

Edgar Filing: ABLE ENERGY INC - Form 10-Q

ABLE ENERGY INC  
Form 10-Q  
November 13, 2002

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 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: 333-59109

ABLE ENERGY, INC.  
(Exact name of registrant as specified in its charter)

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

22-3520840  
(I.R.S. employer  
identification No.)

198 GREEN POND ROAD  
ROCKAWAY, NJ  
(Address of principal executive offices)

07866  
(Zip code)

Registrant's telephone number, including area code: (973) 625-1012

NOT APPLICABLE  
(Former name, former address and former fiscal year,  
if changed since last report)

Indicate by check X whether 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 registrant was required  
to file such reports), and (2) has been subject to such filing requirements for  
the past 90 days. Yes ☒ No ☐

As of November 6, 2002, 2,013,250 shares, \$.001 Par value per share, of  
Able Energy, Inc. were issued and outstanding.

-----  
TABLE OF CONTENTS  
-----

PAGE

# Edgar Filing: ABLE ENERGY INC - Form 10-Q

## PART I - FINANCIAL INFORMATION

### ITEM 1 - FINANCIAL STATEMENTS (UNAUDITED)

Consolidated Balance Sheets as of June 30, 2002 and September 30, 2002	3 - 4
Consolidated Statements of Income for the three months ended September 30, 2002 and September 30, 2001	5
Consolidated Statement of Stockholders' Equity three months ended September 30, 2002	6
Consolidated Statements of Cash Flows for the three months ended September 30, 2002 and 2001	7
Notes to Unaudited Financial Statements	8 - 26

#### ABLE ENERGY, INC. AND SUBSIDIARIES

#### CONSOLIDATED BALANCE SHEET

#### ASSETS

	SEPTEMBER 2002 (UNAUDITED)
CURRENT ASSETS:	
Cash	\$ 680,016
Accounts Receivable (Less Allowance for Doubtful Accounts of (\$242,358))	2,120,544
Inventory	425,191
Notes Receivable - Current Portion	34,428
Miscellaneous Receivables	68,903
Prepaid Expenses	275,699
Prepaid Expense - Income Taxes	4,796
Deferred Income Tax	65,703
Due From Officer	44,690
Total Current Assets	3,719,970
PROPERTY AND EQUIPMENT:	
Land	451,925
Buildings	1,096,046
Trucks	3,069,469
Fuel Tanks	1,255,994
Machinery and Equipment	576,123
Leasehold Improvements	575,399
Cylinders	732,266
Office Furniture and Equipment	200,640
Website Development Costs	2,200,511

# Edgar Filing: ABLE ENERGY INC - Form 10-Q

	10,158,373
Less: Accumulated Depreciation and Amortization	3,751,070
	-----
NET PROPERTY AND EQUIPMENT	6,407,303
	-----
OTHER ASSETS:	
Deposits	107,320
Notes Receivable - Less Current Portion	214,956
Customer List, Less Accumulated Amortization of (\$188,122) at September 30, 2002, and June 30, 2002	422,728
Covenant Not to Compete, Less Accumulated Amortization of (\$61,667) at September 30, 2002 and (\$56,667) at June 30, 2002	38,333
Development Costs - Franchising, Less accumulated Amortization of (\$11,489) at September 30, 2002 and (\$9,191) at June 30, 2002	34,466
	-----
TOTAL OTHER ASSETS	817,803
	-----
TOTAL ASSETS	\$10,945,076
	=====

See Accompanying Notes

3

## ABLE ENERGY, INC. AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEET (Cont'd)

#### LIABILITIES & STOCKHOLDERS' EQUITY

	SEPTEMBER 30,
	2002
	(UNAUDITED)
	-----
CURRENT LIABILITIES:	
Accounts Payable	\$ 1,491,963
Note Payable - Bank	1,270,000
Notes Payable - Other	1,250,000
Current Portion of Long-Term Debt	632,522
Accrued Expenses	223,385
Accrued Taxes	28,565
Customer Pre-Purchase Payments	1,226,056
Customer Credit Balances	567,447
Escrow Deposits	16,952
Note Payable - Officer	55,000
	-----
Total Current Liabilities	6,761,890
DEFERRED INCOME	79,679
DEFERRED INCOME TAXES	57,832
LONG TERM DEBT: less current portion	1,490,362
	-----

# Edgar Filing: ABLE ENERGY INC - Form 10-Q

TOTAL LIABILITIES	8,389,763
	-----
STOCKHOLDERS' EQUITY:	
Preferred Stock	
Authorized 10,000,000 Shares Par Value \$.001 per share	
Issued - None	
Common Stock	
Authorized 10,000,000 Par Value \$.001 per share Issued	
and Outstanding 2,013,250 Shares September 30, 2002, and	
2,007,250 at June 30, 2002	2,014
Paid in Surplus	5,711,224
Retained Earnings (Deficit)	(3,157,925)
	-----
TOTAL STOCKHOLDERS' EQUITY	2,555,313
	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$10,945,076
	=====

See Accompanying Notes

4

## ABLE ENERGY, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENT OF OPERATIONS (UNAUDITED)

	THREE MONTHS SEPT
	-----
	2002
	----
NET SALES	\$6,233,339
COST OF SALES	5,402,825
	-----
GROSS PROFIT	830,514
	-----
EXPENSES	
Selling, General and Administrative Expenses	1,211,527
Depreciation and Amortization Expense	297,406
	-----
TOTAL EXPENSES	1,508,933
	-----
(LOSS) FROM OPERATIONS	(678,419)
	-----
OTHER INCOME (EXPENSES):	
Interest and Other Income	32,835
Interest Expense	(81,123)
	-----

# Edgar Filing: ABLE ENERGY INC - Form 10-Q

TOTAL OTHER INCOME (EXPENSES)	(48,288)
	-----
(LOSS) BEFORE PROVISION FOR INCOME TAXES	(726,707)
PROVISION (REDUCTION) FOR INCOME TAXES	3,120
	-----
NET (LOSS)	\$ (729,827)
	=====
BASIC (LOSS) PER COMMON SHARE	\$ (.36)
	=====
DILUTED (LOSS) PER COMMON SHARE	\$ (.36)
	=====
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	2,003,831
	=====
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, ASSUMING DILUTION	2,003,831
	=====

See Accompanying Notes

5

## ABLE ENERGY, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

THREE MONTHS ENDED SEPTEMBER 30, 2002

(UNAUDITED)

	COMMON STOCK .001 PAR VALUE			
	SHARES	AMOUNT	PAID-IN SURPLUS	ADDITIONAL RETAINED EARNINGS
	-----	-----	-----	-----
Balance - July 1, 2002	2,007,250	\$2,008	\$5,687,230	\$ (2,428,098)
Shares Issued	6,000	6	23,994	
Net Loss				(729,827)
	-----	-----	-----	-----
Balance - September 30, 2002	2,013,250	\$2,014	\$5,711,224	\$ (3,157,925)
	=====	=====	=====	=====

