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RANGER INDUSTRIES INC
Form 10QSB
August 08, 2002

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-QSB

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2002

OR

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

For the transition period from _____ to _____.

COMMISSION FILE NUMBER: 1-5673

RANGER INDUSTRIES, INC.

Exact name of Registrant as specified in its charter

Connecticut

State or other jurisdiction of incorporation or organization

06-0768904

I.R.S. Employer Identification No.

3400 82nd Way North, St. Petersburg, FL

Address of principal executive offices

33710

Zip Code

Registrant's telephone number, including area code: (727) 381-4904

Former name, former address and former fiscal year, if changed since last report:

Indicate by check mark whether Ranger (1) has filed all annual, quarterly and other 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 Ranger was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

YES X NO
--- ---

The number of shares outstanding of each of the issuer's classes of common stock, as of August 7, 2002, were 15,610,463 shares, \$0.01 par value.

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RANGER INDUSTRIES, INC. AND SUBSIDIARIES (A DEVELOPMENT STAGE ENTERPRISE) CONDENSED CONSOLIDATED BALANCE SHEETS

PART I. FINANCIAL INFORMATION

ASSETS

| | June 30, 2002 (Unaudited) ----- | December 31, 2001 ----- |
|---|---------------------------------------|-------------------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 18,434 | \$ 101,234 |
| Marketable equity securities | 16,450 | 22,200 |
| Prepaid expenses and other current assets | 51,690 | 25,000 |
| Accrued interest receivable | 17,419 | 17,419 |
| | ----- | ----- |
| Total current assets | 103,993 | 165,853 |
| Property and equipment, net of accumulated depreciation (2002, \$915; 2001, \$1,647) | 8,416 | 6,589 |
| Restricted cash and cash equivalents | 8,500,000 | 8,500,000 |
| Investment in oil and gas properties | 608,603 | 555,115 |
| | ----- | ----- |
| | \$ 9,221,012 | \$ 9,227,557 |
| | ===== | ===== |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | |
|--|--------------|--------------|
| Current liabilities: | | |
| Accounts payable | \$ 123,392 | \$ 154,417 |
| Accrued expenses, related party | -- | 9,886 |
| Accrued expenses, other | 4,192 | 3,022 |
| | ----- | ----- |
| Total current liabilities | 127,584 | 167,325 |
| Other liabilities | 100,000 | 100,000 |
| Due to related parties | 487,045 | 198,449 |
| Note payable, bank | 8,500,000 | 8,500,000 |
| | ----- | ----- |
| Total liabilities | 9,214,629 | 8,965,774 |
| | ----- | ----- |
| Minority interest | -- | -- |
| | ----- | ----- |
| Stockholders' equity: | | |
| Common stock * | 199,986 | 199,986 |
| Capital in excess of par | 9,487,981 | 9,487,981 |
| Deficit accumulated during development stage | (889,325) | (659,522) |
| Treasury stock (4,388,181 shares at cost) | (8,776,362) | (8,776,362) |
| Other comprehensive income | (15,897) | 9,700 |
| | ----- | ----- |
| Total stockholders' equity | 6,383 | 261,783 |
| | ----- | ----- |
| | \$ 9,221,012 | \$ 9,227,557 |
| | ===== | ===== |

(*) \$.01 par value 20,000,000 shares authorized; 19,998,644 shares issued,

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15,610,463 shares outstanding

See notes to condensed consolidated financial statements.

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RANGER INDUSTRIES, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE ENTERPRISE)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

| | Three Months Ended | Six Months Ended | Three Months Ended | Six Months Ended |
|---|--------------------------|------------------------|--------------------------|------------------------|
| | June 30, 2002 | | June 30, 2001 | |
| Revenues | \$ -- | \$ -- | \$ -- | \$ -- |
| Operating costs and expenses: | | | | |
| Loss on investment in oil and gas activities | -- | -- | -- | -- |
| Administrative | 15,439 | 24,424 | 2,642 | 10,5 |
| Salaries and wages | 32,000 | 62,000 | 30,245 | 60,2 |
| Stock-based compensation | -- | -- | -- | -- |
| Consulting and professional fees | 23,504 | 44,983 | 42,789 | 150,2 |
| Total operating expenses | 70,943 | 131,407 | 75,676 | 220,9 |
| Other: | | | | |
| Interest expense, net of interest income | (49,651) | (98,396) | (42,794) | (4,3 |
| Other income (expense) | -- | -- | -- | -- |
| Loss before income taxes | (120,594) | (229,803) | (118,470) | 225,3 |
| Income tax expense | -- | -- | -- | -- |
| Minority interest in loss on joint venture | -- | -- | -- | -- |
| Net loss | (\$ 120,594) | (\$ 229,803) | (\$ 118,470) | (\$ 225,3 |
| Basic loss per share | (\$.01) | (\$.01) | (\$.01) | (\$. |
| Weighted average shares outstanding | 15,610,463 | 15,610,463 | 15,610,463 | 15,412,5 |

See notes to condensed consolidated financial statements.

