

CROFF ENTERPRISES INC  
Form 10-Q  
July 10, 2009

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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 June 30, 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 Rule12b-2 of the Exchange Act.

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company

Indicate by checkmark whether the registrant is a shell company (as defined by Rule12b-2 of the Exchange Act). YES  
 NO

As of July 7, 2009, the registrant had outstanding 1,018,099 shares of its \$.10 par value common stock (its only class of common stock).

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CROFF ENTERPRISES, INC.

INDEX TO INFORMATION INCLUDED IN THE QUARTERLY REPORT ON FORM 10-Q  
FOR THE SIX MONTHS ENDED JUNE 30, 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

	June 30, 2009 (Unaudited)	December 31, 2008
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 8,071	\$ 54,419
<b>TOTAL CURRENT ASSETS</b>	<b>8,071</b>	<b>54,419</b>
<b>TOTAL ASSETS</b>	<b>\$ 8,071</b>	<b>\$ 54,419</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 500	\$ 3,646
Dividends payable	32,076	32,076
<b>TOTAL LIABILITIES</b>	<b>32,576</b>	<b>35,722</b>
<b>STOCKHOLDERS' EQUITY</b>		
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	(621,820)	(578,618)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>(24,505)</b>	<b>18,697</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 8,071</b>	<b>\$ 54,419</b>

The accompanying notes are an integral part of the financial statements

CROFF ENTERPRISES, INC.  
CONDENSED STATEMENTS OF OPERATIONS  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2009 AND 2008  
(UNAUDITED)

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
<b>EXPENSES</b>				
General and administrative	\$ 14,169	\$ 55,453	\$ 43,202	\$ 90,575
Consulting fees, non-cash compensation	-	250,000	-	250,000
<b>TOTAL EXPENSES</b>	<b>14,169</b>	<b>305,453</b>	<b>43,202</b>	<b>340,575</b>
<b>(LOSS) FROM OPERATIONS</b>	<b>(14,169)</b>	<b>(305,453)</b>	<b>(43,202)</b>	<b>(340,575)</b>
<b>OTHER INCOME (EXPENSE)</b>				
Interest income	-	988	-	3,429
<b>OTHER INCOME (EXPENSE)</b>	<b>-</b>	<b>988</b>	<b>-</b>	<b>3,429</b>
<b>(LOSS) BEFORE INCOME TAXES</b>	<b>(14,169)</b>	<b>(304,465)</b>	<b>(43,202)</b>	<b>(337,146)</b>
Provision for income taxes	-	-	-	-
<b>NET (LOSS)</b>	<b>\$ (14,169)</b>	<b>\$ (304,465)</b>	<b>\$ (43,202)</b>	<b>\$ (337,146)</b>
<b>NET (LOSS) INCOME PER COMMON SHARE</b>				
Basic and diluted:	\$ (0.01)	(0.44)	(0.04)	(0.52)
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>				
Basic and diluted	1,017,573	686,677	1,017,573	653,710

The accompanying notes are an integral part of the financial statements

CROFF ENTERPRISES, INC.  
 CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY  
 FOR THE SIX MONTHS ENDED JUNE 30, 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 six months Ended June 30, 2009	-	-	-	(43,202)	(43,202)
Balance, June 30, 2009	1,107,573	\$ 101,757	\$ 495,558	\$ (621,820)	\$ (24,505)

The accompanying notes are an integral part of the financial statements

CROFF ENTERPRISES, INC.  
CONDENSED STATEMENTS OF CASH FLOWS  
FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008  
(UNAUDITED)