See Accompanying Notes

6

ABLE ENERGY, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
(UNAUDITED)

	THREE MONTHS ENDED U ---
	2002 ----
CASH FLOWS FROM OPERATING ACTIVITIES	
-----	
Net (Loss) - Continuing Operations	\$ (729,827)
Adjustments to Reconcile Net Income to Cash used by Operating Activities:	
Depreciation and Amortization	297,406
Directors' Fees	24,000
(Increase) Decrease in:	
Accounts Receivable	(187,018)
Inventory	(19,767)
Prepaid Expenses	(48,923)
Deposits	-
Loss on Disposition of Assets	535
Increase (Decrease) in:	
Accounts Payable	332,622
Accrued Expenses	(82,086)
Customer Advance Payments	345,945
Customer Credit Balances	19,111
Deferred Income Taxes	3,120
Escrow Deposits	(11,520)
	-----
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(56,402)
	-----
CASH FLOWS FROM INVESTING ACTIVITIES	
-----	
Purchase of Property and Equipment	(96,214)
Website Development Costs	-
Note and Other Receivables	45,002
Deposits	(36,750)
	-----
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	(87,962)
	-----
CASH FLOWS FROM FINANCING ACTIVITIES	

# Edgar Filing: ABLE ENERGY INC - Form 10-Q

-----	
(Decrease) in Notes Payable - Bank	(200,000)
Increase in Notes Payable - Other	750,000
Decrease in Long-Term Debt	(125,055)
Increase in Long-Term Debt	140,875
Sale of Common Stock	-
-----	
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	565,820
-----	
NET INCREASE (DECREASE) IN CASH	421,456
Cash - Beginning of Period	258,560
-----	
Cash - End of Period	\$ 680,016
=====	
The Company had Interest Cash Expenditures of:	\$ 87,136
The Company had Tax Cash Expenditures of:	\$ 4,971

See Accompanying Notes

7

## ABLE ENERGY, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2002 AND SEPTEMBER 30, 2002

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Able Energy, Inc. and its subsidiaries. The minority interest of 1% in Able Propane, LLC is immaterial and has not been shown separately. All material inter-company balances and transactions were eliminated in consolidation.

##### MAJORITY OWNERSHIP

The Company is the majority owner, owning 70.6% of the issued shares of a subsidiary, PriceEnergy.Com, Inc. in which their capital investment is \$25,000. The subsidiary has established a Web Site for the sale of products through a network of suppliers originally on the East Coast of the United States. The Web Site became active in October 2000 (See Notes 8 and 13)

##### MINORITY INTEREST

The minority interest in PriceEnergy.Com, Inc. is a deficit and, in accordance with Accounting Research Bulletin No. 51, subsidiary losses should not be charged against the minority interest to the extent of reducing it to a negative amount. As such, the losses have been charged against the Company, the majority owner. The loss for three months ended September 30, 2002 is \$197,695 (See Notes 8 and 13).

The consolidated interim financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain

## Edgar Filing: ABLE ENERGY INC - Form 10-Q

information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

These statements reflect all adjustments, consisting of normal recurring adjustments which, in the opinion of management, are necessary for fair presentation of the information contained therein. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's annual report for the year ended June 30, 2002. The Company follows the same accounting policies in preparation of interim reports.

8

### ABLE ENERGY, INC. AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

JUNE 30, 2002 AND SEPTEMBER 30, 2002

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Results of operations for the interim periods are not indicative of annual results.

##### NATURE OF OPERATIONS

Able Oil Company, Able Melbourne and Able Energy New York, Inc. are full service oil companies that market and distribute home heating oil, diesel fuel and kerosene to residential and commercial customers operating in the northern New Jersey, Melbourne, Florida, and Warrensburg, New York respectively. Able Propane, installs propane tanks which it owns and sells propane for heating and cooking, along with other residential and commercial uses.

The Company's operations are subject to seasonal fluctuations with a majority of the Company's business occurring in the late fall and winter months. Approximately 70% of the Company's revenues are earned and received from October through March, and the overwhelming majority of such revenues are derived from the sale of HVAC products and services and home heating fuel. However, the seasonality of the Company's business is offset, in part, by the increase in revenues from the sale of diesel and gasoline fuels during the spring and summer months due to the increased use of automobiles and construction apparatus.

##### INVENTORIES

Inventories are valued at the lower of cost (first in, first out method) or market.



## Edgar Filing: ABLE ENERGY INC - Form 10-Q

### PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided by using the straight-line method based upon the estimated useful lives of the assets (5 to 40 years). Depreciation expense for the three months ended September 30, 2002 and 2001 amounted to \$180,083 and \$170,664, respectively.

For income tax basis, depreciation is calculated by a combination of the straight-line and modified accelerated cost recovery systems established by the Tax Reform Act of 1986.

Expenditures for maintenance and repairs are charged to expense as incurred whereas expenditures for renewals and betterments are capitalized.

The cost and related accumulated depreciation of assets sold or otherwise disposed of during the period are removed from the accounts. Any gain or loss is reflected in the year of disposal.

9

### ABLE ENERGY, INC. AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

JUNE 30, 2002 AND SEPTEMBER 30, 2002

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### WEB SITE DEVELOPMENT COSTS

Costs of \$2,200,511 incurred in the developmental stage for computer hardware and software have been capitalized in accordance with accounting pronouncement SOP98-1. The costs are included in Property and Equipment and will be amortized on a straight line basis during the estimated useful life, 5 years. Operations commenced in October 2000. Amortization for the three months ended September 30, 2002 and 2001 amounted to \$110,025 and \$106,564, respectively.

##### INTANGIBLE ASSETS

Intangibles are stated at cost and amortized as follows: Customer Lists of \$571,000 and Covenant Not To Compete of \$183,567 related to the Connell's Fuel Oil Company acquisition on October 28, 1996, by Able Oil Company are being amortized over a straight-line period of 15 and 5 years, respectively. The current period amortization also includes a customer list of \$39,850 and Covenant Not To Compete of \$100,000 relating to the acquisition from B & B Fuels on August 27, 1999, is being amortized over a straight-line period of 10 and 5 years, respectively. The amortization for the three months ended September 30, 2002 and 2001 are \$5,000 and \$20,993, respectively. The Covenant Not to Compete with Connell's Fuel Oil Company ended in October 2001, and was fully amortized.

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 142 requires goodwill and

## Edgar Filing: ABLE ENERGY INC - Form 10-Q

other intangible assets to be tested for impairment under certain circumstances, and written off when impaired, rather than being amortized as previous standards required, as such, effective July 1, 2001, the Customer List will no longer be amortized for financial statement purposes.

For income tax basis, the Customer Lists and the Covenant Not To Compete are being amortized over a straight-line method of 15 years as per the Tax Reform Act of 1993.

### USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

10

### ABLE ENERGY, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

JUNE 30, 2002 AND SEPTEMBER 30, 2002

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### INCOME TAXES

Effective January 1, 1997, all the subsidiaries, which were S-Corporations, terminated their S-Corporation elections. The subsidiaries are filing a consolidated tax return with Able Energy, Inc.

Effective January 1, 1997, the Company has elected to provide for income taxes based on the provisions of Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes", which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements and tax returns in different years. Under this method, deferred income tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

#### CONCENTRATIONS OF CREDIT RISK

The Company performs on-going credit evaluations of its customers' financial conditions and requires no collateral from its customers.

Financial instruments which potentially subject the Company to concentrations of credit risk consists of checking and savings accounts with several financial institutions in excess of insured limits. The excess above insured limits is approximately \$470,147. The Company does not anticipate non-performance by the financial institutions.

## Edgar Filing: ABLE ENERGY INC - Form 10-Q

### CASH

For the purpose of the statement of cash flows, cash is defined as balances held in corporate checking accounts and money market accounts.

### ADVERTISING EXPENSE

Advertising costs are expensed at the time the advertisement appears in various publications and other media. The expense was \$133,788 and \$128,265 for the three months ended September 30, 2002 and 2001, respectively.

### FAIR VALUE OF FINANCIAL INSTRUMENTS

Carrying amounts of certain of the Company's financial instruments, including cash and cash equivalents, accrued compensation, and other accrued liabilities, approximate fair value because of their short maturities.

11

## ABLE ENERGY, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

JUNE 30, 2002 AND SEPTEMBER 30, 2002

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### REVENUE RECOGNITION

Sales of fuel and heating equipment are recognized at the time of delivery to the customer, and sales of equipment are recognized at the time of installation. Revenue from repairs and maintenance service is recognized upon completion of the service. Payments received from customers for heating equipment service contracts are deferred and amortized into income over the term of the respective service contracts, on a straight line basis, which generally do not exceed one year.

#### COMPUTATION OF NET INCOME (LOSS) PER SHARE

Basic net income (loss) per share is computed using the weighted-average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted-average number of common and dilutive potential common shares outstanding during the period. Diluted net loss per share is computed using the weighted-average number of common shares and excludes dilutive potential common shares outstanding, as their effect is anti-dilutive. Dilutive potential common shares primarily consist of employee stock options.

#### IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Measurement of an impairment loss for long-lived assets that management expects to hold and use is based on the fair value of the asset. Long-lived assets to

## Edgar Filing: ABLE ENERGY INC - Form 10-Q

be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

### RECENT ACCOUNTING PRONOUNCEMENTS

In June 2001, FASB approved two new pronouncements: SFAS No. 141, "Business Combinations", and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 applies to all business combinations with a closing date after June 30, 2001. This Statement eliminates the pooling-of-interests method of accounting and further clarifies the criteria for recognition of intangible assets separately from goodwill.

SFAS No. 142 eliminates the amortization of goodwill and indefinite-lived intangible assets and initiates an annual review for impairment. Identifiable intangible assets with a determinable useful life will continue to be amortized. The amortization provisions apply to goodwill and other intangible assets acquired after June 30, 2001. Goodwill and other intangible assets acquired prior to June 30, 2001 will be affected upon adoption. The Company has adopted SFAS No. 142 effective July 1, 2001, which will require the Company to cease amortization of its remaining net customer lists balance and to perform an impairment test of its existing customer lists and any other intangible assets based on a fair value concept.

12

### ABLE ENERGY, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

JUNE 30, 2002 AND SEPTEMBER 30, 2002

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### RECENT ACCOUNTING PRONOUNCEMENTS (CONT'D)

The Company has reviewed the provisions of these Statements. It is management's assessment that customer lists impairment will not result upon adoption. As of June 30, 2001, the Company has net unamortized customer lists of \$422,728. Amortization expense of the customer list was \$20,125 for the six month short year ended June 30, 2001 and \$42,052 for the full year ended December 31, 2000.

### NOTE 2 NOTES RECEIVABLE

- A. The Company has a Receivable from Able Montgomery, Inc. and Andrew W. Schmidt related to the sale of Able Montgomery, Inc. to Schmidt, and truck financed by Able Energy, Inc. No payments of principal or interest had been received for more than one year. A new note was drawn dated June 15, 2000 for \$170,000, including the prior balance, plus accrued interest. The Note bears interest at 9.5% per annum and payments commence October 1, 2000. The payments will be monthly in varying amount each year with a final payment of \$55,981.07 due September 1, 2010. No payments were received in the year ended December 31, 2000. In February 2001, two (2) payments were received in the amount \$2,691.66, interest only. In September 2001, \$15,124.97 was

## Edgar Filing: ABLE ENERGY INC - Form 10-Q

received covering payments from December 2000 through October 2001, representing interest of \$14,804.13 and principal of \$320.84. No payments have been received since October 2001.

The note is secured by a pledge and security agreement and stock purchase agreement (Stock of Able Montgomery, Inc.), dated December 31, 1998, and the assets of Andrew W. Schmidt with the note dated June 15, 2000. The income on the sale of the company in December 1998 and the accrued interest on the drawing of the new note are shown as deferred income to be realized on collection of the notes.

Maturities of the Note Receivable are as follows:

For the 12 Months Ending September 30, -----	Principal Amount -----
2003	\$ 13,023
2004	9,680
2005	12,577
2006	12,811
2007	14,082
Balance	107,183
	-----
Total	\$169,356
	=====

13

### ABLE ENERGY, INC. AND SUBSIDIARIES

-----

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

-----

JUNE 30, 2002 AND SEPTEMBER 30, 2002

-----

- B. Able Oil Company has three (3) Notes Receivable for the sale of oil delivery trucks to independent drivers who also deliver oil for the Company. The Notes bear interest at the rate of 12% per annum. Two notes began December 1998 and one began February 1999. The Notes are payable eight (8) months per year September through April, the oil delivery season.

Maturities of these Notes Receivable are as follows:

For the 12 Months Ending September 30, -----	Principal Amount -----
2003	\$ 21,405
2004	23,803
2005	18,648
2006	11,013
2007	5,159
	-----
Total	\$ 80,028
	=====

NOTE 3 INVENTORIES

# Edgar Filing: ABLE ENERGY INC - Form 10-Q

ITEMS -----	SEPTEMBER 30, 2002 ----	JUNE 30, 2002 ----
Heating Oil	\$ 124,384	\$ 141,114
Diesel Fuel	14,465	21,642
Kerosene	5,229	6,220
Propane	6,172	12,343
Parts and Supplies	274,941	224,105
	-----	-----
Total	\$ 425,191	\$ 405,424
	=====	=====

## NOTE 4 NOTES PAYABLE BANK

On October 22, 2001, the Company and its subsidiaries, either as Borrower or Guarantor, entered into a loan and security Agreement with Fleet National Bank. The bank is providing the following credit facility.

