shares exchanged are Series C Convertible Preferred Stock, designated \$.001 par value per share, with voting rights equal to common shareholders based upon the Preferred Shares conversion rights of exchange of 20 common shares for each 1 preferred share owned. The holders of the Danzer Preferred vote as a single class with the holders of Danzer's common stock. After the series of transactions were completed on July 31, 2001, the OCP Partners owned 75.42% of the total voting, convertible capital stock (Preferred) of Danzer. The preacquisition Danzer shareholders and their successors own the remaining capital stock representing 24.58% of the total voting capital stock (Common). Since the U.S. Rubber Companies are so much larger than Danzer, and the existing U.S. Rubber shareholders obtained a majority interest in the stock of Danzer, they have been treated, for accounting purposes, as the acquirer in the Reorganization (reverse merger). Although for accounting purposes, U.S. Rubber has become the registrant, for all other purposes, U.S. Rubber, Pyramid and Champion legally became subsidiaries of Danzer on June 21, 2001. For purposes of this filing, the registrant's name continues to be Danzer, subsequently changed to Danzer Corporation, and the U.S. Rubber Companies will change their fiscal year to the fiscal year (October 31) used by Danzer prior to the Reorganization. Therefore, the name Obsidian Enterprises and Danzer Corporation are one and the same as used in this filing and the financial statements attached as exhibits.

Pursuant to the Acquisition Agreement and Plan of Reorganization (the "Acquisition Agreement") discussed above, UAI was created. On July 31, 2001, OCP, through UAI, acquired substantially all of the assets of United, an Indiana-based manufacturer of enclosed cargo and specialty trailers, for approximately \$15,358. The purchase price and purchase accounting has been allocated to the assets and liabilities of United based on their fair values. OCP exchanged 100% of its shares of UAI for shares of Series C Convertible Preferred Stock of Danzer ("Series C Preferred Stock"). The consideration was negotiated in arm's length discussions between the parties. As a result, UAI is now a wholly owned subsidiary of Danzer. Danzer intends to continue the operations of UAI under the name of "United Expressline, Inc."

The Reorganization (reverse merger) with Danzer, and subsequent acquisition of United, were accounted for under the purchase method of accounting. U.S. Rubber, the largest company owned by OCP Partners, was considered the acquirer for accounting purposes and recorded Danzer's assets and liabilities based upon their estimated fair values, under the purchase method of accounting for business combinations. The operating results of Danzer have been included in the accompanying consolidated financial statements from the date of acquisition. Under the purchase method of accounting, the acquired assets and assumed liabilities have been recorded at their estimated fair values at the date of the acquisition.

The acquisition of Champion and Pyramid were also accounted for under the purchase method of accounting; however, due to the related-party relationships of the previous owners to the Company, the assets were recorded at net book value similar to pooling-of-interest accounting, referred to as reorganization

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of entities under common control. Accordingly, no additional goodwill was recognized beyond that recorded during the original acquisition from unrelated third parties.

DANZER CORPORATION AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(in thousands, except per-share data and share data)  
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### Acquisition of Danzer Corporation and Subsidiary:

Champion and Pyramid, originally acquired January 1, 2001 and part of the Plan of Reorganization of June 21, 2001 as discussed above, were previously owned by individuals who are also the members and managing directors of Obsidian Capital Company, LLC ("OCC"), the General Partner of OCP. Purchase accounting and a goodwill allocation of \$2,600 were recorded on Champion when the managing members of the OCC and others acquired those entities from unrelated third parties.

The purchase price and purchase accounting was allocated to the assets and liabilities of Danzer based on their fair values. The purchase price was based on the value of Danzer's equity of \$3,257 plus acquisition costs of \$964.

The valuation allocation to tangible assets included \$2,300 and \$1,536 of net liabilities assumed. The excess of the purchase price over the fair value of the identifiable tangible and intangible net assets of \$3,457 was allocated to goodwill. Of this amount, \$650 was allocated to Danzer and \$2,807 was allocated to Danzer Industries, its subsidiary.

The following schedule is a description of acquisition costs of Danzer and Danzer Industries and the purchase price allocation (in thousands):

#### Purchase price:

Preferred stock  
Acquisition costs, including amounts to related parties (see Note 15)

Total purchase price

#### Purchase Price Allocation:

Current assets, including accounts receivable and inventory  
Land, property and equipment  
Goodwill  
Intangible assets  
Other assets  
Less debt assumed

Total allocation of purchase price

### Acquisition of United Expressline, Inc.:

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The intangibles of United include existing brand name, noncompete, and the customer base. The valuation of intangibles included \$822 for brand name, \$886 for noncompete, and \$105 for the customer base. The excess of the purchase price of \$15,358 over the fair value of the identifiable tangible and intangible net assets of \$5,829 has been allocated to goodwill. The value assigned to tangible assets totaled \$7,563.

DANZER CORPORATION AND SUBSIDIARIES  
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The following schedule is a description of acquisition costs of United and the purchase price allocation (in thousands):

Purchase Price:

Cash to seller  
Seller note  
Liabilities assumed  
Acquisition costs, including amounts to related parties (see Note 15)

Total Purchase Price

Purchase Price Allocation:

Current assets, including accounts receivable and inventory  
Land, property and equipment  
Goodwill  
Intangible assets  
Other assets

Total Purchase Price Allocation

Pro Forma Information:

The unaudited condensed consolidated results of operations on a pro forma basis as if the reorganization had occurred as of the beginning of the periods projected are as follows (in thousands, except per share data):

The unaudited condensed consolidated results of operations shown below are presented on a pro forma basis and represent the results of Danzer, Danzer Industries, U.S. Rubber, Champion, Pyramid and DW Leasing on a combined basis. In addition, United is treated as if the business combinations of these entities occurred at the beginning of the periods presented. The schedule below includes all depreciation, amortization and nonrecurring charges for all entities for the periods shown.

	Three Months Ended July 31, 2000	Seven Months Ended July 31, 2000
	-----	-----
Net sales	\$ 16,047	\$ 45,518

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Net loss	\$	(344)	\$	(1,632)
Net loss per share - basic and diluted	\$	(.02)	\$	(.09)

The pro forma financial information is presented for informational purposes only and is not indicative of the operating results that would have occurred had the Reorganization been consummated as of the above dates, nor are they necessarily indicative of future operating results.