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net (loss) from operations	\$ (43,202)	\$ (337,146)
Adjustments to reconcile net (loss) to net cash (used) by operating activities:		
Consulting fees, non-cash compensation	-	250,000
Changes in operating assets and liabilities:		
Accounts receivable	-	86,730
Accounts payable	(3,146)	5,274
Accrued liabilities	-	(70,667)
<b>NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>	<b>(46,348)</b>	<b>(65,809)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Dividends paid	-	(174,642)
Purchase of treasury stock	-	(46,570)
<b>NET CASH (USED) BY FINANCING ACTIVITIES</b>	<b>-</b>	<b>(221,212)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(46,348)</b>	<b>(287,021)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>54,419</b>	<b>408,634</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>\$ 8,071</b>	<b>\$ 121,613</b>

The accompanying notes are an integral part of the financial statements



CROFF ENTERPRISES, INC.  
CONDENSED NOTES TO FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED JUNE 30, 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. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Subsequent Events” below regarding a pending transaction involving the Company.

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 \$(43,202) during the six months ended June 30, 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 June 30, 2009, the Company had available cash and cash equivalents of \$8,071 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. See "Subsequent Events" below regarding a pending transaction involving the Company.

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 June 30, 2009, the Company had assets of \$8,071 and current assets totaled \$8,071 compared to current liabilities of \$32,576. At June 30, 2008, the Company had assets of \$121,613 and current assets totaled \$121,613 compared to current liabilities of \$44,509. During the six month period ended June 30, 2009, net cash used by operations totaled \$46,348, as compared to cash used by operations of \$65,809 during the six months ended June 30, 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 June 30, 2009. During the six months ended June 30, 2008, the Company purchased 33,245 shares of its common stock at a cost of \$46,570; all purchased shares were included in the Company's treasury stock at June 30, 2008.

Results of Operations - Three months and six months ended June 30, 2009, compared to three months and six months ended June 30, 2008.

The Company had a net loss for the three months ended June 30, 2009, which totaled \$14,169 compared to \$304,465 for the same period in 2008. As a result of the Spin-Off, there was only interest income in the three months ended June 30, 2008.

General and administrative expense, for the three months ended June 30, 2009, totaled \$14,169 compared to \$55,453 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. During the three months ended June 30, 2008, the Company issued 500,000 shares of its common stock valued at \$2.00 per share based on the fair market value in payment of consulting fees and recorded an expense of \$250,000. Provision for income taxes for the three months ended June 30, 2009 and 2008, was zero.

The Company had a net loss for the six months ended June 30, 2009, which totaled \$43,202 compared to a \$337,146 for the same period in 2008. As a result of the Spin-Off, there was only interest income in the six months ended June 30, 2008.

General and administrative expense, for the six months ended June 30, 2009, totaled \$43,202 compared to \$90,575 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. During the six months ended June 30, 2008, the Company issued 500,000 shares of its common stock valued at \$2.00 per share based on the fair market value in payment of consulting fees and recorded an expense of \$250,000. Provision for income taxes for the six months ended June 30, 2009 and 2008, was zero.

#### Subsequent Events.

On July 6, 2009, the Company entered into an Agreement and Plan of Reorganization (the "Merger Agreement") with America's Minority Health Network, Inc. ("AMHN"), and two of its principal shareholders. AMHN is a development stage company that is engaged in providing direct-to-consumer television programming in medical offices that are focused on delivering health care to members of African-American communities and other minorities located across the United States. The Company and AMHN expect to complete the merger of AMHN into a wholly-owned subsidiary of the Company by July 31, 2009. Upon completion of the merger, AMHN will become a wholly-owned subsidiary of the Company, the shareholders of AMHN will become the Company's dominant shareholders, and the business and operations of AMHN will become the business and operations of the Company. Completion of the merger is subject to further due diligence, confirmation of representations and warranties and various other standard conditions to closing. As a result, no assurance can be given that the merger will be completed. A copy of the Merger Agreement is attached to the Company's Current Report on Form 8-K dated July 7, 2009 (as Exhibit 2.01), and the description of the transaction set forth herein is qualified in its entirety by reference to that agreement.

#### 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 June 30, 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 June 30, 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 June 30, 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.

CROFF ENTERPRISES, INC.

Dated: July 10, 2009

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.