

Edgar Filing: ABLE ENERGY INC - Form 10-Q

ABLE ENERGY INC
Form 10-Q
May 17, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2004

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: 001-15035

ABLE ENERGY, INC.

(An 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 May 10, 2004, 2,013,250 shares, \$.001 Par value per share, of
Able Energy, Inc. were issued and outstanding.

TABLE OF CONTENTS

Edgar Filing: ABLE ENERGY INC - Form 10-Q

PAGE

PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS (UNAUDITED)

Consolidated Balance Sheets as of June 30, 2003 and March 31, 2004	3 - 4
Consolidated Statements of Income for the three and nine months ended March 31, 2004 and 2003	5
Consolidated Statement of Stockholders' Equity nine months ended March 31, 2004	6
Consolidated Statements of Cash Flows for the nine months ended March 31, 2004 and 2003	7 - 8
Notes to Unaudited Financial Statements	9 - 29

ABLE ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

ASSETS

	MARCH 31, 2004 (UNAUDITED)	JUNE 30, 2003 (AUDITED)
	-----	-----
CURRENT ASSETS:		
Cash	\$ 1,166,560	\$ 400,030
Accounts Receivable (Less Allowance for Doubtful Accounts of \$90,472 (March 31) and \$279,913 (June 30))	3,198,626	2,661,800
Inventory	924,380	789,420
Notes Receivable - Current Portion	59,259	57,570
Other Receivable - Non-Compete - Current Portion	225,000	-
Miscellaneous Receivables	124,385	70,500
Prepaid Expenses	339,592	395,980
Insurance Claim Receivable	--	349,520
Deferred Costs - Insurance Claims	544,902	703,670
Due From Officer	61,530	-
Prepaid Expense - Income Taxes	2,063	2,060
Deferred Income Tax	33,047	73,770
	-----	-----
TOTAL CURRENT ASSETS	6,679,344	5,504,360
	-----	-----
PROPERTY AND EQUIPMENT:		
Land	479,346	451,920
Buildings	946,046	946,040
Trucks	3,217,443	3,125,450
Fuel Tanks	660,927	1,455,500
Machinery and Equipment	891,125	769,810
Leasehold Improvements	600,204	597,750
Cylinders	164,637	755,490

Edgar Filing: ABLE ENERGY INC - Form 10-Q

Office Furniture and Equipment	200,640	200,640
Web Site Development Costs	2,317,994	2,274,570
	-----	-----
	9,478,362	10,577,210
Less: Accumulated Depreciation and Amortization	4,524,453	4,331,050
	-----	-----
NET PROPERTY AND EQUIPMENT	4,953,909	6,246,160
	-----	-----
OTHER ASSETS:		
Deferred Income Taxes	45,091	45,091
Deposits	121,780	165,540
Other Receivable - Non-Compete - Less Current Portion	675,000	177,790
Notes Receivable - Less Current Portion	667,765	-
Customer List, Less Accumulated Amortization of (\$188,122) March 31 and June 30	422,728	422,728
Covenant Not to Compete, Less Accumulated Amortization of \$91,667 (March 31) and \$76,667 (June 30)	8,333	23,330
Development Costs - Franchising	20,680	27,570
	-----	-----
TOTAL OTHER ASSETS	1,961,377	862,050
	-----	-----
TOTAL ASSETS	\$13,594,630	\$12,612,580
	=====	=====

See Accompanying Notes

3

ABLE ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET (CONT'D)
LIABILITIES & STOCKHOLDERS' EQUITY

	MARCH 31, 2004 (UNAUDITED)	JUNE 30, 2004 (UNAUDITED)
	-----	-----
CURRENT LIABILITIES:		
Accounts Payable	\$ 2,271,819	\$ 1,819,000
Note Payable - Bank	700,000	700,000
Note Payable - Other	200,000	200,000
Current Portion of Long-Term Debt	352,146	1,000,000
Accrued Expenses	330,022	330,022
Accrued Taxes	46,204	46,204
Income Taxes Payable	138,130	138,130
Deferred Income	5,833	5,833
Customer Pre-Purchase Payments	593,900	593,900
Customer Credit Balances	264,382	264,382
Escrow Deposits	16,072	16,072
Note Payable - Officer	--	--
	-----	-----
TOTAL CURRENT LIABILITIES	4,918,508	5,000,000
	-----	-----
DEFERRED INCOME	79,679	79,679
DEFERRED INCOME TAXES	82,290	82,290

Edgar Filing: ABLE ENERGY INC - Form 10-Q

SHORT-TERM DEBT REFINANCED	--	3
LONG-TERM DEBT: less current portion	3,660,731	
	-----	-----
TOTAL LIABILITIES	8,741,208	9
	-----	-----
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 Shares 2,013,250 (2004) and 2,013,250 (2003)		
	2,014	
Paid in Surplus	5,711,224	5
Retained Earnings (Deficit)	(859,816)	(2)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	4,853,422	3
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 13,594,630	\$ 12
	=====	=====

See Accompanying Notes

4

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

	THREE MONTHS MARCH 31,	
	2004	2003
	-----	-----
NET SALES	\$ 17,495,340	\$ 19,490,580
COST OF SALES	14,463,233	15,879,981
	-----	-----
GROSS PROFIT	3,032,107	3,610,599
	-----	-----
EXPENSES		
Selling, General and Administrative Expenses	1,854,423	1,747,490
Depreciation and Amortization Expense	319,717	317,251
	-----	-----
TOTAL EXPENSES	2,174,140	2,064,741
	-----	-----
INCOME (LOSS) FROM OPERATIONS	857,967	1,545,858
	-----	-----
OTHER INCOME (EXPENSES):		
Gain on Sale of Subsidy	2,668,490	--
Interest and Other Income	27,889	60,554
Interest Expense	(138,424)	(151,137)