DANZER CORPORATION AND SUBSIDIARIES  
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 (in thousands, except per-share data and share data)  
 (unaudited)

4. INVENTORIES

Inventories are stated at the lower-of-cost (first-in, first-out method) or market and are comprised of the following components (in thousands):

	July 31, 2001	December 31, 2000
Raw materials	\$ 3,969	\$ 1,649
Work-in-process	1,348	--
Finished goods	1,654	435
Valuation reserve	(1,043)	(1,338)
Total	\$ 5,928	\$ 747

The Company provides valuation reserves for inventory considered obsolete or not currently available for use in production. Inventory reserves at U.S. Rubber are related to excess scrap butyl rubber not currently available for use without further processing; therefore, it has minimal value. Changes in the valuation reserve are as follows (in thousands):

	U.S. Rubber	Total
Balance at January 1, 2000	\$ (1,818)	\$ (1,818)
Provision for losses, 2000	(120)	(120)
Write-off of inventory, 2000	600	600
Balance at December 31, 2000	(1,338)	(1,338)
Write-off of inventory, first three quarters 2001	295	295
Balance at July 31, 2001	\$ (1,043)	\$ (1,043)

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### 5. FINANCING ARRANGEMENTS

In connection with the Acquisitions described in Note 3 and to provide working capital, the Company has incurred the following debt as of July 31, 2001 and December 31, 2000:

		Debt Amount
		-----
		July 31,
		2001
		-----
U.S. Rubber		
Line of credit due, bearing interest at the prime rate plus .75% (7.50% at July 31, 2001), borrowings not to exceed the greater of \$3,000 or the borrowing base (80% of eligible accounts receivable and 50% of eligible inventories), collateralized by substantially all assets of U.S. Rubber	\$	2,160
Note payable to a bank, interest payable monthly at prime rate plus 1% (7.75% at July 31, 2001), monthly principal payments of \$2 beginning January 2002, collateralized by substantially all assets of U.S. Rubber		200
Note payable to a bank, due November 30, 2005, monthly principal payments of \$35, balloon payment and accrued interest due at maturity, accruing interest at the prime rate plus 1% (7.75% at July 31, 2001), to be used to finance the acquisition and capital expenditures, collateralized by substantially all assets of U.S. Rubber*		2,240

DANZER CORPORATION AND SUBSIDIARIES  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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### 5. FINANCING ARRANGEMENTS, CONTINUED

As part of the original acquisition described in Note 3, the Company issued a note payable to former owner (SerVaas, Inc.) in the amount of \$1,750. The note requires interest payable monthly at fourteen percent (14%) from the date of this note until March 31, 2001 and at a rate of twenty percent (20%) thereafter. The former owner agreed to defer interest and principal payments through May of 2001. The amounts accrued during this period will become part of the balloon payment due December 28, 2005. The note is collateralized by a Stock Pledge Agreement given by OCP. In addition, this note is

subordinated to the lines of credit and note payable described above.	1,750
Note payable to former owner, total payments of \$930, with interest imputed at 12%. Due in monthly installments of \$39. Subordinate to bank debt and collateralized by inventory. Matures December 2001.	599
Note payable to a bank, due November 30, 2005, monthly principal payments of \$3, balloon payment and accrued interest due at maturity, accruing interest at the prime rate plus 1% (7.75% at July 31, 2001), to be used to finance the acquisition, collateralized by substantially all assets of U.S. Rubber*	496



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Other	98
<hr style="border-top: 1px dashed black;"/>	
Subtotal U.S. Rubber	7,543
<hr style="border-top: 1px dashed black;"/>	

\* U.S. Rubber is in technical violation of certain financial loan covenants with Bank One on its long-term debt. U.S. Rubber is working with Bank One to obtain waivers of the covenant violations, but has not received a waiver as of the date of this report filing. The noncurrent debt due Bank One in the amount of \$2,086 has been reclassified as current debt in the balance sheet until such time as acceptable waivers or modifications have been obtained.

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5. FINANCING ARRANGEMENTS, CONTINUED

	Debt Amount
	July 31, 2001
<hr style="border-top: 1px dashed black;"/>	
Champion	
Bank One, N.A. Facility 1--Line of Credit, maximum borrowing equal to \$200, interest payable monthly at prime plus .50% (7.25% at July 31, 2001) due March 15, 2002, collateralized by substantially all assets of Champion and guaranteed by Messrs. Durham and Whitesell	\$ 200
Bank One, N.A. Facility 2--term loan, note payable \$650, requires monthly principal installments of \$8 plus interest at prime plus .75% (7.50% at July 31, 2001), matures June 2005, collateralized by substantially all assets of Champion and guaranteed by Messrs. Durham and Whitesell	541
Bank One, N.A. Facility 3 - term loan, note payable \$1,118, requires monthly principal installments of \$31 plus interest at prime matures 1.50% (8.25% at July 31, 2001), matures June 2003, paid off on January 8, 2002, collateralized by substantially all assets of Champion and guaranteed by Messrs. Durham and Whitesell	683

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5. FINANCING ARRANGEMENTS, CONTINUED

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Note payable to The Markpoint Company, \$1,250, interest payable monthly at 13.50%, commencing June 1, 2000, balloon payment of outstanding principal balance due May 2005, collateralized by substantially all assets of Champion and subordinate to senior bank debt described above*	1,250
Other	42
	-----
Subtotal Champion	2,716
	-----

\* Champion Trailer is in technical violation of certain financial loan covenants with Markpoint on its long-term subordinated debt. Champion has received quarterly waivers through June 30, 2001 of all defaults, but remains in default for the classification of debt. The noncurrent debt due Markpoint in the amount of \$1,250 has been reclassified as current debt in the balance sheet until such time as the waivers obtained are for a period longer than 90 days.

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### 5. FINANCING ARRANGEMENTS, CONTINUED

	Debt Amount
	-----
	July 31, 2001
	-----
Pyramid and DW Leasing	
Various installment loans, \$15,483 repayable in monthly installments totaling \$203 including interest ranging from 8.5% to 13.1% through November 2007 and applicable balloon payments thereafter through December 2007, first lien on assets financed (finance acquisition and asset purchases). Substantially all borrowings guaranteed by the members of DW Leasing.*	\$ 13,109
Former shareholders of Pyramid and related companies installment loans, \$928 repayable in monthly installments of interest at 9% through December 2002 with a balloon payment in January 2003, collateralized by Security Agreements for Pyramid, DW Leasing and the members of DW Leasing (finance acquisition)	928
Line of credit bearing interest at prime rate plus 1% (7.5% at July 31, 2001), borrowings not to exceed \$200, collateralized by substantially all assets of DW Leasing	200

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Ford Motor Credit installment loan, \$39 repayable in monthly installments of \$1 including interest at .9% through October 2005, first lien on asset (purchase asset)	33
--	----

Subtotal Pyramid and DW Leasing	14,270
---------------------------------	--------

\* DW Leasing is in technical violation of certain financial loan covenants with two lenders, Regions Bank and Old National Bank. The lenders have given waivers to DW Leasing for the quarter ended July 31, 2001. However, since the Company continues to be in violation of the covenants, long-term debt due Regions Bank and Old National Bank in the amount of \$1,189 has been classified as a current liability as of the quarter ended July 31, 2001.