A borrowing base of 75% of Eligible Accounts Receivable, as defined in the Agreement, plus \$500,000 against the value of the Company's customer list, for a total amount of \$1,500,000. The revolving credit may also be used for Letters of Credit, with the lender's approval.

14

## ABLE ENERGY, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

JUNE 30, 2002 AND SEPTEMBER 30, 2002

## NOTE 4 NOTES PAYABLE BANK (CONT'D)

The Letters of Credit will have an annual fee of 1.25% of the face value of each Letter of Credit. The applicable interest rate on the revolving credit advances will be the bank's prime rate or Libor interest rate, plus 2.75%. Interest is to be paid on the amount advanced on the last day of each month.

As security for the performance of this Agreement, the other Loan Documents and the payment of the Liabilities, each Borrower and Guarantor grants, pledges and assigns to Lender a security interest in all assets of such Borrower or Guarantor, whether now owned or hereafter acquired including, without limitation, (a) all Accounts, Goods, Chattel Paper, Equipment, Documents, Deposits, Instruments, General Intangibles and Payment Intangibles (including, but not limited to, any and all interests in trademarks, service marks, patents, licenses, permits, and copyrights), (b) all inventory of Borrowers, if any, held by any Borrowers for sale or lease or to be furnished under contracts of service, (c) all Books and Records, (d) any Account maintained by any Borrower with Lender and all cash held therein, and (e) all proceeds and products of the foregoing, including

## Edgar Filing: ABLE ENERGY INC - Form 10-Q

casualty insurance thereon (collectively, the "Collateral").

The Agreement provides for covenants as follows:

- A. Use of proceeds only for Working Capital, Letters of Credit and for acquisitions with Lender's prior written consent.
- B. Financial information to be furnished either annually, quarterly or monthly.
- C. Financial covenants to be tested as of the end of each fiscal quarter.
- D. Limitations on loans and investments.
- E. Compliance with laws and environmental matters.
- F. Limitations on Borrowing.
- G. Can not declare or pay any dividends.

All of the above and other items as per article VI of the Agreement. The Agreement has a current expiration date of November 30, 2002. We have been informed by management that Fleet Bank has informed them the bank will not renew the credit facility upon expiration of the Agreement which is November 30, 2002. Management has informed us they are currently in discussion for a new credit facility.

The Agreement with Able Oil Company and PNC Bank, dated August 11, 1999, was amended July 14, 2002. The term was extended from June 30, 2001 to September 29, 2001. The loan was paid in full effective September 29, 2001. The banking relation was terminated and all collateral was being released by PNC Bank.

15

### ABLE ENERGY, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

JUNE 30, 2002 AND SEPTEMBER 30, 2002

#### NOTE 5 NOTES PAYABLE

- A. The Company has borrowed \$500,000 from an unrelated individual. The Note is dated June 26, 2001 with interest at 12% per annum. The interest will be paid monthly at \$5,000 per month commencing on August 1, 2001. The Note will mature on June 26, 2002 unless the borrower (the Company), at its option, elects to extend the maturity date to December 26, 2002. The Company has exercised its option and has extended the Note to December 26, 2002. The Note may be prepaid in whole or part from time-to-time without penalty. No principal payments have been made on the Note. At the maturity date, a final payment of the unpaid principal and interest shall be due and payable. In connection with this Note, the Company has issued the lender warrants to purchase 40,000 shares of its common stock at \$4 per share. The warrants vest immediately and must be exercised no later than June 26, 2004. The warrants have not been registered under the Securities Act of 1933.
- B. The Company has borrowed \$750,000 from an unrelated company. The mortgage and note are dated September 13, 2002. The term of the note

## Edgar Filing: ABLE ENERGY INC - Form 10-Q

is for one (1) year. Payments of interest only on the outstanding principal balance shall be paid monthly at a rate of 10%. The first payment will be due on November 1, 2002 and on the first day of each month thereafter until October 1, 2003, when the Note shall mature and all principal and accrued interest shall be due and payable in full.

Prepayment Penalty - in the event borrower makes a voluntary principal payment during the term of this note, borrower shall pay to the lender a premium equal to three (3) monthly payments of interest on the note. The note is collateralized by a mortgage dated September 13, 2002 from Able Energy Terminal, LLC, a wholly owned subsidiary, which is a second mortgage on the property at 344 Route 46, Rockaway, NJ and also by all leases and rents related to the property. The lender has been issued a stock purchase warrant for 100,000 shares at \$4 per share. The warrant has not been registered under the Securities Act of 1933. The Company has granted the holder piggy-back registration rights for the Common Stock underlying the warrant on its next registration statement. This warrant does not entitle the holder to any of the rights of a stockholder of the Company. Unless previously exercised, the warrants will expire on September 13, 2004.

### NOTE 6 LONG-TERM DEBT

-----

Mortgage note payable dated, August 27, 1999, related to the purchase of B & B Fuels facility and equipment. The total note was \$145,000. The note is payable in the monthly amount of principal and interest of \$1,721.18 with and interest rate of 7.5% per annum. The initial payment was made on September 27, 1999, and continues monthly until August 27, 2009 which is the final payment. The note is secured by a mortgage made by Able Energy New York, Inc. on property at 2 and 4 Green Terrace and 4 Horicon Avenue, Town of Warrensburg, Warren County, New York. The balance due on this Note at September 30, 2002 was \$111,194.

16

### ABLE ENERGY, INC. AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

JUNE 30, 2002 AND SEPTEMBER 30, 2002

-----

### NOTE 6 LONG-TERM DEBT (CONT'D)

-----

Mortgage note payable dated, August 31, 1999, related to the purchase of the facility and equipment in Rockaway, New Jersey by Able Energy Terminal, LLC ("Terminal"). The note is in the amount of \$650,000.

Pursuant to Section 4.4 of the Agreement of Sale to purchase the Terminal, , the Principal Sum of the \$650,000 Note shall be reduced by an amount equal to one-half of all sums expended by Borrower on the investigation and remediation of the property provided, however, that the amount of said reduction shall not exceed \$250,000 (the "Remediation Amount").

The "Principal Sum: Less the "Remediation Amount" shall be an amount equal to \$400,000 (the "Reduced Principal Sum"). The Reduced Principal Sum shall bear interest from the date hereof at the rate of 8.25% per



## Edgar Filing: ABLE ENERGY INC - Form 10-Q

annum. Any portion of the Remediation Amount not utilized in the investigation and remediation of the property shall not begin to accrue interest until such time that (i) a "No Further Action Letter" is obtained from the Department of Environmental Protection and (ii) an outstanding lawsuit concerning the property is resolved through settlement or litigation (subject to no further appeals). All payments on this Note shall be applied first to the payment of interest, with any balance to the payment to reduction of the reduced Principal Sum.

Based upon an amendment, dated November 5, 2001, and commencing with interest due December 1, 2001, interest will be paid at the rate of 8.25% on the principal sum of \$650,000. Only interest is required to be paid and the principal is due on July 31, 2004 (See Note 10).