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RANGER INDUSTRIES, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE ENTERPRISE)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

| | Six Months Ended June 30, | | From Ince (March 18, throu June 30, |
|---|------------------------------|--------------|--|
| | 2002 | 2001 | |
| Cash flows from operating activities: | | | |
| Net loss | (\$ 229,803) | (\$ 225,369) | (\$ 822 |
| Adjustments to reconcile net loss to net cash flows from operating activities: | | | |
| Stock-based compensation | -- | -- | 5 |
| Depreciation | 915 | -- | 2 |
| Minority interest in loss of joint venture | -- | -- | (12 |
| Change in assets and liabilities: | | | |
| Prepaid expenses and other assets | (26,690) | (44,454) | (14 |
| Accrued interest receivable | -- | (15,736) | 23 |
| Accounts payable and accrued expenses | (29,855) | (590,814) | (507 |
| Total adjustments | (55,630) | (651,004) | (502 |
| Net cash flows from operating activities | (285,433) | (876,373) | (1,325 |
| Cash flows from investing activities: | | | |
| Acquisition of marketable equity securities | (19,847) | -- | (32 |
| Acquisition of property and equipment | (2,742) | (8,236) | (10 |
| Advances to related parties | -- | (45,471) | |
| Acquisition of oil and gas properties | (53,488) | (380,183) | (496 |
| Cash acquired in business combination | -- | 10,233,478 | 10,233 |
| Deposits to restricted cash | -- | (8,626,188) | (8,500 |
| Net cash flows from investing activities | (76,077) | 1,173,400 | 1,193 |
| Cash flows from financing activities: | | | |
| Proceeds from notes payable | -- | 8,500,000 | 8,500 |
| Acquisition of treasury shares | -- | (8,776,362) | (8,776 |
| Repayment of related party debt | -- | (2,000) | |
| Advances from related party | 278,710 | -- | 426 |
| Net cash flows from financing activities | 278,710 | (278,362) | 150 |
| Net change in cash and cash equivalents | (82,800) | 18,665 | 18 |
| Cash and cash equivalents at beginning of period | 101,234 | 85 | |
| Cash and cash equivalents at end of period (exclusive of restricted cash of \$8,500,000) | \$ 18,434 | \$ 18,750 | \$ 18 |

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Supplemental disclosure of cash flow information:

| | | | |
|------------------------|------------|------------|--------|
| Cash paid for interest | \$ 314,075 | \$ 205,511 | \$ 800 |
| | ===== | ===== | ===== |

See notes to condensed consolidated financial statements.

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RANGER INDUSTRIES, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2002 AND 2001
AND FROM INCEPTION (MARCH 18, 1998) THROUGH JUNE 30, 2002
(UNAUDITED)

1. Nature of business, basis of presentation and summary of significant accounting policies:

Interim financial statements:

The interim financial statements of Ranger Industries, Inc. and Subsidiaries which are included herein are unaudited and have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB. In the opinion of management, these interim financial statements include all the necessary adjustments to fairly present the results of the interim periods, and all such adjustments are of a normal recurring nature. The interim results reflected in the accompanying financial statements are not necessarily indicative of the results of operations for a full fiscal year.

Nature of business and basis of presentation:

Bumgarner Enterprises, Inc. ("Bumgarner" or the "Company") was incorporated under the laws of the State of Florida in March 1998. There was no significant business activity from inception through October 2000. Since October 2000, the Company acquired assets in the oil and gas industry through joint venture investments and has subsequently pursued exploration and development of those and other similar properties.