5. FINANCING ARRANGEMENTS, CONTINUED

	Debt Amount
	July 31, 2001
Danzer Industries	
Revolving and term loans payable to Wells Fargo. Collateralized by equipment, inventory, real estate and accounts receivable, refinanced in August 2001	
(see Note 11)	\$ 564
Equipment loans payable--monthly payments currently aggregating \$2 including interest of 8.90% to 11.25% through September 2006. Collateralized by equipment financed.	35
Term loans payable to US Amada, Ltd.--monthly payments currently aggregating \$13 including interest at 10%, loans due January 2003, collateralized by equipment financed	304
Other	11
Subtotal Danzer Industries	914

United

First Indiana Bank Revolving Line of Credit, maximum borrowing equal to \$3,500,

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with a base of 80% of eligible accounts receivable; plus 50% of raw material, work-in-process and finished goods inventory. Interest payable monthly at prime plus .75% (7.50% at July 31, 2001) due July 1, 2002, collateralized by substantially all assets of United and guaranteed by Danzer Corporation

\$ 2,888

First Indiana Term Loan I--note payable \$291, requires monthly principal installments of \$5 plus interest at prime plus 1% (7.75% at July 31, 2001), due July 1, 2006, collateralized by substantially all assets of United and guaranteed by Danzer Corporation

291

First Indiana Term Loan II--note payable \$1,116, requires monthly principal installments of \$6 plus interest at prime plus 1% (7.75% at July 31, 2001), due July 1, 2006, collateralized by substantially all assets of United and guaranteed by Danzer Corporation

1,116

First Indiana Term Loan III--note payable \$1,750, requires monthly principal installments of \$73 plus interest at prime plus 2% (8.75% at July 31, 2001), due July 1, 2003, collateralized by substantially all assets of United and guaranteed by Danzer Corporation

1,750

Subordinated note payable to Huntington Capital Investment Company, \$3,500, interest payable quarterly at 14% per annum, balloon payment of outstanding principal balance due July 26, 2006, less unamortized discount of \$1,505. Unsecured and subordinate to First Indiana debt.

1,996

DANZER CORPORATION AND SUBSIDIARIES  
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5. FINANCING ARRANGEMENTS, CONTINUED

	Debt Amount
	----- July 31, 2001 -----
United, continued	
Note payable to former shareholder \$1,500, interest payable monthly at 9% per annum, balloon payment of outstanding principal balance due July 27, 2006.	
Unsecured and subordinate to First Indiana and Huntington debt.	\$ 1,500
Note payable to Renaissance (formerly parent Danzer Corporation), interest payable monthly at 8% per annum, with monthly principal payments beginning July 2004 at a rate of \$.01 for each \$1 of outstanding principal, due July 2008. Convertible at the option of the holder to common stock of Obsidian Enterprises at a conversion price of \$.10 per share. The loan agreement also restricts dividend payments without the prior consent of the lender.	500

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Other	115
	-----
Subtotal United	10,156
	-----
	-----
Total all companies	35,599
Less current portion	12,129
	-----
	\$ 23,470
	=====

\*\* The debt balances for December 31, 2000 reflect only those of U.S. Rubber. While the other companies listed for October 31, 2001 did have 2000 debt balances, U.S. Rubber becomes the accounting acquirer in a reverse merger. Debt balances for December 31, 2000 and prior years are presented in the financial statements of acquired businesses.

The Company has an agreement with OCP that gives it the right to mandate a capital contribution from OCP if the lenders to U.S. Rubber and United were to declare a default. In that event, the Company has the right to enforce a capital contribution agreement with OCP up to \$1,620 on U.S. Rubber and \$1,000 on United to fund the respective subsidiary's shortfall. Those payments, if any, would be applied directly to reduce the respective subsidiary's debt obligations to the lender.

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5. FINANCING ARRANGEMENTS, CONTINUED

Following are the maturities of long-term debt for each of the next five years and thereafter (in thousands):

2002	\$ 12,129***
2003	3,700
2004	1,947
2005	3,920
2006	8,772
Thereafter	5,131
	-----
	\$ 35,599
	=====

\*\*\* Includes \$4,525 of amounts in default due to technical violations and classified as current.

6. MANDATORY PREFERRED STOCK

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In conjunction with the United acquisition described in Note 3, the Company issued 386,206 shares of Series C Preferred Stock to Huntington Capital Investment Corporation ("Huntington"), the senior subordinated lender of United. The note purchase agreement included a provision giving Huntington the option to require the Company to repurchase the Series C Preferred Stock. Under the terms of the agreement, Huntington has the option of requiring the Company to repurchase these shares at 90% of market value at the date of redemption upon the earlier of: a) fifth anniversary of issuance of such shares, b) default under the subordinated debt agreement, c) other factors related to a sale of substantially all assets of the Company as defined in the agreement.

A portion of the note purchase agreement proceeds of \$3,500 was allocated to the stock issued based on the thirty day average closing value of the Company's common stock prior to the transaction. As the redemption value is variable, the Company recognizes changes in the estimated fair value each quarter. Changes in fair value are adjusted through additional paid in capital. At July 31, 2001, the estimated redemption requirement is \$1,505 to be paid July, 2006.

### 7. STOCKHOLDERS' EQUITY

#### Preferred Stock:

In conjunction with the merger and acquisitions (described previously) of June 21, the Company issued 1,970,962 of Series C Preferred Stock. The shareholders of Pyramid and Champion then converted 824,892 shares of preferred stock to 16,497,840 of common stock. In addition, on July 5, 2001, the Company increased the authorized shares of common stock by 20,000,000 to 40,000,000. On July 31, 2001, the Company issued 2,593,099 shares of additional convertible preferred stock related to the United acquisition.