The Note is collateralized by the property and equipment purchased and assignment of the leases. The balance due on this Note at September 30, 2002 was \$650,000.

17

### ABLE ENERGY, INC. AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

JUNE 30, 2002 AND SEPTEMBER 30, 2002  
-----

#### NOTE 7 INCOME TAXES -----

Effective January 1, 1997, the Company adopted Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes.

The differences between the statutory Federal Income Tax and Income Taxes Continuing Operation is accounted for as follows:

	2002	
	-----	
	AMOUNT	PERCENT
	-----	-----
Statutory Federal Income Tax	\$ 2,175	15.0%
State Income Tax	945	6.5
	-----	-----
Income Taxes	\$ 3,120	21.5%
	=====	=====
Income Taxes consist of:		
Current	\$ -	
Deferred	3,120	
	-----	
Total	\$ 3,120	
	=====	

# Edgar Filing: ABLE ENERGY INC - Form 10-Q

	2001	
	-----	
	AMOUNT	PERCENT OF PRETAX INCOME
	-----	-----
Statutory Federal Income Tax	\$ (750)	15.0%
State Income Tax	(325)	6.5
	-----	-----
Income Taxes	\$ (1,075)	21.5%
	=====	=====
Income Taxes consists of:		
Current	\$ -	
Deferred	(1,075)	
	-----	
Total	\$ (1,075)	
	=====	

18

## ABLE ENERGY, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

JUNE 30, 2002 AND SEPTEMBER 30, 2002

#### NOTE 7 INCOME TAXES (CONT'D)

The types of temporary differences between the tax bases of assets and liabilities and their financial reporting amounts that give rise to a significant portion of the deferred tax liability and deferred tax asset and their approximate tax effects are as follows at:

	SEPTEMBER 30, 2002	
	-----	
	TEMPORARY DIFFERENCE	TAX EFFECT
	-----	-----
Depreciation and Amortization	\$ (183,954)	\$ (57,832)
Allowance for Doubtful Accounts	242,358	61,668
Gain on Sale of Subsidiary	18,766	4,035
	JUNE 30, 2002	
	-----	
	TEMPORARY DIFFERENCE	TAX EFFECT
	-----	-----
Depreciation and Amortization	\$ (169,441)	\$ (54,712)
Allowance for Doubtful Accounts	242,358	61,668
Gain on Sale of Subsidiary	18,766	4,035

## Edgar Filing: ABLE ENERGY INC - Form 10-Q

Able Energy, Inc., et al, open years are December 31, 1999, 2000 and June 30, 2001 and 2002. The Company has a net operating loss carryforward of approximately \$2,730,000. The net operating loss expires between June 30, 2019 and 2021.

These carryforward losses are available to offset future taxable income, if any. The Company's utilization of this carryforward against future taxable income is subject to the Company having profitable operations or sale of Company assets which create taxable income. At this time, the Company believes that a full valuation allowance should be provided. The component of the deferred tax asset as of September 30, 2002 are as follows:

Net Operating Loss Carryforward - Tax Effect	\$928,200
Valuation Allowance	(928,200)
	-----
Net Deferred Tax based upon Net Operating Loss Carryforward	\$ -0-
	=====

19

### ABLE ENERGY, INC. AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

JUNE 30, 2002 AND SEPTEMBER 30, 2002

#### NOTE 8 NOTE RECEIVABLE - SUBSIDIARY

The Company has a Note Receivable from PriceEnergy.Com, Inc. for advances made in the development of the Website, including hardware and software costs. All of PriceEnergy.Com, Inc.'s assets are pledged as collateral to Able Energy, Inc. The amount of the note is \$1,350,000 dated November 1, 2000 with interest at 8% per annum payable quarterly. Principal payments to begin two years after the date of the Note, November 1, 2002. Interest, in the amount of \$27,000 has been accrued for the quarter ended September 30, 2002. Unpaid accrued interest due through September 30, 2002 is \$207,000. The Note, accrued interest and interest expense have been eliminated in the consolidated financial statements (See Notes 1 and 13). Able Oil Company has a Note Receivable dated September 30, 2002 from PriceEnergy.Com, Inc. in the amount of \$1,510,372.73, with interest at 8% per annum, to be paid quarterly. Principal payments to begin one year after date of Note, October 1, 2003, and continue monthly thereafter. The Note is the result of the transference of the unpaid accounts receivable which resulted from the sale of heating oil through PriceEnergy.Com, Inc. Able Oil Company has a second position as collateral in all of the assets of PriceEnergy.Com, Inc. to Able Energy, Inc. The note receivable has been eliminated in consolidation against the note payable on PriceEnergy.Com, Inc.

#### NOTE 9 PROFIT SHARING PLAN

Effective January 1, 1997, Able Oil Company established a Qualified Profit Sharing Plan under Internal Revenue Code Section 401-K. The

## Edgar Filing: ABLE ENERGY INC - Form 10-Q

Company matches 25% of qualified employee contributions. The expense was \$5,568 (2002) and \$7,268 (2001).

### NOTE 10 COMMITMENTS AND CONTINGENCIES

The Company is subject to laws and regulations relating to the protection of the environment. While it is not possible to quantify with certainty the potential impact of actions regarding environmental matters, in the opinion of management, compliance with the present environmental protection laws will not have a material adverse effect on the financial condition, competitive position, or capital expenditures of the Company.

Able Oil Company is under contract to purchase #2 oil as follows:

COMPANY	PERIOD	TOTAL GALLONS	GALLONS OPEN
			COMMITMENT
-----	-----	-----	-----
Conectiv Energy	10/1/02 - 3/31/03	252,000	252,000
Conectiv Energy	11/1/02 - 3/31/03	210,000	210,000
Mieco, Inc.	11/1/02 - 2/28/03	1,050,000	1,050,000
Motiva	11/1/02 - 3/31/03	420,000	420,000

See N

20

### ABLE ENERGY, INC. AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

JUNE 30, 2002 AND SEPTEMBER 30, 2002

### NOTE 10 COMMITMENTS AND CONTINGENCIES (CONT'D)

The agreement with Mieco, Inc. contains the following terms:

1. The oil has been delivered and is in storage at the Company's facility in Rockaway, New Jersey. Mieco, Inc. has filed a UCC for the product stored at the terminal.
2. The purchase price FOB delivered basis buyer's terminal shall be set when buyer (the Company) notifies Mieco that it will purchase in minimum 1,000 barrel increments. The delivery month NYMEX heating oil contract prior to its expiration will be used. The price plus the differential of USD \$.0125 per gallon shall be the established price for this contract for all barrels delivered in accordance with the schedule set forth in the agreement.

Able Propane, LLC is under contract with Keystone-Propane Service, Inc. to purchase propane gas for the period October 1, 2002 through

## Edgar Filing: ABLE ENERGY INC - Form 10-Q

March 31, 2003. The total is 210,000 gallons at \$ .53 per gallon, total cost \$111,300.

