

CROFF ENTERPRISES INC
Form 10-Q
April 29, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2009

or

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

Commission File Number: 000-16731

CROFF ENTERPRISES, INC.
(Exact name of registrant as specified in its charter)

Utah
(State or other jurisdiction of incorporation or organization)

87-0233535
(I.R.S. Employer Identification No.)

9903 Santa Monica Blvd, Suite 287, Beverly Hills,
California
(Address of principal executive offices)

90212
(Zip Code)

(818) 735-0050
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant has been required to submit and post such files). YES NO

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by checkmark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). YES NO

As of April 28, 2009, the registrant had outstanding 1,018,099 shares of its \$.10 par value common stock (its only class of common stock).

CROFF ENTERPRISES, INC.

INDEX TO INFORMATION INCLUDED IN THE QUARTERLY REPORT ON FORM 10-Q
FOR THE THREE MONTHS ENDED MARCH 31, 2009

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NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report on Form 10-Q and other reports filed by Croff Enterprises, Inc. ("Croff" or the "Company") from time-to-time with the Securities and Exchange Commission (collectively the "Filings") contain forward-looking statements and information that are based upon beliefs of, and information currently available to, the Company's management, as well as estimates and assumptions made by the Company's management. When used in the Filings, the words "anticipate", "believe", "estimate", "expect", "future", "intend", "plan" or the negative of those terms and similar expressions as they relate to the Company or the Company's management identify forward-looking statements. Such statements reflect the current view of the Company with respect to future events and are subject to risks, uncertainties, assumptions and other factors relating to the Company's industry, operations and results of operations and any businesses that may be acquired by the Company. Should one or more of those risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may differ significantly from those anticipated, believed, estimated, expected, intended or planned.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The financial statements included herein have been prepared in conformity with generally accepted accounting principles. The statements are unaudited but reflect all adjustments, which, in the opinion of management, are necessary to fairly present the Company's financial position and results of operations. All such adjustments are of a normal recurring nature.

(The financial statements commence on the following page.)

CROFF ENTERPRISES, INC.

CONDENSED BALANCE SHEETS

	March 31, 2009 (Unaudited)	December 31, 2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 27,953	\$ 54,419
TOTAL CURRENT ASSETS	27,953	54,419
TOTAL ASSETS	\$ 27,953	54,419
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Accounts payable	\$ 6,213	\$ 3,646
Dividends payable	32,076	32,076
TOTAL LIABILITIES	38,289	35,722
STOCKHOLDERS' EQUITY		
Class A Preferred stock; no par value		
Authorized – 10,000,000 shares		
Issued and outstanding – 0 shares		
	-	-
Common stock, par value \$0.10 per share		
Authorized – 50,000,000 shares; 1,017,573 issued and outstanding	101,757	101,757
Additional paid-in capital	495,558	495,558
Retained (deficit) earnings	(607,651)	(578,618)
TOTAL STOCKHOLDERS' EQUITY	(10,336)	18,697
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 27,953	\$ 54,419

The accompanying notes are an integral part of the financial statements

CROFF ENTERPRISES, INC.
CONDENSED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008
(UNAUDITED)

	2009	2008
EXPENSES		
General and administrative	\$ 29,033	\$ 35,122
Consulting fees, non-cash compensation	-	-
TOTAL EXPENSES	29,033	35,122
(LOSS) FROM OPERATIONS	(29,033)	(35,122)
OTHER INCOME (EXPENSE)		
Interest income	-	2,441
OTHER INCOME (EXPENSE)	-	2,441
(LOSS) FROM BEFORE INCOME TAXES	(29,033)	(32,681)
Provision for income taxes	-	-
NET (LOSS)	\$ (29,033)	\$ (32,681)
NET (LOSS) INCOME PER COMMON SHARE		
Basic and diluted:	\$ (0.03)	\$ (0.06)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		
Basic and diluted	1,107,573	521,979

