

Edgar Filing: RANGER INDUSTRIES INC - Form 10QSB

RANGER INDUSTRIES INC  
Form 10QSB  
May 15, 2003

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 March 31, 2003

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  
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RANGER INDUSTRIES, INC.

-----  
Exact name of Registrant as specified in its charter

Connecticut  
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06-0768904  
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State or other jurisdiction of  
incorporation or organization

I.R.S. Employer  
Identification No.

3400 82nd Way North, St. Petersburg, FL  
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33710  
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Address of principal executive offices

Zip Code

Registrant's telephone number, including area code: (727) 381-4904  
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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  
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The number of shares outstanding of each of the issuer's classes of common  
stock, as of May 15, 2003, 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

|   | March 31, 2003<br>(Unaudited) |
|---|-------------------------------|
|   | -----                         |
| Current assets:   |                               |
| Cash and cash equivalents   | \$ 787                        |
| Restricted cash and cash equivalents  | --                            |
| Marketable equity securities  | 1,052                         |
| Account receivable  | 50,000                        |
| Accrued interest receivable   | --                            |
|   | -----                         |
| Total current assets  | 51,839                        |
| Property and equipment, net of accumulated depreciation of \$4,300<br>in 2003 and \$3,752 in 2002 | 6,678                         |
| Investment in oil and gas properties  | 616,550                       |
|   | -----                         |
|   | \$ 675,067                    |
|   | =====                         |

LIABILITIES AND STOCKHOLDERS' EQUITY

|   |             |
|---|-------------|
| Current liabilities:  |             |
| Note payable, bank  | \$ --       |
| Accounts payable  | 30,902      |
| Due to related parties  | 86,275      |
| Accrued expenses  | 18,494      |
|   | -----       |
| Total current liabilities   | 135,671     |
| Other liabilities   | 100,000     |
| Due to related parties  | 654,430     |
|   | -----       |
|   | 890,101     |
|   | -----       |
| Minority interest   | --          |
|   | -----       |
| Stockholders' equity:   |             |
| Common stock, \$.01 par value, 20,000,000 shares authorized;<br>19,998,644 shares issued; 15,610,463 shares outstanding | 199,986     |
| Additional paid-in-capital  | 9,487,981   |
| Deficit accumulated during development stage  | (1,126,427) |
| Less treasury stock (4,388,181 shares at cost)  | (8,776,362) |
| Other comprehensive income  | (212)       |
|   | -----       |
|   | (215,034)   |
|   | -----       |

\$ 675,067

=====

See notes to condensed consolidated financial statements

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

|  | Three Months<br>Ended March 31, |            |
|--|---------------------------------|------------|
|  | 2003                            | 2002       |
| Consulting income                            | \$ 50,000                       | \$ --      |
| Operating costs and expenses                 |                                 |            |
| Loss on investment in oil and gas activities | --                              | --         |
| Administrative                               | 7,412                           | 8,985      |
| Salaries and wages                           | 30,000                          | 30,000     |
| Stock-based compensation                     | --                              | --         |
| Legal and professional fees                  | 20,582                          | 21,479     |
|  | -----                           | -----      |
|  | 57,994                          | 60,464     |
|  | -----                           | -----      |
| Other income and (expenses):                 |                                 |            |
| Interest income                              | 35,979                          | 92,698     |
| Interest expense                             | (68,770)                        | (141,443)  |
| Gain on extinguishment of debt               | --                              | --         |
| Other income                                 | 7,546                           | --         |
| Other expense                                | (156)                           | --         |
|  | -----                           | -----      |
|  | (25,401)                        | (48,745)   |
|  | -----                           | -----      |
| Loss before income taxes                     | (33,395)                        | (109,209)  |
| Income taxes                                 | --                              | --         |
| Minority interest in loss of joint venture   | --                              | --         |
|  | -----                           | -----      |
| Net loss                                     | (33,395)                        | (109,209)  |
|  | -----                           | -----      |
| Basic loss per share                         | (\$ .002)                       | (\$ .01)   |
|  | =====                           | =====      |
| Weighted average shares outstanding          | 15,610,463                      | 15,610,463 |
|  | =====                           | =====      |

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See notes to condensed consolidated financial statements.