In accordance with the agreement on the purchase of the property on Route 46, Rockaway, New Jersey by Able Energy Terminal, LLC, the purchaser shall commence after the closing, the investigation and remediation of the property and any hazardous substances emanating from the property in order to obtain a No Further Action letter from the New Jersey Department of Environmental Protection (NJDEP). The purchaser will also pursue recovery of all costs and damages related thereto in the lawsuit by the seller against a former tenant on the purchased property. Purchaser will assume all responsibility and direction for the lawsuit, subject to the sharing of any recoveries from the lawsuit with the seller, 50-50.

The seller by reduction of its mortgage will pay costs related to the above up to \$250,000 (see Note 6). A settlement has been achieved by the Company with regard to the lawsuit. The settlement provides for a lump sum payment of \$397,500 from the defendants to the Company. In return, the defendants require a release from the Estate (the Seller) and a release and indemnification from the Company. The defendants will provide a release to Able Energy and the Estate. Pursuant to the original agreement, the Estate receives 50% of the settlement amount, net of attorney fees.

This has been amended by an agreement dated November 5, 2001. The entire settlement, net of attorney fees, will be placed in an attorney's escrow account for payment of all investigation and remediation costs.

21

### ABLE ENERGY, INC. AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

JUNE 30, 2002 AND SEPTEMBER 30, 2002

#### NOTE 10 COMMITMENTS AND CONTINGENCIES (CONT'D)

The costs of the cleanup pursuant to the Agreement of Sale must be shared equally (50/50) by the seller and purchaser up to Seller's cap of \$250,000. Seller's contribution to the cleanup is in the form of a reduction to the Note and not by direct payments. In the opinion of management, the Company will not sustain costs in this matter which will have a material adverse effect on its financial condition.

Price Energy.Com, Inc., a subsidiary, has commenced suit against ThinkSpark Corporation on Consulting Services Agreement, dated June 2, 2000. ThinkSpark was to provide services of professional quality performed by knowledgeable staff familiar with the operation of the software and its application and conforming to generally accepted data processing practices. ThinkSpark agreed that it could develop, deliver and install the system to be operational by mid-August 2000. ThinkSpark ceased work in mid-October 2000 and the project was not completed. Price Energy hired another firm which has completed the project. ThinkSpark admits the original estimate for the project was

## Edgar Filing: ABLE ENERGY INC - Form 10-Q

\$266,000.

Price Energy paid ThinkSpark \$82,539 and is paying the new firm \$75,600 which will complete the work.

ThinkSpark has filed a counterclaim seeking payment of \$283,100.62, which is the total amount of bills rendered. On January 11, 2002, Price Energy and ThinkSpark agreed to settle their dispute. Price Energy will pay ThinkSpark \$30,000 and there will be mutual releases of all claims as well as dismissals of the pending actions in New Jersey and Texas. The liability as of September 30, 2002 has been paid in full.

The Company in the normal course of business has been involved in several suits. Two suits have been settled out of court at agreeable terms, according to management. No suits are currently in litigation.

### NOTE 11 OPERATING LEASE

-----

Able Energy Terminal, LLC, has acquired the following lease on the property it purchased on Route 46 in Rockaway, New Jersey.

The lease with Able Oil Company, a wholly owned subsidiary of Able Energy, Inc., has an expiration date of July 31, 2004. The lease provides for a monthly payment of \$1,200 plus a one cent per gallon through put, as per a monthly rack meter reading.

Estimated future rents are \$14,400 per year, plus the one cent per gallon through put charges per the monthly rack meter readings.

22

### ABLE ENERGY, INC. AND SUBSIDIARIES

-----

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

-----

JUNE 30, 2002 AND SEPTEMBER 30, 2002

-----

### NOTE 11 OPERATING LEASE (CONT'D)

-----

The Company leased 9,800 square feet in the Rockaway Business Centre on Green Pond Road in Rockaway, New Jersey. The facility will be used as a call center and will combine the administrative operations in New Jersey in one facility. The lease has a term of five (5) years from August 1, 2000 through July 31, 2005.

The rent for the first year is \$7,145.83 per month and the second through fifth year is \$7,431.67 per month, plus 20.5% of the building's annual operational costs and it's portion of utilities. The monthly rent, including Common Area Charges, as of October 2000 is \$9,084 per month. The lease does not contain any option for renewal. The rent expense was \$29,397 for the three months ended September 30, 2002. The estimated future rents are as follows:

YEAR ENDED JUNE 30,

# Edgar Filing: ABLE ENERGY INC - Form 10-Q

-----	
2003	\$ 110,000
2004-2006	230,000
	-----
Total	\$ 340,000
	=====

The following summarizes the month to month operating leases for the other subsidiaries:

Able Oil Melbourne	\$500.00, per month
	Total rent expense, \$1,500
Able Energy New York	\$500.00, per month
	Total rent expense, \$1,500

## NOTE 12 FRANCHISING

-----

The Company sells franchises permitting the operation of a franchised business specializing in residential and commercial sales of fuel oil, diesel fuel, gasoline, propane and related services. The Company will provide training, advertising and use of Able credit for the purchase of product, among other things, as specified in the Agreement. The franchisee has an option to sell the business back to the Company after two (2) years of operations for a price calculated per the Agreement. The Company signed its first franchise agreement in September 2000. On June 29, 2001, PriceEnergy.Com franchising, LLC, a subsidiary, signed its first franchise agreement. The franchisee will operate a B-franchised business, using the proprietary marks and a license from PriceEnergy.Com, Inc. and will establish the presence of the franchisee's company on the PriceEnergy internet website. The franchisee will have the exclusive territory of Fairfield County, Connecticut as designated in the agreement. The franchisee paid the following amounts in July 2001:

1. A non-refundable franchise fee of \$25,000.
2. An advertising deposit of \$15,000 and a \$5,000 escrow deposit.

The non-refundable fee of \$25,000 has been recorded as Other Income in the period ended September 30, 2001. The advertising deposit was credited to advertising expense in the year ended June 30, 2002. The \$5,000 Escrow Deposit was returned in September 2002.

23

## ABLE ENERGY, INC. AND SUBSIDIARIES

-----

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

-----

JUNE 30, 2002 AND SEPTEMBER 30, 2002

-----

## NOTE 13 RELATED PARTY TRANSACTIONS

-----

\$44,690 is due from the major Shareholder/Officer of the Company. This amount is evidenced by a Note bearing interest at a rate of 6% between the Shareholder and the Company. This Shareholder has loaned the Company \$55,000, on May 10, 2002 evidenced by a Demand Note with

## Edgar Filing: ABLE ENERGY INC - Form 10-Q

interest at 6% per annum, which can be paid all or in part at any time without penalty.

The following officers of this Company own stock in the subsidiary, PriceEnergy.Com, Inc., which they incorporated in November 1999.