The convertible preferred stock is convertible at the option of the holder at any time, unless previously redeemed, into shares of common stock of the Company at an initial conversion rate of 20 shares of common stock for each share of convertible stock. However, the convertible preferred stock may not be converted prior to the corporation filing a registration statement of such shares. Holders of the convertible preferred stock have voting rights which entitle them to cast on each matter submitted to a vote of the stockholders of the Corporation the number of votes equal to the number of shares of common stock into which such shares of Series C Preferred could be converted.

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These shares were offered and sold in transactions which were exempt from Securities Act registration under Section 4(2) of the Securities Act, relating to sales by an issuer not involving a public offering. No underwriters were involved in the sale of these shares. The Corporation will use its best efforts to file, as soon as reasonable practicable following the date of issuance of the Series C Preferred, a registration statement ("Registration Statement") on Form S-1, pursuant to the rules of the Securities and Exchange Commission ("SEC") or on such other form promulgated by the SEC for which the Corporation then qualifies, which is available to Corporation, and which counsel for the Corporation shall deem appropriate for the registration under the Securities Act of 1933.

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Stock Options:

On May 7, 1990, Danzer's stockholders approved a stock option plan to issue both "qualified" and "nonqualified" stock options. Under the plan, 800,000 options to purchase shares of the Company's common stock may be issued at the discretion of the Company's Board of Directors. The option price per share is determined by the Company's Board of Directors, but in no case will the price be less than 85% of the fair value of the common stock on the date of grant. Options under the plan will have a term of not more than ten years with accelerated termination upon the occurrence of certain events.

In April 1998, Danzer granted 600,000 stock options, exercisable at \$.10 per share, to its president. The options vest over two years and expire in April 2004. None of these options have been exercised as of July 31, 2001.

In September 1998, Danzer adopted a qualified incentive stock option plan under Section 422 of the Internal Revenue Code. Options granted under the plan will be granted at prices not less than fair value of the Company's stock at the date of grant, have a term not more than ten years and have other restrictions as determined by statute.

In September 1998, Danzer granted a total of 604,500 stock options, exercisable at \$.10 per share, to certain employees. The options expire November 2001. As a result of voluntary termination, 75,000 options expired in 1999 and 192,000 options expired in 2000. None of these options were exercised as of July 31, 2001.

The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation. Accordingly, no compensation expense has been recognized for the stock option plans.

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Stock Options and Warrants:

The following table summarizes the outstanding options and warrants at July 31, 2001:

Total granted stock options outstanding

Shar  
-----  
1,047  
=====

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Fixed options:

Exercise price \$.10  
 Exercise price \$.05

600  
 200  
 =====

Warrants:

On June 21, 2001, Duncan-Smith Co. terminated warrants for 650,000 common shares and was issued new warrant for 10,000 shares Series C Preferred exercisable at \$2.00 per share, expiring August 31, 2002

200  
 =====

Markpoint financing agreement expiring May 2008 associated with Champion

Z  
 =====

\* The number of warrants available under the agreement with Markpoint is based on twenty-five percent of the fair market value of Champion to be determined based on a formula including a multiple of EBITDA. No warrants are currently available under this agreement based on the operating results and stockholder's deficit of Champion.

Convertible Debt:

As described in Note 5, at July 31, 2001, the Company has a note payable agreement which is convertible by the holder to common stock totaling 5,000,000 shares at a conversion rate of \$0.10 per share at July 31, 2001.

### 8. BUSINESS SEGMENT DATA AND GEOGRAPHIC DATA

The Company operates in three industry segments comprised of trailer and related transportation equipment manufacturing (trailer manufacturing); coach leasing; and butyl rubber reclaiming. All sales are in North and South America primarily in the United States, Canada and Brazil. Selected information by segment follows (in thousands):

	Three Months Ended July 31, 2001		
	Trailer Manufacturing	Coach Leasing	Butyl Rubber Reclaiming
Sales:			
Domestic	\$ 1,759	\$ 1,467	\$ 2,680
Foreign	--	--	134
<hr style="border-top: 1px dashed black;"/>			
Total	\$ 1,759	\$ 1,467	\$ 2,814
Cost of goods sold	\$ 1,633	\$ 517	\$ 2,618
Income (loss) before taxes	\$ (435)	\$ 30	\$ (260)
Identifiable assets	\$ 26,844	\$ 13,328	\$ 11,197



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Depreciation and amortization expense \$ 102 \$ 238 \$ 266

\*Identifiable assets, as stated above  
Corporate-level goodwill

Total assets

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	Seven Months Ended July 31, 2001		
	Trailer Manufacturing	Coach Leasing	Butyl Rubber Reclaiming
Sales:			
Domestic	\$ 3,123	\$ 2,646	\$ 6,700
Foreign	--	--	468
Total	\$ 3,123	\$ 2,646	\$ 7,168
Cost of goods sold	\$ 2,816	\$ 964	\$ 6,494
Income (loss) before taxes	\$ (739)	\$ (497)	\$ (341)
Identifiable assets	\$ 26,844	\$ 13,328	\$ 11,197
Depreciation and amortization expense	\$ 210	\$ 544	\$ 620
*Identifiable assets, as stated above Corporate-level goodwill			

Total assets

Danzer Corporation (legal parent) allocates selling, general and administrative expenses to the respective companies primarily based on a percentage of sales.

For the three and seven months ended July 31, 2000, the Company operated in only

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one segment (butyl rubber reclaiming), which was the segment of the accounting acquirer U.S. Rubber.

### 9. RELATED PARTIES

The Company makes advances, receives loans and conducts other business transactions with affiliates resulting in the following amounts for the periods ended (in thousands):

	July 31, 2001
Balance sheet:	
Current assets:	
Notes receivable, stockholder	\$ --
Long-term portion:	
Notes receivable, stockholder	--
Investment banking fees, purchase accounting*	1,960
<b>Total assets</b>	<b>\$ 1,960</b>
Current liabilities:	
Accounts payable, Obsidian Capital Company (OCC)	\$ 1,616
Accounts payable, Obsidian Capital Partners	1,161
Long-term portion:	
Accounts payable, Obsidian Capital Company (OCC)	296
Accounts payable, stockholders	383
<b>Total liabilities</b>	<b>\$ 3,456</b>

	Three Months Ended		Seven
	July 31, 2001	July 31, 2000	July 31, 2001
Statements of operations:			
Interest income	\$ --	\$ 110	\$ --

Related-party amounts classified as current reflect those portions of the total receivable or payable that were currently due in accordance with the terms, or were collected or paid subsequent to July 31, 2001. Amounts classified as long term represent amounts not currently due.