In February 2001, Bumgarner merged with Ranger Industries, Inc.'s ("Ranger" or the "Registrant") subsidiary (BEI Acquisition Corporation) in consideration of Ranger's issuance of 14,720,000 shares for 100% of Bumgarner's issued and outstanding stock. This transaction was accounted for in accordance with reverse acquisition accounting principles as though it were a re-capitalization of Bumgarner and a sale of shares by Bumgarner in exchange for the net assets of Ranger. In February 2001, Bumgarner completed a tender offer for 4,225,000 shares of Ranger common stock at \$2.00 per share. Simultaneously, Bumgarner acquired an additional 163,181 shares pursuant to the terms of a related merger and acquisition agreement. The acquisition was financed through a bank loan in the amount of \$8,500,000, which is collateralized by an equivalent amount in cash and cash equivalents.

The accompanying statements of operations for the three and six months ended June 30, 2002 and 2001 include the results of operations and cash flows of Bumgarner for those periods and the results of operations and cash

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flows of Ranger from the date of acquisition (February 6, 2001) through June 30, 2001.

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RANGER INDUSTRIES, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2002 AND 2001
AND FROM INCEPTION (MARCH 18, 1998) THROUGH JUNE 30, 2002
(UNAUDITED)

2. Oil and gas properties:

Supplemental information with respect to oil and gas properties is as follows:

Capitalized costs relating to oil and gas exploration and development activities at June 30, 2002:

| | |
|--|-----------|
| Property acquisition exploration costs | \$115,724 |
| Development costs | 492,879 |
| | ----- |
| | \$608,603 |
| | ===== |

Costs incurred in oil and gas exploration and development activities for the six months ended June 30, 2002:

| | |
|-----------------------------|----------|
| Property acquisition costs: | |
| Proved | \$ 8,186 |
| Unproved | 850 |
| Exploration costs | 44,452 |
| Development costs | -- |
| | ----- |
| | \$53,488 |
| | ===== |

Note: Substantially all oil and gas costs incurred are attributable to the majority interest in the joint venture.

3. Related party transactions:

Other fees:

One of the partners in the Joint Ventures (Inter-Oil & Gas Group, Inc. - "Interoil") manages the joint ventures and is reimbursed for any costs it incurs in that regard. Total amounts due to Interoil and an officer of that Company aggregated \$68,126 at June 30, 2002, all of which were capitalized as investment in oil and gas properties and included in accounts payable in the accompanying June 2002 balance sheet. There were no payments in 2001.

In addition to the aforementioned fees, that same partner will earn \$25,000 as an operating fee in connection with the two initial wells to be drilled in Coal County and \$12,000 for the wells to be drilled in Okfuskee County.

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RANGER INDUSTRIES, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2002 AND 2001
AND FROM INCEPTION (MARCH 18, 1998) THROUGH JUNE 30, 2002
(UNAUDITED)

3. Related party transactions (continued):

Due to related parties:

Due to related parties represent unsecured advances from the President of the Company and entities affiliated through partial common ownership. These advances generally bear interest at 8% and mature December 31, 2003. Of these amounts \$90,469 which represents accrued payroll to the President of the Company, payment of which has been deferred to December 31, 2003. Interest expense on related party advances aggregated \$10,798 for the six months ended June 30, 2002.

4. Income taxes:

Income taxes consist of the following:

| | |
|---|-----------|
| Deferred tax benefit of operating loss carryforward | \$ 85,000 |
| Increase in valuation allowance | (85,000) |
| | ----- |
| Income tax expense | \$ -- |
| | ===== |

Income tax expense differs from that which would result from applying statutory tax rates to pre-tax loss due to the increase in the valuation allowance.

Deferred tax assets consist of the deferred tax benefit from the operating loss carryforward of \$321,000 reduced by a \$321,000 valuation allowance since management cannot presently determine that it is more likely than not that such deferred tax assets will be realized.

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

The following discussion should be read in conjunction with Item 1 above, and the Financial Statements, including the Notes thereto. The following discussion should also be read in conjunction with the financial statements and the Plan of Operations contained in the report on Form 10-KSB Ranger Industries, Inc. ("Ranger") filed with the Securities and Exchange Commission for the year ended December 31, 2001 (our "Annual Report"). Ranger has had no revenues from its primary business activities in either of its two most recent fiscal years or the subsequent fiscal quarter. Consequently Ranger is providing a Plan of Operations as required by Item 303(a) of Regulation S-B in lieu of a Management's Discussion and Analysis.

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Plan of Operations

Background. Prior to its acquisition of Bumgarner through a merger that occurred in February 2001, Ranger did not have any business activity. At the time of that merger, Ranger's financial resources were solely its cash on hand.