Chief Executive Officer	23.5%	
President		3.6%

No capital contributions have been made by these officers (See Notes 1 and 8).

### NOTE 14 EARNINGS PER SHARE

The shares used in the computation of the Company's basic Earnings Per Common Share are as follows:

	SEPTEMBER 30, 2002 ----	SEPTEMBER 30, 2001 ----
Weighted Average of Common Shares Outstanding	2,003,831	2,000,298
Dilutive Effect of:		
Employee Stock Options	-	-
Stock Warrants	-	-
	-----	-----
Weighted Average Common Shares Outstanding	2,003,831 =====	2,000,298 =====

The dilutive potential common shares that were anti-dilutive at September 30, 2002 amounted to 47,306 Shares.

### NOTE 15 STOCK OPTION PLANS

The Company has stock option plans under which stock options may be issued to officers, key employees, and non-employee directors to purchase shares of the Company's authorized but unissued common stock. The Company also has a stock option plan under which stock options may be granted to employees and officers.

24

ABLE ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

JUNE 30, 2002 AND SEPTEMBER 30, 2002

### NOTE 15 STOCK OPTION PLANS

Options granted currently expire no later than 3 to 5 years from the



## Edgar Filing: ABLE ENERGY INC - Form 10-Q

grant and have vesting periods from none to 25% at grant and 25% each anniversary.

	NUMBER OF SHARES	OUTSTANDING OPTIONS EXERCISE PRICE	TER
January 6, 2000			
Grants	56,000	\$5.00	5 ye
Exercises	0		
December 1, 2000			
Grants	48,090	\$3.25	3 ye
Exercises	1,250		
December 21, 2000			
Grants	60,000	\$1.80	5 ye
Exercises	0		
Grants	23,000	\$2.25	5 ye
Exercises	0		

### 16 STOCK WARRANTS

The Company has issued stock warrants as follows:

1. 60,000 Common Stock Purchase Warrants at \$4.81 per share, effective August 31, 2000, and expiring August 31, 2005, to Andrew Alexander Wise & Company in connection with an investment banking advisory agreement with the Company, dated July 1, 2000.
2. 40,000 Common Stock Purchase Warrants at \$4.00 per share, effective June 26, 2001 and expiring June 26, 2004, in connection with a \$500,000 Note Payable (See Note 5). These warranties have not been registered under the Securities Act of 1933.
3. 100,000 Common Stock Purchase Warrants at \$4.00 per share, effective September 13, 2002, and expiring September 12, 2004, in connection with a \$750,000 Note Payable (see Note 5).

The 200,000 warrants to purchase shares of common stock were outstanding during the third quarter of 2002 and were not included in the computation of diluted EPS as the warrants' have not been registered under the Securities Act of 1933.

25

ABLE ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

JUNE 30, 2002 AND SEPTEMBER 30, 2002

## Edgar Filing: ABLE ENERGY INC - Form 10-Q

### NOTE 17 STOCK ISSUANCE

-----

During the quarter ended September 30, 2002, 6000 shares of Common Stock were issued to the directors for services rendered during the year 2001, and charged at the fair market value as Directors' Fees. The share price was \$4.00 per share for a total Directors' Fees of \$24,000.

### NOTE 18 COMPENSATED ABSENCES

-----

There has been no liability accrued for compensated absences; as in accordance with Company policy, all compensated absences, accrued vacation and sick payment must be used by December 31st. At September 30, 2002, any amount for accrual of the above is not material and has not been computed.

### NOTE 19 CASH FLOW INFORMATION

-----

The Directors received Common Stock as payment of Directors' Fees. No cash was received or paid.

26

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### ABLE ENERGY, INC. AND SUBSIDIARIES

Statements in this Quarterly Report on Form 10-Q concerning the Company's outlook or future economic performance, anticipated profitability, gross billings, expenses or other financial items, and statements concerning assumptions made or exceptions to any future events, conditions, performance or other matters are "forward looking statements," as that term is defined under the Federal Securities Laws. Forward-looking statements are subject to risks, uncertainties, and other factors that would cause actual results to differ materially from those stated in such statements. Such risks, and uncertainties and factors include, but are not limited to: (i) changes in external competitive market factors or trends in the Company's results of operation; (ii) unanticipated working capital or other cash requirements and (iii) changes in the Company's business strategy or an inability to execute its competitive factors that may prevent the Company from competing successfully in the marketplace.

#### REVENUE RECOGNITION

Sales of fuel and heating equipment are recognized at the time of delivery to the customer, and sales of equipment are recognized at the time of installation. Revenue from repairs and maintenance service is recognized upon completion of the service. Payments received from customers for heating equipment service contracts are deferred and amortized into income over the term of the respective service

## Edgar Filing: ABLE ENERGY INC - Form 10-Q

contracts, on a straight-line basis, which generally do not exceed one year.

### RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2002, COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 2001.

The Company reported revenues of \$6,233,339 for the three months ended September 30, 2002, an increase of 18.34% over the prior year's revenues for the same three-month period. This increase can be attributed primarily to the Company's continued aggressive sales activities, which resulted in a larger customer base as well as an increase in the sales of commercial diesel fuels and gasoline. In March of 2002, management instated a business plan to market and sell other liquid products, specifically gasoline and diesel fuel products, during the warmer months. In addition, the company increased its sales of new equipment and HVAC services by 44.21% for this quarter. These changes were initiated to help even out the seasonality of the Company's business when heating oil sales are generally down. Management has committed to a reasonable gross margin percentage to allow for profitability on the sale of these products.

Gross profit margin, as a percentage of revenues, for the three months ended September 30, 2002, increased to 13.32% from 10.39%, an increase of \$283,263 above the prior year's three months results. The increase in margin is primarily a result of the Company's new margin management policy, which was put into effect in September of 2001, and is designed to maximize margins, by product segment, on each of the products and services that it markets to the consumer. This program is designed to promote product pricing that is in line with the specific type of service provided.

Selling, General, and Administrative expenses, as a percent of sales, decreased by 3.62% from 23.06% in the quarter ending September 30th 2001 to 19.44% during the same period in 2002. The Company attributes this decrease to its continued commitment to controlling expenses,

insurance, telephone, and advertising. Management will continue to monitor the fiscal budget against actual results on an ongoing basis in an effort to further reduce SG&A as a percentage of sales.

Operating loss for the three months ended September 30, 2002 was \$678,419, a decrease of 29.74% under the Company's operating loss of \$965,527 for the three months ended September 30, 2001. This decreased operating loss for the quarter was directly related to the increase in gross margins, as operating costs, in dollars, were similar to the prior year period.

Net loss for the three months ended September 30, 2002 decreased by \$221,183, or 23.26%, to \$729,827 as compared to the same period for the previous year loss of \$951,010. This net loss was the result of seasonal factors in the sale of heating oil, propane, and related products in the summer months. Due to the seasonal nature of the business, the 1st fiscal quarter typically experiences the lowest sales volume and net income of the four quarters for the Company.