The Company was obligated to the stockholders and certain employees (that were formerly stockholders of subsidiary companies) under note payable agreements acquired as part of the acquisitions. The details of these notes

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payable are included in Note 5.

\*Subsidiaries of the Company paid Obsidian Capital Company, an entity controlled by Mr. Durham (Chairman of the Company), investment banking fees associated with the acquisitions and related financing on the Danzer and U.S. Rubber merger and the United acquisition. Amounts paid by U.S. Rubber, United, and Danzer were \$760, \$600, and \$600 respectively.

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### 10. COMMITMENTS AND CONTINGENCIES

The Company has a purchase commitment to purchase or lease three (3) coaches within 60 days of completion, expected to be in the second quarter of calendar 2002. The cost of these coaches will approximate \$1,350.

In the normal course of business, the Company is liable for contract completion and product performance. In the opinion of management, such obligations will not significantly affect the Company's financial position or results of operations.

### 11. SUBSEQUENT EVENTS

On August 15, 2001, Danzer Industries entered into a new credit agreement providing for a line of credit and term loan with Bank of America. The new facilities replaced the existing outstanding debt with Wells Fargo. Terms of the new facilities are:

Bank of America line of credit, maximum borrowing equal to \$1,000, with a base of 80% of eligible accounts receivable; plus 50% of raw material, work-in-process and finished goods inventory. Interest payable monthly at the LIBOR Daily Floating Rate plus 3.2%, due March 31, 2002, collateralized by substantially all assets of Danzer Industries and guaranteed by Danzer Corporation

Bank of America loan--note payable \$1,000, requires monthly principal installments of \$6 plus interest at the LIBOR Daily Floating Rate plus 3.2%, due August 15, 2006. Collateralized by substantially all assets of Danzer Industries and guaranteed by Danzer Corporation

DANZER CORPORATION AND SUBSIDIARIES

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

### IMPORTANT NOTE ABOUT FORWARD-LOOKING STATEMENTS.

#### Cautionary Statement Regarding Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a safe harbor

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for forward-looking statements. The Company and its representatives may from time to time make written or oral forward-looking statements, including statements included in or incorporated by reference into this Quarterly Report on Form 10-Q and the Company's other filings made with the Securities and Exchange Commission. These forward-looking statements are based on management's views and assumptions and involve risks, uncertainties and other important factors, some of which may be beyond the control of the Company, that could cause actual results to differ materially from those expressed or implied in the forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in Item 2., Management's Discussion and Analysis of Financial Condition and Results of Operations, in this Form 10-Q. Readers should carefully review the risks described in this and other documents that the Company files from time to time with the Securities and Exchange Commission. The forward-looking statements speak only as of the date that they are made and the Company undertakes no obligation to update or revise any of the forward-looking statements.

Overview Prior to the reverse merger transaction, U.S. Rubber, United Expressline, Pyramid and Champion reported on a calendar year basis. As of the date of the reverse merger transaction, these companies changed their year end to October, the year end of Danzer Corporation, the legal acquirer. Accordingly, the year to date information presented includes seven months of activity as further described below.

The reverse merger transactions, completed in June and July 2001, have been treated for accounting purposes as an acquisition by U.S. Rubber. For this reason, the results for the seven-month period July 31, 2000 represent only the financial results of U.S. Rubber. Since the Company acquired a substantial portion of its operations on or after January 1, 2001 and was not previously a registrant, management's discussion and analysis includes a comparison of 2001 operating results with the three-month and seven-month periods ended July 31, 2000 only for the butyl rubber reclaiming segment.

The results for the seven-month period July 31, 2001 represent only the financial results of U.S. Rubber, Champion Trailer, and the Pyramid Group for seven months based on the January 1, 2001 acquisition date. The financial results of Danzer Corporation and its wholly owned subsidiary, Danzer Industries, acquired June 21, 2001, are included from the date of acquisition. United Expressline was acquired July 31, 2001 and had no material operating results for the periods presented.

Since the closing of the Acquisition and Plan of Reorganization on June 21, 2001. Management has focused on creating consistent reporting systems and communication with each of its subsidiaries. In addition Management has begun to address the transition of the subsidiaries from closely held mostly nonaudited private companies to public entities. Each of the subsidiaries is wholly owned by Danzer.

### DANZER CORPORATION AND SUBSIDIARIES

The majority voting shareholder of Danzer, Obsidian Capital Partners, L.P., a Delaware limited partnership ("Obsidian") acquired U.S. Rubber in December of 2000, Champion in January 2001 and United in July 2001. Because the subsidiaries are such recent acquisitions, Management has only begun the process of operational integration of the subsidiaries under Danzer, as a holding company. Management intends to focus on the identification and implementation of manufacturing and administrative efficiencies as well as marketing and cross-selling opportunities. Management has no prior history in effecting such an integration of subsidiaries under a holding company and its ability to

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successfully accomplish this task will have a substantial impact on future Company revenues and profits.

### RESULTS OF OPERATIONS 2001 COMPARED WITH 2000

The Company operates in three segments, trailer and related transportation manufacturing, butyl rubber reclaiming, and coach leasing. Trailer and related transportation manufacturing includes the operations of United, Danzer Industries, and Champion. Butyl rubber reclaiming includes the operations of U.S. Rubber and coach leasing includes the operations of Pyramid, DW Leasing, and Obsidian Leasing.

#### Segment Sales

The following table shows net sales by segment:

	Three Months Ended		Seven Mon
	July 31, 2001	July 31, 2000	July 31, 2001
Butyl rubber reclaiming	\$ 2,814	\$ 3,033	\$ 7,168
Trailer manufacturing	1,759	--	3,123
Coach leasing	1,467	--	2,646
Net Sales	\$ 6,040	\$ 3,033	\$ 12,937

The Company's operating results and revenue were less than expected for each of its segments in the three months and seven months ended July 31, 2001. This is primarily due to reduced capacity at the butyl rubber reclaiming facility, lower than anticipated utilization in the coach fleet and a reduction in repair business in the trailer manufacturing segment. Each of these factors is further discussed below.