The accompanying notes are an integral part of the financial statements

CROFF ENTERPRISES, INC.
 CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY
 FOR THE THREE MONTHS ENDED MARCH 31, 2009
 (UNAUDITED)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Deficit	Total
Balance, December 31, 2008	1,107,573	\$ 101,757	\$ 495,558	\$ (578,618)	\$ 18,697
Net (loss) for the three months Ended March 31, 2009	-	-	-	(29,033)	(29,033)
Balance, March 31, 2009	1,107,573	\$ 101,757	\$ 495,558	\$ (607,651)	\$ (10,336)

The accompanying notes are an integral part of the financial statements

CROFF ENTERPRISES, INC.
 CONDENSED STATEMENTS OF CASH FLOWS
 FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008
 (UNAUDITED)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) from continuing operations	\$ (29,033)	\$ (32,682)
Adjustments to reconcile net (loss) to net cash (used) by operating activities:		
Changes in operating assets and liabilities:		
Accounts receivable	-	18,556
Accounts payable	2,567	8,341
Accrued liabilities	-	(2,055)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(26,466)	(7,840)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchase of treasury stock	-	(39,810)
NET CASH (USED) BY FINANCING ACTIVITIES	-	(39,810)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(26,466)	(47,650)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	54,419	408,634
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	\$ 27,953	\$ 360,984

The accompanying notes are an integral part of the financial statements

CROFF ENTERPRISES, INC.
CONDENSED NOTES TO FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2009
(UNAUDITED)

1. ORGANIZATION AND NATURE OF BUSINESS

Croff Enterprises, Inc. (“Croff” or the “Company”) was incorporated in Utah in 1907. Due to the Spin-Off (as described below), the Company currently has no business operations or revenue source and has reduced its operations to a minimal level (although it continues to file reports required under the Securities Exchange Act of 1934). As a result, the Company is a “shell company” under the rules of the Securities and Exchange Commission (the “SEC”). During that period, it is expected that the Company’s management will seek opportunities for a merger or other business combination with a privately-held operating company (on terms that may or may not be favorable to the Company's existing shareholders). Should the Company exhaust its available funds before a merger or other business combination is completed and be unable to obtain additional funds from the sale of debt or equity securities and/or other financing sources (again on terms that may or may not be favorable to the Company's existing shareholders), it is expected that the Company will be required to discontinue operations entirely, seek protection under federal bankruptcy laws, or both.

Restructure of Operations.

In December 2007, Croff spun-off its oil and gas assets, related bank accounts, and all related assets and liabilities to a new wholly-owned subsidiary named Croff Oil Company, Inc. (the “Spin-Off”). All shares of Croff Oil Company, Inc. were then exchanged for Croff’s outstanding Series B preferred shares and the Series B preferred shares were then cancelled. All of Croff’s oil and gas assets, including perpetual mineral interests, had been pledged to its Series B preferred shareholders at the creation of the Series B preferred class in 1996. All shareholders of Croff at the date of issuance in 1996 were given an equivalent number of shares of Series B preferred stock, while keeping their common stock.

The Spin-Off occurred approximately three years after Croff’s Board of Directors had determined to review its strategic alternatives with a view to obtain more liquidity for the Company’s two classes of stock and to increase the value to its shareholders. In the first quarter of 2005, the Board believed the combined value of \$2.30 for a common share plus a Series B preferred share did not reflect the total value of the Company. Therefore, in the fourth quarter of 2007 the Board of Directors set the value of a combined Series B preferred share and a common share at \$5.25, allowing shareholders to receive this cash buyout. Under the Utah Dissenting Shareholder’s Rights Act, Croff’s common and Series B preferred shareholders had the option to receive cash from the Company in exchange for their shares. Common shares were redeemed at \$1.00 per share and Series B preferred shares were redeemed at \$4.25 per share. If a shareholder did not approve of the price, the shareholder was able to propose a different price with justification. Pursuant to the buyout, 24,030 common shares of Croff were redeemed at \$1.00 per share, and an additional 10,415 common shares were redeemed at various prices from \$1.00 to \$2.70. In addition, 35,930 shares of Series B preferred stock were redeemed, all for the \$4.25 per share price. As a result of shareholders exercising their rights, the number of outstanding preferred shares was reduced from 551,244 to -0- by December 31, 2007.