### OPERATIONAL EFFICIENCIES

The Company believes that it will continue to increase the utilization

## Edgar Filing: ABLE ENERGY INC - Form 10-Q

of existing personnel and equipment, thus reducing expenses and increasing profitability, within its current business configuration.

During this past fiscal year, the Company began implementation of a new margin management program designed to increase profitability without sacrificing customer appeal. The Company believes that there is value to the products and services that it provides to its consumers in varying levels based upon the specific needs of the consumer and the products provided. This program is working and has been expanded to include equipment sales and services.

The Company will begin service billing utilizing a methodology known as "Flat Rate Pricing", an approach similar to that used in the automobile repair field. Flat rate pricing will be introduced in stages with the first phase beginning in the 2nd fiscal quarter of the current year. This system will give sales and service personnel the ability to offer the customer an easy to understand, "package approach" to repairs and equipment installations with one or two line billings per invoice. This system will interface with the Company's automated dispatch communications program that was introduced last year. It is anticipated that this system will be fully implemented within one year.

### RECENTLY IMPLEMENTED TECHNOLOGICAL PROCEDURES

The Company has established goals, which will be accomplished through the implementation of some modern technologies that are currently being installed into the Company's existing infrastructure.

The Company will begin introducing additional customer service technology to its Rockaway call and administrative center during the second fiscal quarter of 2002/2003. Management believes that by providing enhancements to existing telephony hardware and in-house management, the Company's call center environment will be provided with the ability to respond to changing call patterns, both higher and lower, without the expense of clerical over-staffing to meet unrealized needs. New software will provide customers with the option of placing an order via a voice activated technology. This will enable customers who simply wish to refill their fuel tank, the opportunity to quickly place an order 24 hours a day without the help of a live customer service representative.

The Company is now beginning full implementation of the recently announced automated dispatch technology, which provides management with the ability to communicate with service technicians instantaneously. This system also is now performing billing functions at the customer's location as well as documenting payment data instantaneously. Additionally, management is now aware of the status of every on-duty worker and obtains real time reporting for stand-by, enroute, and service work time. This enables the Company to maximize scheduling opportunities and eliminating service technician down time.

### LIQUIDITY AND CAPITAL RESOURCES

For the three months ended September 30, 2002, compared to the three months ended September 30, 2001, the Company's cash position increased by \$155,876 from \$524,140 to \$680,016. For the year ended June 30, 2002, cash was generated through collections of customer advance payments, and an increased loan from the bank. In the quarter ending September 30, 2002, the Company entered into an agreement and received

## Edgar Filing: ABLE ENERGY INC - Form 10-Q

a loan of \$750,000 from a private company. The Company is in discussions with a financial institution to obtain a term loan and consolidate a large portion of its existing debt and also a working capital line of credit of \$2.5 million. This will enable the Company to continue to grow while strengthening its infrastructures.

### SEASONALITY

The Company's operations are subject to seasonal fluctuations, with a majority of the Company's business occurring in the late fall and winter months. Approximately 70% of the Company's revenues are earned and received from October through March, most of such revenues are derived from the sale of home heating products including propane gas and home heating oil. However the seasonality of the Company's business is offset, in part, by an increase in revenues from the sale of HVAC products and services, diesel and gasoline fuels during the spring and summer months, due to the increased use of automobiles and construction apparatus

From May through September, Able Oil can experience considerable reduction of retail heating oil sales. Similarly, Able Propane can experience up to an 80% decrease in heating related propane sales during the months of April to September, this is offset somewhat by increased sales of propane gas used for pool heating, heating of domestic hot water in homes and fuel for outdoor cooking equipment.

Over 90% of Able Melbourne's revenues are derived from the sale of diesel fuel for construction vehicles, and commercial and recreational sea-going vessels during Florida's fishing season, which begins in April and ends in November. Only a small percentage of Able Melbourne's revenues are derived from the sale of home heating fuel. Most of these sales occur from December through March, Florida's cooler months.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable.

### ITEM 4. CONTROLS AND PROCEDURES

As of September 30, 2002, an evaluation was performed under the supervision and with the participation of the Company's management, including the Principal Executive Officer and the Principal Accounting Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the Principal Executive Officer and the Principal Accounting Officer, concluded that the Company's disclosure controls and procedures were effective as of September 30, 2002. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to September 30, 2002.

## PART II OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

None.

## Edgar Filing: ABLE ENERGY INC - Form 10-Q

### ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

We borrowed \$750,000 from an unrelated company, KMA & Associates, LTD. The mortgage and note are dated September 13, 2002. The term of the note is for one (1) year. Payments of interest only on the outstanding principal balance shall be paid monthly at a rate of 10%. The first payment was due on November 1, 2002 and on the first day of each month thereafter until October 1, 2003, when the Note shall mature and all principal and accrued interest shall be due and payable in full.

Prepayment Penalty - in the event borrower makes a voluntary principal payment during the term of this note, borrower shall pay to the lender a premium equal to three (3) monthly payments of interest on the note. The note is collateralized by a mortgage dated September 13, 2002 from Able Energy Terminal, LLC, a wholly owned subsidiary, which is a second mortgage on the property at 344 Route 46, Rockaway, NJ and also by all leases and rents related to the property. The lender has been issued a stock purchase warrant for 100,000 shares at \$4 per share. The warrant has not been registered under the Securities Act of 1933. We granted the holder piggy-back registration rights for the common stock underlying the warrant on our next registration statement. This warrant does not entitle the holder to any of the rights of a stockholder of the Able. Unless previously exercised, the warrants will expire on September 13, 2004.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

### ITEM 5. OTHER INFORMATION

None.

### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

None.

(b) Reports on Form 8-K

The Company did not file any reports on Form 8-K during the three months ended September 30, 2002.

### SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 13th day of November 2002.

ABLE ENERGY, INC.

/s/ Timothy Harrington

## Edgar Filing: ABLE ENERGY INC - Form 10-Q

Timothy Harrington, Chief  
Executive Officer,  
Secretary, and Chairman

/s/ Christopher P. Westad  
Christopher P. Westad,  
President, Chief Financial  
Officer, and Director

### CERTIFICATION

I, Timothy Harrington, Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Able Energy, 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. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, 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. The registrant's other certifying officers and 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. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal

## Edgar Filing: ABLE ENERGY INC - Form 10-Q

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.

November 13, 2002

/s/ Timothy Harrington  
Timothy Harrington  
Chief Executive Officer

### CERTIFICATION

I, Christopher P. Westad, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Able Energy, 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. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, 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. The registrant's other certifying officers and 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. The registrant's other certifying officers and I have indicated in this



## Edgar Filing: ABLE ENERGY INC - Form 10-Q

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.

November 13, 2002

/s/ Christopher P. Westad  
Christopher P. Westad  
Chief Financial Officer