RANGER INDUSTRIES INC
Form 10QSB
November 15, 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 September 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	06-0768904
State or other jurisdiction of incorporation or organization	I.R.S. Employer Identification No.
3400 82nd Way North, St. Petersburg, FL	33710
Address of principal executive offices	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 November 8, 2002, were 15,610,463 shares, $0.01 par value.

RANGER INDUSTRIES, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE ENTERPRISE)

CONDENSED CONSOLIDATED BALANCE SHEETS

PART I. FINANCIAL INFORMATION

ASSETS

	September 30, 2002 (Unaudited)	December 31, 2001
Current assets:		
Cash and cash equivalents	$ 18,220	$ 101,234
Restricted certificate of deposit	8,500,000	--
Marketable equity securities	--	22,200
Prepaid expenses and other current assets	68,060	25,000
Accrued interest receivable	17,419	17,419
Total current assets	8,603,699	165,853
Property and equipment, net	7,776	6,589
Restricted certificate of deposit	--	8,500,000
Investment in oil and gas properties	614,578	555,115
	$ 9,226,053	$ 9,227,557

LIABILITIES AND STOCKHOLDERS' EQUITY

	September 30, 2002 (Unaudited)	December 31, 2001
Current liabilities:		
Note payable, bank	$ 8,500,000	$ --
Accounts payable	123,172	154,417
Due to related parties	--	9,886
Accrued expenses, other	11,602	3,022
Total current liabilities	8,634,774	167,325
Note payable, bank	--	8,500,000
Other liabilities	100,000	100,000
Due to related parties	580,255	198,449
Total liabilities	9,315,029	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	(1,001,283)	(659,522)
Less treasury stock (4,388,181 shares at cost)	(8,776,362)	(8,776,362)
Other comprehensive income	702	9,700
	(88,976)	261,783
	$ 9,226,053	$ 9,227,557

(*) $.01 par value 20,000,000 shares authorized; 19,998,644 shares issued, 15,610,463 shares outstanding

See notes to condensed consolidated financial statements.

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

	Three Months Ended	Nine Months Ended	Three Months Ended	Nine Months Ended
	September 30, 2002		September 30, 2001	
Revenues	$ --	$ --	$ --	$ --
Operating expenses:				
Loss on investment in oil and gas activities	--	--	--	--
Administrative	4,087	28,511	4,756	15,280
Salaries and wages	28,000	90,000	31,700	91,945
Stock-based compensation	--	--	--	--
Consulting and professional fees	1,121	46,104	12,525	162,728
Total operating expenses	33,208	164,615	48,981	269,953
Net operating loss	(33,208)	(164,615)	(48,981)	(269,953
Interest expense, net of interest income	(54,057)	(152,453)	(71,896)	(76,292
Other expense	--	--	--	--
Loss on sales of marketable equity securities	(24,693)	(24,693)	--	--
Loss before income taxes	(111,958)	(341,761)	(120,877)	(346,245
Income taxes:				
Current	--	--	--	--
Deferred	--	--	--	--
Minority interest in loss of joint venture	--	--	--	--
Net loss	($ 111,958)	($ 341,761)	($ 120,877)	($ 346,245
Net loss per share	($ .01)	($ .02)	($ .01)	($ .02
Weighted average shares outstanding, basic and diluted	15,610,463	15,610,463	15,610,463	15,464,751

See notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30, 2002	Nine Months Ended September 30, 2001	From Incep (March 18, through Sept. 30,
Cash flows from operating activities:			
Net loss	($ 341,761)	($ 346,245)	($ 1,001,
Adjustments to reconcile net loss to net cash flows from operating activities:			
Stock-based compensation	--	--	19,
Depreciation	1,555	--	3,
Loss on sale of marketable equity securities	24,693	--	24,
Minority interest in loss of joint venture	--	--	(12,
Change in assets and liabilities:			
Prepaid expenses and other assets	(43,060)	11,395	(33,
Accrued interest receivable	--	(14,345)	23,
Accounts payable and accrued expenses	(22,666)	(539,220)	(448,
Total adjustments	(39,478)	(542,170)	(421,
Net cash flows from operating activities	(381,239)	(888,415)	(1,423,
Cash flows from investing activities:			
Purchase of marketable equity securities	(225,033)	--	(249,
Acquisition of property and equipment	(2,742)	(8,236)	(10,
Proceeds from sale of marketable equity securities	213,542	--	213,
Acquisition of oil and gas properties	(59,462)	(513,781)	(502,
Cash acquired in business combination	--	10,233,478	10,233,
Purchases of restricted certificate of deposit	--	(8,556,000)	(8,500,
Net cash flows from investing activities	(73,695)	1,155,461	1,184,
Cash flows from financing activities:			
Proceeds from issuance of stock	--	--	
Proceeds from notes payable	--	8,500,000	8,500,
Acquisition of treasury shares		(8,776,362)	(8,776,
Advances from related parties	371,920	31,646	521,
Repayment of related party debt	--	(2,000)	-
Net cash flows from financing activities	371,920	(246,716)	245,
Net change in cash	(83,014)	20,330	6,
Cash at beginning of period	101,234	85	-
Cash at end of period (exclusive of restricted cash of $8,500,000)	$ 18,220	$ 20,415	$ 6,

Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 414,080	$ 344,673	$ 900,

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 NINE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001
AND FROM INCEPTION (MARCH 18, 1998) THROUGH SEPTEMBER 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. In October 2000, the Company acquired assets in the oil and gas industry through a joint venture investment 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 nine months ended September 30, 2002 and 2001 include the results of operations and cash flows of Bumgarner for those periods and the results of operations and cash flows of Ranger from the date of acquisitions (February 6, 2001) through September 30, 2002.

RANGER INDUSTRIES, INC. AND SUBSIDIARIES
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(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 September 30, 2002:

Property acquisition exploration costs	$120,824
Development costs	493,754
	$614,578

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

Property acquisition costs:	
Proved	$13,286
Unproved	850
Exploration costs	--
Development costs	45,326
	$59,462

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

3. Related party transactions:

Due to related parties:

Due to related parties represents 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, 2003. Of these amounts, $95,534 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 $19,337 for the nine months ended September 30, 2002.

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

(UNAUDITED)

3. Related party transactions (continued):

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 September 30, 2002, all of which were capitalized as investment in oil and gas properties and included in accounts payable in the accompanying September 30, 2002 balance sheet. There were no payments in 2001.

4. Income taxes:

Income taxes consist of the following:

Deferred tax benefit of operating loss carryforward	$ 128,000
Increase in valuation allowance	(128,000)
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 approximately $580,000, reduced by a $580,000 valuation allowance since management cannot presently determine that it is more likely than not that such deferred tax assets will be realized. The operating loss carryfoward will expire from 2019 through 2022.

5. Recent accounting pronouncements:

In April 2002, the FASB issued SFAS No. 145 covering, among other things, the recession of SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt." Under SFAS No. 4, all gains and losses from the extinguishment of debt were required to be aggregated and, if material, classified as an extraordinary item in the statement of operations. By rescinding SFAS 4, SFAS No. 145 eliminates the requirement for treatment of extinguishments as extraordinary items. The new standard is effective for companies with fiscal years beginning after May 15, 2002, however, early application of the provision is encouraged. At this time, the Company does not believe that this new standard will have a material effect on its financial statements.

5. Recent accounting pronouncements (continued):

In July 2002, the FASB issued SFAS No. 146, "Accounting Costs Associated with Exit of Disposal Activates". SFAS No. 146 covers a wide range of exit and disposal activities, including restructurings planned and controlled by management that materially change the scope of the business undertaken by an enterprise and disposal activities such as costs of terminating certain contracts, costs of consolidating facilities and some types of termination benefits provided to employees. SFAS 146 will be effective for exit and disposal activities initiated after December 31, 2002. At this time, the Company does not believe that this new standard will have a material effect on its financial statements.

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 its two most recent fiscal years or the subsequent three fiscal quarters. 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 and no revenues during the first nine months of 2002.

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

Liquid Assets	$ 6,370
Restricted Cash	$ 8,500,000
Current Liabilities	$ 8,634,774
Working Capital Deficit	($ 31,075)

Current liabilities include Ranger's obligation to Guaranty Bank & Trust Company of $8,500,000 which matures 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.

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.

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 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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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 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.

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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.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

15. Letter from Aidman Piser & Company, P.A. dated November 8, 2002 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: November 8, 2002

/s/ Charles G. Masters

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;
(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: November 8, 2002

/s/ Charles G. Masters

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