Going Concern.

As shown in the accompanying financial statements, the Company has incurred a net operating loss of \$(29,033) during the three months ended March 31, 2009.

The Company is subject to those risks associated with shell companies. The Company has sustained losses since the Spin-Off and additional debt and equity financing will be required by the Company to fund its activities and to support operations. However, there is no assurance that the Company will be able to obtain additional financing.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview.

Croff Enterprises, Inc. ("Croff" or the "Company") was incorporated in Utah in 1907. Due to the Spin-Off (as described below), the Company currently has no business operations or revenue source and has reduced its operations to a minimal level (although it continues to file reports required under the Securities Exchange Act of 1934). As a result, the Company is a "shell company" under the rules of the Securities and Exchange Commission (the "SEC"). As of March 31, 2009, the Company had available cash and cash equivalents of \$27,953, which it believes will provide funding for its minimal operations until approximately December 31, 2009. During that period, it is expected that the Company's management will seek opportunities for a merger or other business combination with a privately-held operating company (on terms that may or may not be favorable to the Company's existing shareholders). Should the Company exhaust its available funds before a merger or other business combination is completed and be unable to obtain additional funds from the sale of debt or equity securities and/or other financing sources (again on terms that may or may not be favorable to the Company's existing shareholders), it is expected that the Company will be required to discontinue operations entirely, seek protection under federal bankruptcy laws, or both.

Restructure of Operations.

In December 2007, Croff spun-off its oil and gas assets, related bank accounts, and all related assets and liabilities to a new wholly-owned subsidiary named Croff Oil Company, Inc. (the "Spin-Off"). All shares of Croff Oil Company, Inc. were then exchanged for Croff's outstanding Series B preferred shares and the Series B preferred shares were then cancelled. All of Croff's oil and gas assets, including perpetual mineral interests, had been pledged to its Series B preferred shareholders at the creation of the Series B preferred class in 1996. All shareholders of Croff at the date of issuance in 1996 were given an equivalent number of shares of Series B preferred stock, while keeping their common stock.

The Spin-Off occurred approximately three years after Croff's Board of Directors had determined to review its strategic alternatives with a view to obtain more liquidity for the Company's two classes of stock and to increase the value to its shareholders. In the first quarter of 2005, the Board believed the combined value of \$2.30 for a common share plus a Series B preferred share did not reflect the total value of the Company. Therefore, in the fourth quarter of 2007 the Board of Directors set the value of a combined Series B preferred share and a common share at \$5.25, allowing shareholders to receive this cash buyout. Under the Utah Dissenting Shareholder's Rights Act, Croff's common and Series B preferred shareholders had the option to receive cash from the Company in exchange for their shares. Common shares were redeemed at \$1.00 per share and Series B preferred shares were redeemed at \$4.25 per share. If a shareholder did not approve of the price, the shareholder was able to propose a different price with justification. Pursuant to the buyout, 24,030 common shares of Croff were redeemed at \$1.00 per share, and an additional 10,415 common shares were redeemed at various prices from \$1.00 to \$2.70. In addition, 35,930 shares of Series B preferred stock were redeemed, all for the \$4.25 per share price. As a result of shareholders exercising their rights, the number of outstanding common shares was reduced from 551,244 to 516,799 by March 31, 2008.

Liquidity and Capital Resources.

At March 31, 2009, the Company had assets of \$27,953 and current assets totaled \$27,953 compared to current liabilities of \$38,289. At March 31, 2008, the Company had assets of \$429,158 and current assets totaled \$429,158 compared to current liabilities of \$84,112. During the three month period ended March 31, 2009, net cash used by operations totaled \$26,466, as compared to cash provided by operations of \$7,840 during the three months ended March 31, 2008. All of those changes are due to the Spin-Off, which left the Company with no active business in 2008. The Company had no short-term or long-term debt outstanding at March 31, 2009. During the three months

ended March 31, 2008, the Company purchased 33,245 shares of its common stock at a cost of \$39,810; all purchased shares were included in the Company's treasury stock at March 31, 2008.

