CROFF ENTERPRISES INC
Form 10-K
March 18, 2009

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

FORM 10-K

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2008
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)

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

$0.10 par value common stock
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
YES [_] NO [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES [_] NO [X]

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 [X] NO [_]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form10-K or any amendment to this Form 10-K.
YES [_] NO [X]

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 [_]	Accelerated filer [_]
Non-accelerated filer [_]	Smaller reporting company [X]

Indicate by check mark whether the registrant is a shell company (as defined by Rule12b-2 of the Act).
YES [X] NO [_]

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, based upon the average bid and asked price of such common equity as of June 30, 2008, as reported by the OTC Bulletin Board, was approximately $558,000. Shares of common stock held by each officer and director and by each person who owns 5% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of March 18, 2009 (the latest practicable date), the registrant had outstanding 1,018,099 shares of its $0.10 par value common stock.

DOCUMENTS INCORPORATED BY REFERENCE

None

CROFF ENTERPRISES, INC.

INDEX TO INFORMATION INCLUDED IN THE ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report on Form 10-K 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 rela 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

Item 1.Business.

Background. The Company was incorporated in Utah in 1907 under the name “Croff Mining Company.” The Company changed its name to “Croff Oil Company” in 1952, and in 1996 changed its name to the present “Croff Enterprises, Inc.” The Company’s office is located at 9903 Santa Monica Boulevard, Suite 287, Beverly Hills, California. The Company does not currently maintain a website.

Description of Business. In December 2007, the Company transferred 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 the Company’s outstanding Series B preferred shares and the Series B preferred shares were then cancelled. For more information regarding the Spin-Off, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Restructure of Operations” below.

In the 20 years prior to 2008, the Company’s operations consisted entirely of oil and natural gas production. Due to the Spin-Off, the Company currently has no business operations or revenue source and is operating at 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”). The Company’s management is currently seeking opportunities for a merger or other business combination with a privately-held operating company (that will most likely not be in the energy business) on terms that may or may not be favorable to the Company's existing shareholders. For additional information regarding the Company’s current status, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” below.

Employees. The Company currently has no employees, with the services of Gregory R. Woodhill (the Company’s sole officer) being provided pursuant to a consulting arrangement between Mr. Woodhill and the Company. See “Item 13. Certain Relationships and Related Transactions, and Director Independence.”

Item 2.Properties.

The Company operates out of the office of Gregory Woodhill (its sole officer) at no charge. Due to its minimal level of operations, the Company expects that this arrangement will be sufficient until such time as the Company completes a merger or other business combination , as described above in “Item 1. Business.”

-4-

Item 3.Legal Proceedings.

The Company is not currently a party to any legal proceedings and, to the knowledge of the Company's management, there is no litigation threatened by or against the Company.

Item 4.Submission of Matters to a Vote of Security Holders.

No matters were submitted to a vote of security holders during the fiscal quarter ended December 31, 2008.

PART II

Item 5.Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information. The Company's common stock is quoted on the OTC Bulletin Board under the symbol "COFF." The following table sets forth the quarterly high and low bid prices for the common stock as reported by the OTC Bulletin Board for the fiscal years ended December 31, 2007 and 2008:

Fiscal Year 2007:	High*	Low*
First Quarter	$3.00	$1.75
Second Quarter	$2.75	$2.00
Third Quarter	$2.50	$2.00
Fourth Quarter	$1.75	$1.00
Fiscal Year 2008:		
First Quarter	$1.01	$0.51
Second Quarter	$2.00	$0.51
Third Quarter	$2.00	$1.50
Fourth Quarter	$1.50	$1.50

* These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

Cash Dividends. The Company declared and paid a special dividend of $0.40 per share of common stock to all shareholders of record as of June 10, 2008. The Company anticipates that, for the foreseeable future, any earnings will be retained for use in its operations.

Holders of Record. As of March 16, 2009 (the latest practicable date), there were 1,016 holders of record of the Company's common stock.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers. No securities of the Company were purchased by it or any affiliated purchasers during the fiscal quarter ended December 31, 2008.

ItemManagement's Discussion and Analysis of Financial Condition and Results of Operations.
7.

Overview. Due to the Spin-Off (as described in more detail 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 SEC. As of December 31, 2008, the Company had available cash and cash equivalents of $54,419, 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 continue to pursue 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 transferred 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. 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. Upon creation in 1996, all shareholders of Croff were issued 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 Croff's two classes of stock and to increase the value to its shareholders. In the first quarter of 2005, the Board of Directors believed the combined value of $2.30 for a common share plus a Series B preferred share did not reflect the total value of Croff. 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 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 per share. 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 September 30, 2007.