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

|  | Three Months<br>Ended March 31, |              |
|--|---------------------------------|--------------|
|  | 2003                            | 2002         |
|  | -----                           | -----        |
| Cash flows from operating activities:  |                                 |              |
| Net loss   | (\$ 33,395)                     | (\$ 109,209) |
|  | -----                           | -----        |
| Adjustments to reconcile net loss to net cash flows from operating activities: |                                 |              |
| Gain on extinguishment of debt   | --                              | --           |
| Loss on sale of marketable equity securities                                   | 156                             | --           |
| Stock-based compensation   | --                              | --           |
| Depreciation   | 549                             | 458          |
| Minority interest in loss of joint venture                                     | --                              | --           |
| Change in assets and liabilities:  |                                 |              |
| Account receivable   | (50,000)                        | --           |
| Prepaid expenses and other assets  | --                              | (25,000)     |
| Accrued interest receivable  | 17,419                          | --           |
| Accounts payable and accrued expenses  | (40,099)                        | (30,788)     |
|  | -----                           | -----        |
| Total adjustments  | (71,975)                        | (55,330)     |
|  | -----                           | -----        |
| Net cash flows from operating activities                                       | (105,370)                       | (164,539)    |
|  | -----                           | -----        |
| Cash flows from investing activities:  |                                 |              |
| Purchase of marketable equity securities                                       | (7,638)                         | (25,000)     |
| Proceeds from sale of marketable equity securities                             | 7,741                           | --           |
| Acquisition of property and equipment  | --                              | (2,742)      |
| Acquisition of oil and gas properties  | --                              | (34,367)     |
| Cash acquired in business combination  | --                              | --           |
| Purchase of restricted certificate of deposit                                  | --                              | --           |
| Proceeds from restricted certificate of deposit                                | 8,500,000                       | --           |
|  | -----                           | -----        |
| Net cash flows from investing activities                                       | 8,500,103                       | (62,109)     |
|  | -----                           | -----        |
| Cash flows from financing activities:  |                                 |              |
| Proceeds from issuance of stock  | --                              | --           |
| Proceeds from note payable, bank   | --                              | --           |
| Payment of note payable, bank  | (8,500,000)                     | --           |
| Acquisition of treasury shares   | --                              | --           |
| Advances from related party  | 57,473                          | 137,031      |
|  | -----                           | -----        |
| Net cash flows from financing activities                                       | (8,442,527)                     | 137,031      |
|  | -----                           | -----        |
| Net increase in cash and cash equivalents                                      | (47,794)                        | (89,617)     |
| Cash and cash equivalents at beginning of period                               | 48,581                          | 101,234      |
|  | -----                           | -----        |

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|   |            |            |
|---|------------|------------|
| Cash and cash equivalents at end of period        | \$ 787     | \$ 11,617  |
|   | =====      | =====      |
| Supplemental disclosure of cash flow information: |            |            |
| Cash paid for interest                            | \$ 117,867 | \$ 136,000 |
|   | =====      | =====      |

See notes to condensed consolidated financial statements.

RANGER INDUSTRIES, INC. AND SUBSIDIARIES  
(A DEVELOPMENT STAGE ENTERPRISE)  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2003 AND 2002  
AND FROM INCEPTION (MARCH 18, 1998) THROUGH MARCH 31, 2003  
(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 accounting principles generally accepted in the United States of America 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 has been no significant business activity since 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

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cash equivalents.

RANGER INDUSTRIES, INC. AND SUBSIDIARIES  
(A DEVELOPMENT STAGE ENTERPRISE)  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2002 AND 2001  
AND FROM INCEPTION (MARCH 18, 1998) THROUGH MARCH 31, 2002  
(UNAUDITED)

2. Related party transactions:

Due to related parties:

Due to related parties represent unsecured advances from the President of the Company and entities affiliated through partial common ownership or control. These advances generally bear interest at 8% and mature December 31, 2004. Of these amounts \$136,275 represent accrued payroll to the President as of March 31, 2003. Payment of \$50,000 of the accrued payroll has been deferred to December 31, 2004 with the remainder of \$86,275 due on demand. Interest expense on these related party advances aggregated approximately \$12,000 and \$4,000 for the three months ended March 31, 2003 and 2002, respectively.

3. Income taxes:

Income tax expense consists of the following:

|                                 | 2003      | 2002      |
|---------------------------------|-----------|-----------|
|                                 | -----     | -----     |
| Deferred tax benefit of         |           |           |
| operating loss carryforward     | \$ 13,000 | \$ 38,000 |
| Increase in valuation allowance | ( 13,000) | ( 38,000) |
|                                 | -----     | -----     |
| 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 \$426,000, reduced by a \$426,000 valuation allowance since management cannot presently determine that it is more likely than not that such deferred tax assets will be realized. Net operating loss carryforwards of approximately \$1,100,000 expire 2020 through 2023.