### DANZER CORPORATION AND SUBSIDIARIES

#### Butyl Rubber Reclaiming

The following table shows sales, cost of sales and gross profit for this segment for the periods indicated (in thousands):

	Three Months Ended		Seven Months Ended	
	July 31, 2001	July 31, 2000	July 31, 2001	July

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Net Sales	\$	2,814	\$	3,033	\$	7,168	\$
Cost of Sales		2,618		2,513		6,494	
-----							
Gross Profit	\$	196	\$	520	\$	674	\$
=====							
Gross Profit %		7.0%		17.1%		9.4%	

Three Months Ended July 31, 2001 Compared to The Three Months Ended July 31, 2000

Net sales in this segment for the three months ended July 31, 2001 as compared to the comparable three-month period ended July 31, 2000 decreased 7.2% in the amount of \$219. The reduction in sales is a result of reduced capacity at the butyl reclaiming facility due to the current renovation of the 12" extruder (a key element of the manufacturing process). In the first half of 2001, U.S. Rubber has expended over \$850 in this and other major renovations and the 12" extruder is expected to be fully operational by mid-September 2001. These renovations have resulted in lower than normal production through the period ended July 31, 2001. Demand for product has increased over the comparable period because of the widespread tire recalls at Bridgestone/Firestone and Goodyear.

Gross profit percentage for the three months ended July 31, 2001 was 7.0% compared to 17.1% for the three months ended July 31, 2000. The decrease in gross profit percentage is the result of several factors. First, the decreased volume of production as a result of the refurbishment of manufacturing equipment discussed above. Second, the equipment refurbishment has also resulted in inefficiencies in the production process. Gross profit has also been negatively impacted by the cost and availability of raw material. U.S. Rubber obtains its raw material inventory through an extensive collection system consisting of small rubber collectors and large scrap tire recyclers. U.S. Rubber has experienced competition for its raw material inventory from Korean buyers and other overseas buyers. This competition will have the end result of higher raw material costs. The competition for raw material inventory has also contributed to the lower than expected production rates and gross margins.

Seven Months Ended July 31, 2001 Compared to The Seven Months Ended July 31, 2000

Net sales in this segment for the seven months ended July 31, 2001 as compared to the seven-month period ended July 31, 2000 increased 4.7% in the amount of \$321. The increase in sales is due primarily to increased demand from tire companies as the result of widespread tire recalls as discussed above.

Gross profit percentage for the seven months ended July 31, 2001 was 9.4% compared to 15.9% for the seven months ended July 31, 2000 as a result of the decreased volume, inefficiencies in production and raw material factors as discussed above.

### DANZER CORPORATION AND SUBSIDIARIES

#### Trailer And Related Transportation Equipment Manufacturing

The following table presents net sales, cost of sales, gross profit and gross profit percentage for the seven months and three months ended July 31, 2001, for the trailer and related transportation equipment manufacturing segment.

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	Three months Ended July 31, 2001	Seven Months Ended July 31, 2000
Net Sales	\$ 1,759	\$ 3,123
Cost of Sales	1,633	2,816
Gross Profit	\$ 126	\$ 307
Gross Profit %	7.2%	9.8%

Sales and gross profits were lower than expected in this segment due to a reduction of its repair business at Champion. Management believes it must recapture some if not all of its repair business in order to meet operating expectations. Marketing efforts have been made to increase the repair business to former levels. Future operating activity in this segment will increase materially as a result of the acquisition of Danzer Industries on June 21, 2001 and United on July 31, 2001. Each of these acquisitions have historically experienced sales in excess of those of Champion. Management anticipates this segment will comprise in excess of 50% of the Company's consolidated revenue in the future based on the current company structure.

Coach Leasing

The following table presents net sales, cost of sales, gross profit and gross profit percentage for the seven months and three months ended July 31, 2001, for the coach leasing segment

	Three months Ended July 31, 2001	Seven Months Ended July 31, 2000
Net Sales	\$ 1,467	\$ 2,646
Cost of Sales	517	964
Gross Profit	\$ 950	\$ 1,682
Gross Profit %	64.8%	63.6%

Pyramid is engaged in the leasing of luxury bus coaches with specialized interior finishes, and used for travel by country and western and rock bands, entertainment personalities, and other business enterprises for travel and entertainment. The buses are leased on both short-term (weekly and monthly) and long-term leases. Utilization for the first four months of 2001 was softer than expected; however, beginning in April 2001, utilization has steadily increased from 70.7% to 96.8% in July, and Pyramid's fleet has increased by seven new luxury coaches. This increased utilization is both a factor of marketing and the seasonality of this business segment. Historically, coach utilization is highest in the summer and lowest in the winter. The financial information herein includes the results of operations of D.W. Leasing, LLC ("DW Leasing") as well as Pyramid. DW Leasing is owned by the former owners of Pyramid who are also officers and shareholders of Danzer Corporation. At the time of the closing of the Acquisition and Plan of Reorganization on June 21, 2001, Pyramid and DW Leasing conducted cooperative operations through a management agreement, cross-guarantees of debt and shared management. It is Management's intent to transfer a substantial part of DW Leasing's asset and liabilities to Obsidian

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Leasing Company, ("Obsidian Leasing", a proposed entity to be wholly owned by Danzer Corporation), to complete the purchase of the Coach Leasing business contemplated by the purchase transaction in June 2001. The planned transaction is conditioned upon the consents of various lenders who have financed the luxury coaches that are titled in DW Leasing. Management is currently seeking such consents, and expects to close the above referenced agreements as soon as possible.

### DANZER CORPORATION AND SUBSIDIARIES

#### SELLING, GENERAL AND ADMINISTRATIVE (SG&A) EXPENSES

Selling, general and administrative expenses for the three months and seven months ended July 31, 2001 were \$1,258 and \$2,614 as compared to \$663 and \$996 for the three and seven months ended July 31, 2000. The increases over the prior year are directly attributable to the acquisitions in January, June and July of 2001 as previously noted and to the fact that 2000 operating results include only the operations of U.S. Rubber. These increases are partially offset by the cost of litigation settlement in June 2000 of \$409.

#### INTEREST EXPENSE

Interest expense for the three months and seven months ended July 31, 2001 was \$690 and \$1,570 as compared to \$136 and \$307 for the three and seven months ended July 31, 2000. The increases over the prior year are directly attributable to the acquisitions in January, June and July of 2001 as previously noted and to the fact that 2000 operating results include only the operations of U.S. Rubber. The Company's interest expense is a material amount and will continue to be high as a percentage of sales as substantially all acquisitions were made on a highly leveraged basis.