Results of Operations - Three months ended March 31, 2009, compared to three months ended March 31, 2008.

The Company had a net loss for the three months ended March 31, 2009, which totaled \$29,033 compared to a net loss of \$32,682 for the same period in 2008. As a result of the Spin-Off, there was no income in the three months ended March 31, 2009 or 2008.

General and administrative expense, for the three months ended March 31, 2009, totaled \$29,033 compared to \$35,122 for the same period in 2008. This cost included the costs of the audit, expenses relating to the division of the Company, and additional accounting and legal costs. Provision for income taxes for the three months ended March 31, 2009 and 2008, was zero.

Accounting Pronouncements Regarding Interim Financial Statements.

SFAS 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of SFAS 87, 88, 106, and 132(R), requires an employer to recognize the over-funded or under-funded status of a defined benefit postretirement plan (other than a multi-employer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not-for-profit organization. This statement requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. The Company does not maintain a defined benefit pension plan and offers no other post-retirement benefits.

In February 2007, the Financial Accounting Standards Board ("FASB") issued SFAS 159, The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of SFAS 115 ("SFAS 159"), which became effective for fiscal periods beginning after November 15, 2007. Under SFAS 159, companies may elect to measure specified financial instruments and warranty and insurance contracts at fair value on a contract-by-contract basis, with changes in fair value recognized in earnings each reporting period. This election, called the "fair value option", will enable some companies to reduce volatility in reported earnings caused by measuring related assets and liabilities differently. Croff does not expect the impact of adoption to have a material impact on its consolidated financial statements.

In December 2007, the FASB issued SFAS 141 (revised 2007), Business Combinations ("SFAS 141 R"). SFAS 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, including goodwill, the liabilities assumed and any non-controlling interest in the acquiree. SFAS 141R also establishes disclosure requirements to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141R is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The impact of adopting SFAS 141R will be dependent on the future business combinations that the Company may pursue after its effective date.

In December 2007, the SEC issued SAB 110, Share-Based Payment ("SAB 110"). SAB 110 amends and replaces Question 6 of Section D.2 of Topic 14, "Share-Based Payment," of the Staff Accounting Bulletin series. Question 6 of Section D.2 of Topic 14 expressed the views of the staff regarding the use of the "simplified" method in developing an estimate of the expected term of "plain vanilla" share options and allows usage of the "simplified" method for share option grants prior to December 31, 2007. SAB 110 allows public companies which do not have historically sufficient experience to provide a reasonable estimate to continue use for the "simplified" method for estimating the expected term of "plain vanilla" share option grants after December 31, 2007. SAB 110 became effective January 1, 2008. Croff currently uses the "simplified" method to estimate the expected term for share option grants as it does not have enough historical experience to provide a reasonable estimate. Croff will continue to use the "simplified" method until it has

enough historical experience to provide a reasonable estimate of expected term in accordance with SAB 110. Croff does not expect SAB 110 will have a material impact on its consolidated balance sheets, statements of income and cash flows.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures.

The Company maintains controls and procedures designed to ensure that information required to be disclosed in its filings with the SEC is recorded, processed, summarized and reported within the time periods required by the SEC. As of March 31, 2009, the Company's management, under the supervision and with the participation of the Company's Chief Executive Officer, who is also the Company's Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the fiscal quarter ended March 31, 2009, the Company's disclosure control and procedures are effective in alerting him to material information that is required to be included its SEC filings.

Changes in Internal Control Over Financial Reporting.

There have been no changes in the Company's internal control over financial reporting during the fiscal quarter ended March 31, 2009, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 6. Exhibits.

The following Exhibits are attached hereto:

- 31 Rule 13a-14(a)/15d-14(a) Certification.
- 32 Section 1350 Certification.

SIGNATURES

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

Dated: April 29, 2009

CROFF ENTERPRISES, INC.

By /s/ GREGORY R. WOODHILL
Gregory R. Woodhill, President and
Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description
31	Rule 13a-14(a)/15d-14(a) Certification.
32	Section 1350 Certification.