RANGER INDUSTRIES INC
Form 10QSB
August 14, 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 June 30, 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

RANGER INDUSTRIES, INC.

Exact name of Small Business Issuer 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

Small Business Issuer'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 8, 2003, 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

	June 30, 2003 (Unaudited)
Current assets:	
Cash and cash equivalents	$ 2,746
Restricted cash and cash equivalents	--
Marketable equity securities	1,355
Account receivable	30,000
Accrued interest receivable	--
Other current assets	4,873
Total current assets	38,974
Property and equipment, net of accumulated depreciation of $4,849 in 2003 and $3,752 in 2002	6,129
Investment in oil and gas properties	616,550
	$ 661,653

LIABILITES AND STOCKHOLDERS' EQUITY

Current liabilities:	
Note payable, bank	$ --
Accounts payable	37,052
Accrued expenses	31,263
Due to related parties	107,558
Total current liabilities	175,873
Other liabilities	100,000
Due to related parties	671,335
	947,208
Minority interest	--
Stockholders' equity:	
Common stock, $.01 par value, 20,000,000 shares authorized; 19,998,644 shares issued; 15,610,463 shares outstanding	199,986
Additional paid-in-capital	9,487,981
Deficit accumulated during development stage	(1,197,253)
Less treasury stock (4,388,181 shares at cost)	(8,776,362)

Other comprehensive income	93
	(285,555)
	$ 661,653

See notes to condensed consolidated financial statements.

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

	Three Months Ended	Six Months Ended	Three Months Ended	
	June 30, 2003		June 30, 200	
Revenues	$ --	$ 50,000	$ --	$
Operating costs and expenses:				
Loss on investment in oil and gas activities	--	--	--	
Administrative	15,576	22,988	15,439	
Salaries and wages	30,000	60,000	32,000	
Stock-based compensation	--	--	--	
Consulting and professional fees	13,234	33,816	23,504	
Total operating expenses	58,810	116,804	70,943	
Other income and (expense):				
Interest income	10,850	46,829	119,104	
Interest expense	(22,756)	(91,526)	--	
Other income (expense)	(110)	7,280	(168,755)	
Gain on extinguishment of debt	--	--	--	
	(12,016)	(37,417)	(49,651)	
Loss before income taxes	(70,826)	(104,221)	(120,594)	
Income tax expense	--	--	--	
Minority interest in loss on joint venture	--	--	--	
Net loss	($ 70,826)	($ 104,221)	($ 120,594)	($

Basic and diluted loss per share	($ .005)	($ .007)	($ .008)	($
Weighted average shares outstanding, basic and diluted	15,610,463	15,610,463	15,610,463	

See notes to condensed consolidated financial statements.

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

	Six Months Ended June 30,	
	2003	2002
Cash flows from operating activities:		
Net loss	($ 104,221)	($ 229,803
Adjustments to reconcile net loss to net cash flows from operating activities:		
Gain on extinguishment of debt	--	--
Loss on sale of marketable equity securities	266	--
Stock-based compensation	--	--
Depreciation	1,098	915
Minority interest in loss of joint venture	--	--
Change in assets and liabilities:		
Account receivable	(30,000)	--
Prepaid expenses	(1,391)	(26,690
Accrued interest receivable	17,419	--
Accounts payable and accrued expenses	(21,182)	(29,855
Total adjustments	(33,790)	(55,630
Net cash flows from operating activities	(138,011)	(85,433
Cash flows from investing activities:		
Acquisition of marketable equity securities	(8,235)	(19,847
Proceeds from sale of marketable equity securities	8,232	--
Acquisition of property and equipment	(3,482)	(2,742
Acquisition of oil and gas properties	--	(53,488
Cash acquired in business combination	--	--
Proceeds from restricted certificate of deposit	8,500,000	--
Purchase of restricted certificate deposit	--	--
Net cash flows from investing activities	8,496,515	(76,077
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	95,661	278,710
Net cash flows from financing activities	(8,404,339)	278,710
Net change in cash and cash equivalents	(45,835)	(82,800
Cash and cash equivalents at beginning of period	48,581	101,234
Cash and cash equivalents at end of period	$ 2,746	$ 18,434
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 117,867	$ 314,075

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, 2003 AND 2002
AND FROM INCEPTION (MARCH 18, 1998) THROUGH JUNE 30, 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 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") 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 was collateralized by an equivalent amount in cash and cash equivalents.