#### OTHER INCOME (EXPENSE)

Other income (expense) for the three months and seven months ended July 31, 2001 was \$11 and \$(56) as compared to \$110 and \$251 for the three and seven months ended July 31, 2000. The decreases over the prior year are directly attributable to interest income on shareholder notes receivable of U.S. Rubber in 2000. These notes were paid in full in 2000.

#### INCOME TAX PROVISION

Income tax benefit (expense) for the three months and seven months ended July 31, 2001 was \$52 and \$52 as compared to \$56 and \$(29) for the three and seven months ended July 31, 2000. The income tax benefit is created primarily through operating loss carryforwards recognized in the quarter to the extent they are available to offset the Company's net deferred tax liability. Quarterly tax benefits are based on the estimated effective tax rate for the full year.

#### LIQUIDITY AND CAPITAL RESOURCES

Each of the subsidiaries of Danzer have separate revolving credit agreements and term loan borrowings through which each subsidiary finances its operations along with cash generated from operations. The high principal balances of some of these loans reflect the fact that Obsidian highly leveraged the acquisition of each of Champion, U.S. Rubber, Pyramid, and United. Each of these subsidiaries will utilize its excess cash in the foreseeable future to pay off this



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acquisition financing.

### DANZER CORPORATION AND SUBSIDIARIES

This high level of debt creates liquidity issues for the Company and the stringent financial covenants that are common for this type of debt increase the probability that the Company's subsidiaries will be in technical default under loans. These risks are mitigated, in part, for the Company's United and U.S. Rubber subsidiaries by the right described below under "Guarantees of OCP."

Certain subsidiaries have violated certain requirements and covenants in their debt agreements relating to maintenance of certain minimum ratios and levels of earnings to funded debt and fixed charge coverage rate. Management has brought these violations to the attention of its lenders and, is working with the lenders to obtain waivers or modifications to the credit agreements as described below under "Financial Covenant Waivers."

The Company's working capital position (current assets over current liabilities) was negative at July 31, 2001 by \$8,585 in part because of \$4,525 of the Company's debt is classified as a current liability due to debt covenant violations.

The Company has been addressing these liquidity and working capital issues in a number of ways. Management anticipates that the following steps currently in process will improve the Company's working capital, strengthen its equity and place the Company in a position to successfully address its liquidity issues. These steps include:

- o The transactions described below under "Partners Equity Transactions" which converts approximately \$2,170 of long-term liabilities to equity.
- o The transactions described below under "Refinancing Activities" which provides for additional equity and reduced interest cost.

There can be no assurance that these transactions will occur as projected. It should be noted that even if these transactions do occur, there can be no assurance that they will sufficiently address the Company's liquidity issues. Management will continue to address the liquidity concerns as well as consider any additional actions if the contemplated transactions either do not occur or are insufficient.

### FINANCIAL COVENANT VIOLATIONS

Certain subsidiaries of the Company have violated financial covenants in their loan agreements as follows:

- o Management is in discussions with Bank One in respect of the violations by U.S. Rubber of the negative covenants of (i) fixed charge coverage ratio and (ii) funded debt to EBITDA ratio. No waiver of these violations has been received and discussions regarding these violations continue. As a result, long-term debt due to Bank One in the amount of \$2,086 has been reclassified as a current liability.
- o Pyramid is a guarantor of DW Leasing's debt to Regions Bank, Nashville, Tennessee. DW Leasing and Pyramid have been in violation of the Funded Debt to EBITDA ratio in the Regions Bank Credit Facility since the inception of the loan. DW Leasing also has a violation of its credit facility with Old National Bank. Regions Bank and Old National Bank have waived the violations as of July 31, 2001. However, since the Company continues to be

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in violation of the covenants, long-term debt due Regions Bank and Old National Bank in the amount of \$1,189 has been reclassified as a current liability.

- o Champion remains in default of its subordinated debt agreement. Accordingly, \$1,250 has been reclassified as a current liability due to the default.

### DANZER CORPORATION AND SUBSIDIARIES

#### FUNDS AVAILABILITY

On a consolidated basis, as of July 31, 2001, the Company had approximately \$58 of cash and cash equivalents.

Danzer Industries, U.S. Rubber, Champion and United each have revolving credit lines available for working capital at each individual entity. Borrowings under the credit facilities are available to the lesser of the maximum amount or the borrowing base as defined in the credit agreement. At July 31, 2001, these additional current availability under these credit facilities as supported by the respective borrowing base calculations were approximately \$532, \$0, \$0 and \$0 for Danzer Industries, U.S. Rubber, Champion and United, respectively.

The Company generated net cash flow from operations during the seven months ended July 31, 2001 of \$220. Operating losses year to date were funded primarily through borrowings under existing lines of credit.

#### REFINANCING ACTIVITIES

- o On August 15, 2001, the Company completed the refinancing of the existing debt of Danzer Industries with Bank of America. Terms of the agreement provide for a \$1,000 term note and a \$1,000 line of credit.
- o U.S. Rubber has a subordinated debt obligation to SerVaas, Inc. (the "Seller") in the amount of \$1,750 and a subordinated raw material supply agreement with the Seller with a remaining purchase obligation of \$800. Management has reached an agreement in principal with SerVaas, Inc. for the company to acquire the Subordinated Note and Supply Agreement for \$1,550. Counsel for the Company is in the process of completing the documentation of this purchase, the net effect of which will be to reduce U.S. Rubber's liabilities by approximately \$1,000.

#### PARTNERS EQUITY TRANSACTIONS

Obsidian Capital Partners, LP, the major shareholder of the Company, is required under the Plan of Reorganization to fund through the purchase of additional preferred stock certain ongoing administrative expenses of the company to complete the Plan of Reorganization, complete all required current and prior year audits to meet the regulatory filing requirements, and ensure all annual and quarterly SEC filings are completed to enable the registration of the preferred stock issued to Obsidian Capital Partners, LP. Such amount expended through July 31, 2001 approximated \$645. Management anticipates this and any additional items incurred will be converted to equity.

Obsidian Capital Partners, LP has indicated that it is willing to convert to Series C Preferred Stock of the Company \$1,169 of advances from Partners to the Company. Management anticipates this transaction will be concluded in 2002.

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### GUARANTEES OF OCP

The Company has an agreement with Obsidian Capital Partners, LP that gives it the right to mandate a capital contribution from Obsidian Capital Partners, LP if the lenders to U.S. Rubber or United were to declare a default. In either of those events, the Company has the right to enforce a capital contribution agreement with Obsidian Capital Partners, LP up to \$1,620 on U.S. Rubber and \$1,000 on United to fund the respective subsidiary's shortfall. These payments, if any, would be applied directly to reduce the respective subsidiary's debt obligations to the lender.