Liquidity and Capital Resources. On December 31, 2008, the Company had assets of $54,419, current assets of $54,419, and current liabilities of $35,722. On December 31, 2007, the Company had assets of $495,364, current assets of $408,634, and current liabilities of $77,826. During the fiscal year ended December 31, 2008, net cash used by operations totaled $133,003, as compared to cash provided by operations of $344,098 during the fiscal year ended

December 31, 2007. All of those changes are due to the Spin-Off, which left the Company with no business operations or revenue source in 2008. The Company had no short-term or long-term debt outstanding at December 31, 2008. During the fiscal year ended December 31, 2008, the Company purchased 33,245 shares of its common stock at a cost of $46,570.

The financial statements referenced below in “Item 8. Financial Statements and Supplementary Data” have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to “Notes to Financial Statements” (page F-7), the Company has suffered a loss from operations in 2008 that raises substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Results of Operations. The Company experienced a net loss of $395,553 for the fiscal year ended December 31, 2008, compared to net income of $170,542 for the prior fiscal year. As a result of the Spin-Off, there was no income in the fiscal year ended December 31, 2008, while there were oil revenues in the prior fiscal year. For the fiscal year ended December 31, 2008, expenses totaled $395,553, compared to $93,743 for the fiscal year ended December 31,2007. The increase is attributable to expenses relating to the Spin-Off, additional accounting and legal costs, and consulting fees (non-cash compensation). Provision for income taxes for the fiscal year ended December 31, 2008, was zero, compared to $110,000 for fiscal 2007. The decrease is attributable to the net loss for fiscal 2008.

Results of Discontinued Operations. Due to the Spin-Off, income from discontinued operations for the fiscal year ended December 31, 2008, was zero, compared to $221,543 for the prior fiscal year. Also due to the Spin-Off, interest income decreased to zero during the fiscal year ended December 31, 2008, from $42,740 during the prior fiscal year.

Recent Accounting Pronouncements. For a description of recent accounting pronouncements, see Note 2 in the “Notes to Financial Statements” referenced below in “Item 8. Financial Statements and Supplementary Data.”

ItemFinancial Statements and Supplementary Data.
8.

Reference is made to the Index to Financial Statements on page F-1 for a listing of the Company’s financial statements and notes thereto included with this report on Form 10-K.

ItemChanges in and Disagreements With Accountants on Accounting and Financial Disclosure.
9.

The Company has had no change in accountants during its last two fiscal years.

Item Controls and Procedures.
9A.

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 December 31, 2008, 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 year ended December 31, 2008, the Company’s disclosure controls and procedures are effective in alerting him to material information that is required to be included its SEC filings.

Management’s Annual Report on Internal Control over Financial Reporting. The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. The Company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Company are being made only in accordance with authorizations of its management and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on its financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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 December 31, 2008, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information.

During the fiscal quarter ended December 31, 2008, there was no information required to be disclosed in a report on Form 8-K that was not so reported.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Directors and Executive Officers. Set forth below is information regarding the directors and sole officer of the Company. The Company has no employees.

Name	Age	Position(s)
Gregory R. Woodhill	34	Chief Executive Officer, Chief Financial Officer, Secretary and a Director
Michael Chester	30	Director
David S. Hamilton	53	Director

Mr. Woodhill became the Company's Chief Executive Officer, Chief Financial Officer, Secretary and a director on June 17, 2008. He has been a sales representative and owner of R.W. Smith & Co., a restaurant equipment, facilities and interior design company headquartered in San Diego, California, since April 2004. From 1999 to 2004, Mr. Woodhill served as a director and casting agent for the Thespyants Theatre Company, a theatre company based in Los Angeles, California. He received his Bachelor of Arts degree in theatre from the University of California at San Diego in 1997 and is currently obtaining his Master of Arts in Counseling Psychology at the University of Santa Monica.

Mr. Chester became a director of the Company on June 17, 2008. He is the Director of West Coast Promotion for Island Def Jam (part of the Universal Music Group). He has served in this position since 2006 and has been responsible for the promotion and marketing of the label's artists at the top 40 radio format. From 2003 to 2006, Mr. Chester served as Director of West Coast Promotion for Atlantic Records, where he acted in a similar capacity. From 2000 to 2003, he served as a Local Promotion Manager for Arista Records in both Chicago and New York.

Mr. Hamilton became a director of the Company on June 17, 2008. He is an attorney who has practiced law in California since 1980, maintaining a private practice in Agoura Hills, California, since 1993. Mr. Hamilton specializes in matters involving securities law, including public and private securities offerings and securities regulation compliance filings. Mr. Hamilton also practices law in the areas of business and corporate law involving a variety of industries. He received a Bachelor of Science degree in biology from the University of California at Los Angeles in 1977 and is a 1980 graduate of the Loyola University School of Law.