In May 2003, the Company incorporated Ranger Oil & Gas AR, Inc. ("Ranger O&G"), a wholly-owned subsidiary, whose primary purpose is oil and gas exploration, development, and production in Arkansas. Ranger O&G is currently inactive.

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

Recent accounting pronouncements:

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. The statement amends and clarifies accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. This statement is designed to improve financial reporting such that contracts with comparable characteristics are accounted for similarly. The statement, which is generally effective for contracts entered into or modified after June 30, 2003, is not anticipated to have a significant effect on the Company's financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity. This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. This statement is effective for financial instruments entered into or modified after May 31, 2003, and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. The Company currently has no such financial instruments outstanding or under consideration and therefore adoption of this standard currently has no financial reporting implications.

In January 2003, the FASB issued FASB Interpretation No. 46, Consolidation of Valuable Interest Entities. This interpretation clarifies rules relating to consolidation where entities are controlled by means other than a majority voting interest and instances in which equity investors do not bear the residual economic risks. This interpretation is effective immediately for variable interest entities created after January 31, 2003 and for interim periods beginning after June 15, 2003 for interests acquired prior to February 1, 2003. The Company currently has no ownership in variable interest entities and therefore adoption of this standard currently has no financial reporting implications.

RANGER INDUSTRIES, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2003 AND 2002
AND FROM INCEPTION (MARCH 18, 1998) THROUGH JUNE 30, 2003
(UNAUDITED)

2. Related party transactions:

Due to related parties:

Due to related parties of $107,558 and $671,335, current and long-term respectively, 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. Interest expense on these related party advances aggregated approximately $23,500 and $11,000 for the six months ended June 30, 2003 and 2002, respectively. Of these amounts, $157,558 represents accrued payroll to the President as of June 30, 2003. Payment of $50,000 of the accrued payroll has been deferred to December 31, 2004 with the remainder of $107,558 due on demand.

3. Income taxes:

Income tax expense consists of the following for the six months ended June 30:

	2003	2002
Deferred tax benefit of operating loss carryforward	$ 40,000	$ 85,000
Increase in valuation allowance	(40,000)	(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 $450,000 reduced by a $450,000 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 $1,200,000 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, 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 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.

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 for the six months ended June 30, 2003.

In May 2003, the Company incorporated Ranger Oil & Gas AR, Inc. ("Ranger O&G"), a wholly-owned subsidiary whose primary purpose is oil and gas exploration, development and production in Arkansas. Ranger O&G is currently inactive.

Anticipated Operations in 2003. Ranger's principal goal during 2003 is to provide the Joint Ventures and Ranger O&G with sufficient capital so that they can achieve their lease acquisition and drilling objectives. At June 30, 2003, however, Ranger has insufficient available working capital to accomplish these objectives, as described in the following table:

Liquid Assets	$ 2,746
Current Assets	$ 38,974
Current Liabilities	$175,873
Working Capital Deficit	($136,899)

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 July 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. 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 positive cash flow. As described in previous reports, the Company has been seeking such funding for more than a year, and there can be no assurance that the Company will be able to obtain any such funding on reasonable terms, if at all.

Ranger performed 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. Shultz' 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 has not been successful in completing any of these activities to date, management continues to believe 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(e) under the Securities Exchange Act of 1934, as of the end of the period covered by the 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.

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 or second quarters 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 August 8, 2003 on Interim Unaudited Financial Information

31. Certification Pursuant To Sarbanes-Oxley Section 302

32. Certification Pursuant To 18 U.S.C. Section 1350 (*)

* A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

(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: August 8, 2003

/s/ Charles G. Masters

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