### DANZER CORPORATION AND SUBSIDIARIES

### RISK FACTORS

There are a number of risk factors related to the future results of the Company, including those discussed in the following paragraphs.

#### Liquidity

The Company cannot be certain that it will have sufficient liquidity available under existing lines of credit. Four of the Company's subsidiaries were acquired in highly leveraged transactions. Also, three of the Company's subsidiaries have been in violation of certain requirements and covenants in their debt agreements relating to maintenance of specified minimum ratios and levels of earnings to funded debt and fixed charge coverage. The Company cannot be certain whether it will be able to meet covenant requirements contained in debt agreements. Although the Company has been able to obtain waivers of certain violations, the Company cannot be certain that it will be able to obtain waivers of such covenants if waivers are needed in the future.

There is no assurance that lenders will continue to lend to the Company. Lenders' criteria for loans change and, if there is a further general tightening of credit standards, the Company may not qualify for credit. Further, if the Company's financial performance continues to deteriorate from the manner in which its various operations have historically performed, the Company's lenders may declare defaults and refuse to advance funds under revolving credit lines. Under these circumstances the Company may not be able to obtain credit on any terms.

#### Integration Of Operations

The Company consists of a business combination of Obsidian Enterprises, Inc. and various recently purchased manufacturing entities of Obsidian Capital Partners, L.P. The management resources to date have been spent on purchasing, continuing operations at preacquisition capability after the purchase, and integrating subsidiary operations with the Obsidian management. The date of purchase of each entity by the current management is:

Operating Entity	Date of Purchase
U.S. Rubber Reclaiming, Inc.	December 29, 2000
Pyramid Coach, Inc.	December 20, 1999
Champion Trailer, Inc.	May 2, 2000
Danzer Industries, Inc.	June 21, 2001
United Expressline, Inc.	July 31, 2001

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The Company is still in the process of resolving issues relating to the integration of the operations of these entities. The Company may not be successful in integrating these businesses or the integration may take longer or be more costly than currently anticipated.

### Market Risk

The Company is exposed to market risk related to changes in interest rates on its debt. Approximately 36% of the Company's primary debt bears interest at a variable rate. An interest rate increase of one percentage point would increase the Company's interest expense over a one-year period by approximately \$128 at current debt levels.

## DANZER CORPORATION AND SUBSIDIARIES

### Ability To Attract And Retain Key Managers And Employees

The Company's ability to retain key subsidiary management and employees will be a significant factor in the Company's success. The recent acquisitions of the four subsidiary entities and the changes in the Company's management have made it even more important for the Company to focus on retaining former managers and employees. In addition, the Company continues to seek to obtain skilled managers and employees and to provide efficient incentives for all of the managers and employees of its subsidiary companies.

### Competition

The Company faces strong competitors in its coach leasing segment and trailer and related transportation equipment manufacturing segment. The Company's coach leasing business competes with a number of other companies that lease luxury coaches. The Company's success in the coach leasing segment is dependent upon its ability to meet demand and match the quality and amenities sought after by its target market at competitive prices. The Company's trailer and related transportation equipment manufacturing segment competes with a number of companies, including a number who are much larger than the Company and have equal or greater technical and financial resources.

### Butyl Rubber Reclaiming Segment

The Company's butyl rubber reclaiming segment is highly dependent upon the availability of raw materials. The Company is facing increased competition for raw materials from foreign manufacturers as the supply of the scrap butyl rubber from inner tubes continues to decline. The success of this segment will depend in large measure upon the Company's ability to successfully develop alternative sources of raw materials. The demand for butyl rubber by some of the Company's customers also is closely tied to the price of crude oil, with demand falling as the price of crude oil falls.

### Coach Leasing Segment

The Company's coach leasing segment leases luxury coaches primarily to performers in the entertainment industry. This segment is highly dependent upon the state of the general economy and its effect on entertainment spending. Consumer spending on entertainment tends to decline during recessionary periods

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when disposable income is low. The availability of quality contract drivers is another factor that affects the success of the coach leasing segment.

### Trailer And Related Transportation Equipment Manufacturing Segment

A majority of truck bodies manufactured by the Company are used in the telecommunications industry. The success of the Company's trailer and related transportation equipment manufacturing segment is dependent upon overall economic conditions and in particular on the state of the telecommunications industry. Slightly more than one-half of the Company's revenue from the manufacture of service truck bodies, which is part of the Company's trailer and related transportation equipment manufacturing segment, is derived from a single customer. The Company's success in this segment is dependent to a large degree upon the continued financial health of this one customer and the continued strength of the Company's relationship with this customer. The loss of this or another significant customer could have a material adverse effect on this segment of the Company's business.

### Other Factors

Management's attention to day-to-day operating issues and the solution of such issues is ongoing due to the very recent dates of purchase. Management's ability to successfully integrate the operating companies into a public reporting and cohesive operations while attempting to attain profitable operating results will be determinative of later success. Employee uncertainty and lack of management focus during the initial stages of purchase and continuing integration is disruptive to the business of each Company subsidiary. Retention of employees through support of the Company's ongoing manufacturing capability, ongoing sales and marketing efforts will be required, but is not assured.

### DANZER CORPORATION AND SUBSIDIARIES

The Company's ability to stabilize operations and to eventually achieve growth of each of its segments will require it to implement and expand its operating and financial systems. This implementation will carry a significant disproportionate cost to the operations in the next twelve months which will have a negative impact on revenues. The Company expects any significant growth would place a strain on its operational resources and its financial systems. Failure to effectively manage any growth would have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

### DANZER CORPORATION AND SUBSIDIARIES

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

EXHIBITS

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The exhibits listed in the Exhibit Index are incorporated herein by reference.

REPORTS ON FORM 8-K  
None

### SIGNATURES

Pursuant to 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 thereunto duly authorized.

OBSIDIAN ENTERPRISES, INC.

August 25, 2003  
Date

By: /s/ Timothy S. Durham

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Timothy S. Durham, Chairman and  
Chief Executive Officer

### EXHIBIT INDEX

Exhibit No.	Description	Loc
31.1	Sarbanes-Oxley Act Section 302 Certification	Att
31.2	Sarbanes-Oxley Act Section 302 Certification	Att
32.1	Sarbanes-Oxley Act Section 906 Certification	Att
32.2	Sarbanes-Oxley Act Section 906 Certification	Att