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

The following discussion should be read in conjunction with Item 1 above,

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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, 2002 (our "Annual Report"). Ranger has had no revenues from its primary business activities in its two most recent fiscal years or the subsequent 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.

### 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, no revenues during 2002 and \$50,000 in the three months ended March 31, 2003.

Anticipated Operations in 2003. Ranger's principal goal during 2003 is to provide the Joint Ventures with sufficient capital so that they can achieve their lease acquisition and drilling objectives. At March 31, 2003, however, Ranger has insufficient available working capital to accomplish these objectives, as described in the following table:

|                         |     |         |
|-------------------------|-----|---------|
| Liquid Assets           | \$  | 787     |
| Current Assets          | \$  | 51,839  |
| Current Liabilities     | \$  | 135,682 |
| Working Capital Deficit | (\$ | 83,843) |

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 June 2004, principally through related party borrowings. The Company paid the \$8,500,000 note payable in February 2003 and consequently will reduce future net interest expense by approximately \$180,000 in 2003. 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. Ranger is also exploring the acquisition of producing oil and gas properties to provide positive cash flow.

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Without funding and successful drilling of one or more wells capable of producing oil and gas in commercial quantities or the acquisition of producing wells, it is not likely that Ranger will be able to achieve a positive cash flow.

Ranger did perform a consulting engagement for an unaffiliated party in the first quarter of 2003 and earned a fee of \$50,000. As an interim measure, pending adequate financing to pursue our contemplated oil and gas activities, we may seek and perform additional consulting activities.

Based on its engineering analysis of geological data, Ranger believes that, through the Henryetta and OK'ee Mac Joint Ventures, it has oil and gas resources that merit the expenditures planned by the Company for development of these properties. Ranger notes that its director who was operating the Henryetta and OK'ee Mac Joint Ventures passed away following the end of the first quarter. Although we do not expect that this will have a negative impact on our ability to realize value from these properties should we obtain adequate financing to do so, we are still attempting to analyze the impact of Mr. Shults' death on our prospective operations.

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 2003. 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.

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.

### Item 3. CONTROLS AND PROCEDURES

As required by Rule 13a-15 under the Securities Exchange Act of 1934, within the 90 days prior to the filing date of this report, the company carried out an evaluation of the effectiveness of the design and operation of the company's disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of the Company's management, the person serving as the Company's Chairman/Chief Executive Officer/Principal Financial and Accounting Officer, who concluded that the Company's disclosure controls and procedures are effective. There have been no significant changes in the Company's internal controls or in other factors, which could significantly affect internal controls subsequent to the date the



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Company carried out its evaluation.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in the Company reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in Company reports filed under the Exchange Act is accumulated and communicated to management, including the Company's Chief Executive Officer/Principal Financial Officer as appropriate, to allow timely decisions regarding required disclosure.

### PART II - OTHER INFORMATION

Item 1. Legal Proceedings.  
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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.  
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None.

Item 3. Defaults Upon Senior Securities.  
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None.

Item 4. Submission of Matters to a Vote of Security Holders.  
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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.  
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Henry Shults, a director of Ranger and is the principal owner of Inter-Oil & Gas Group, Inc., the manager and second largest equity owner of both the Henryetta Joint Venture and the OK'ee Mac Joint Venture, died in April 2003. The board of directors of Ranger has not yet replaced Mr. Shults' vacancy. The board of directors does not believe that Mr. Shults death will have a significant impact on Ranger's relationship with Inter-Oil & Gas Group, Inc. or Ranger's ability to develop the properties held by either joint venture when Ranger is able to provide the necessary funding.

Item 6. Exhibits and Reports on Form 8-K  
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(a) Exhibits:

- 15. Letter from Aidman Piser & Company, P.A. dated May 15, 2003 on Interim Unaudited Financial Information
- 99.1 Certification by Chief Executive and Principal Financial Officer pursuant to 18 U.S.C. Section 1350.

(b) Reports on Form 8-K: none

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: May 15, 2003

/s/ Charles G. Masters

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

CERTIFICATIONS

I, Charles G. Masters, certify that:

- 1. I have reviewed this quarterly report on Form 10-QSB of RANGER INDUSTRIES, INC.;
- 2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
- 4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and I have:
  - (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant is made known to us by others, particularly during the period in which this quarterly report is being prepared;

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- (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the Evaluation Date); and
  - (c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions);
- (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 15, 2003

/s/ Charles G. Masters

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