As described more completely in our Annual Report, Ranger's business activities changed in February 2001 when it acquired Bumgarner. Bumgarner had acquired a 74.415% interest in the Henryetta Joint Venture and in December 2001 commenced participation in the OK'ee Mac Joint Venture, in each case with the same affiliated company. In addition to its primary business activities, Ranger has engaged in consulting activities that resulted in revenues of \$150,000 in 2001 and no revenues during the first six months of 2002.

Anticipated Operations in 2002. Ranger's principal goal during 2002 is to provide the Joint Ventures with sufficient capital so that that can achieve their lease acquisition and drilling objectives. At June 30, 2002, however, Ranger has insufficient available working capital to accomplish these objectives, as described in the following table:

| | |
|-------------------------|--------------|
| Liquid Assets | \$ 34,884 |
| Restricted Cash | \$ 8,500,000 |
| Current Liabilities | \$ 127,584 |
| Working Capital Deficit | (\$ 23,591) |

Current liabilities include Ranger's obligation to Guaranty Bank & Trust Company of \$8,500,000 which becomes due on January 29, 2003. Ranger does have sufficient restricted cash pledged to repay the amount due to Guaranty Bank, but would prefer to find other sources to repay Guaranty Bank so that Ranger can use the restricted cash for its operations.

Ranger has generated losses since inception and has not yet generated revenues from its primary business activities. Currently management can control expenses and has drastically curtailed expenditures and drilling activities until such time as funding can be obtained. If Ranger does not achieve any funding, Ranger will only finance its administrative activities; Ranger believes it has adequate resources to fund administrative costs at these reduced levels at least through 2002, principally through related party borrowings. Ranger is actively seeking to acquire funding in excess of \$2,000,000 to permit the Company to actively resume development of oil and gas properties in Henryetta Joint Venture and to resume acquisition of leases and exploratory development operations with OK'ee Mac Joint Venture. Without that funding and successful drilling of one or more wells capable of producing oil and gas in commercial quantities, it is not likely that Ranger will be able to achieve a positive cash flow.

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Management is pursuing several opportunities for funding including several merger opportunities and lending arrangements, any one of which, if successful, can be expected to produce the cash required to undertake the drilling necessary to produce oil and gas from the proved reserves reflected in the geological surveys. In addition, management is actively involved in several business consulting opportunities which may yield revenues sufficient to support an increased level of operating costs in 2002. Although management believes it will be successful, there can be no assurances that the Company will achieve its objectives in these financing and consulting endeavors.

A promissory note exists within the consolidated group and funds transferred

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in payment of that obligation are used to fund the oil and gas investment. Management has obtained an extension of the maturity of the promissory note to the Henryetta Joint Venture to October 2003.

Ranger (including its wholly-owned subsidiary, Bumgarner) has no current plans to hire additional employees, and its only capital commitments are to complete its obligations under the promissory note to the Henryetta Joint Venture which will provide the funds to the Joint Venture necessary for its anticipated drilling operations.

Note of Caution Regarding Forward-looking Statements: This report on Form 10-QSB, including the information incorporated by reference herein, contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Certain statements contained in this report using the term "may", "expects to", and other terms denoting future possibilities, are forward looking statements. These statements include, but are not limited to, those statements relating to development of new products, the financial condition of Ranger (including its lack of working capital and negative cash flow). The accuracy of these statements cannot be guaranteed as they are subject to a variety of risks that are beyond Ranger's ability to predict or control and which may cause actual results to differ materially from the projections or estimates contained herein. The business and economic risks faced by Ranger and Ranger's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors as described herein.

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

There are no material pending legal or regulatory proceedings against Ranger, and it is not aware of any that are known to be contemplated.

Item 2. Changes in Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

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

No matter was submitted during the first quarter of the fiscal year covered by this report to a vote of security holders, through the solicitation of proxies or otherwise.

Item 5. Other Information.

None.

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ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

- 15. Letter from Aidman Piser & Company, P.A. dated August, 2002 on Interim Unaudited Financial Information
- 99. Officer Certification pursuant to Section 906 of the Sarbanes - Oxley Act of 2002

(b) Reports on Form 8-K:

8-K filed for extension of maturity of Henryetta Promissory note.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, Ranger Industries, Inc. has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: August 8, 2002

/s/ Charles G. Masters

Charles G. Masters, President,
Principal Executive Officer and
Principal Financial and
Accounting Officer

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