Edgar Filing: ABLE ENERGY INC - Form 10-Q

Other (Expense) Income (Notes 10 and 22)	394,500	(414,000)
Legal and Professional Fees relating to Other (Expense) Income	(197,360)	--
TOTAL OTHER INCOME (EXPENSES)	2,755,095	(504,583)
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	3,613,062	1,041,275
PROVISION (REDUCTION) FOR INCOME TAXES	143,440	(39,890)
NET INCOME (LOSS)	\$ 3,469,622	\$ 1,081,165
BASIC INCOME (LOSS) PER COMMON SHARE	\$ 1.72	\$.54
DILUTED INCOME (LOSS) PER COMMON SHARE	\$ 1.70	\$.53
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - USED IN BASIC	2,013,250	2,009,814
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - USED IN DILUTED	2,040,588	2,052,751

See Accompanying Notes

5

ABLE ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
NINE MONTHS ENDED MARCH 31, 2004
(UNAUDITED)

	COMMON STOCK .001 PAR VALUE		ADDITIONAL PAID-IN SURPLUS	RETAINED EARNINGS
	SHARES	AMOUNT		
Balance - July 1, 2003	2,013,250	\$ 2,014	\$ 5,711,224	\$ (2,225,946)
Net Income				1,366,130
Balance - March 31, 2004	2,013,250	\$ 2,014	\$ 5,711,224	\$ (859,816)

Edgar Filing: ABLE ENERGY INC - Form 10-Q

See Accompanying Notes

6

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

	NINE MONTHS ENDED MARCH 31, UNAUDITED	
	2004	2003
CASH FLOW FROM OPERATING ACTIVITIES		
Net Income (Loss) - Continuing Operations	\$ 1,366,130	\$ 1,275,747
Adjustments to Reconcile Net Income (Loss) to Net Cash used by Operating Activities:		
Depreciation and Amortization	952,764	911,922
Other Expense (Income)	(394,500)	414,000
Directors' Fees	--	24,000
Gain on Disposal of Equipment	--	(44)
Gain on Sale of Subsidiary	(2,668,490)	--
Gain on Sale of Subsidiary - Non-Cash	1,400,000	--
(Increase) Decrease in:		
Accounts Receivable	(536,818)	(2,429,365)
Inventory	(134,958)	(549,953)
Prepaid Expenses	56,390	(76,560)
Insurance Claim Receivable	349,526	(238,099)
Deferred Costs Insurance Claims	158,773 43,761	--
Deposits	40,730	(65,000) (43,400)
Deferred Income Tax - Asset		
Increase (Decrease) in:		
Accounts Payable	850,908	1,194,466
Accrued Expenses	(457,756)	(44,288)
Customer Advance Payments	(342,780)	(494,559)
Customer Credit Balance	(152,262)	(375,833)
Deferred Income Taxes	11,980	10,510
Deferred Income	5,833	--
Escrow Deposits	11,072	(12,400)
Income Taxes Payable	138,130	--
	-----	-----
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	698,433	(498,856)
	-----	-----
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(1,034,781)	
Web Site Development Costs	(43,419)	(810,415)
Increase in Deposits	--	(41,824)
Disposition of Equipment	(1,297,433)	(8,845)
Payment on Notes Receivable - Sale of Equipment	8,346	1,726
Cash Received Sale of Equipment & Inventory-Subsidiary	3,000,000	13,359
Note Receivable - Montgomery	--	--
Other Receivables	(53,882)	655
Receivable - Officer	(61,530)	22,961
	-----	-----

Edgar Filing: ABLE ENERGY INC - Form 10-Q

NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	\$ 517,301	\$ (822,383)
	=====	=====

See Accompanying Notes

7

ABLE ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOW (CONT'D)
(UNAUDITED)

	NINE MONTHS ENDED MARCH 31, UNAUDITED	
	2004	2003
	-----	-----
CASH FLOW FROM FINANCING ACTIVITIES		
Notes Payable - Bank	\$ 700,000	\$ --
(Decrease) in Notes Payable - Bank	(1,270,000)	(200,000)
(Decrease) Increase in Notes Payable - Other	(1,385,000)	850,000
Decrease in Long-Term Debt	(3,289,892)	(496,824)
Increase in Long-Term Debt	5,117,315	607,789
Note Payable - Officer	(321,630)	313,604
	-----	-----
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	(449,207)	1,074,569
	-----	-----
NET (DECREASE) INCREASE IN CASH	766,527	(246,670)
Cash - Beginning of Year	400,033	258,560
	-----	-----
Cash - End of Year	\$ 1,166,560	\$ 11,890
	=====	=====
The Company had Interest Cash Expenditures of:	\$ 578,123	\$ 315,223
The Company had Tax Cash Expenditures of:	\$ 59,638	\$ 22,167

See Accompanying Notes

8

ABLE ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2003 AND MARCH 31, 2004

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.

Edgar Filing: ABLE ENERGY INC - Form 10-Q

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 E-Commerce Operating System 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 nine months ended March 31, 2004 is \$396,071 (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 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, 2003. The Company follows the same accounting policies in preparation of interim reports.

9

ABLE ENERGY, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) JUNE 30, 2003 AND MARCH 31, 2004

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. Able propane, LLC was sold March 3, 2004, and the Company is no longer selling propane (See Note 22).

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

Edgar Filing: ABLE ENERGY INC - Form 10-Q

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.

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 nine months ended March 31, 2004 and 2003 amounted to \$585,491 and \$557,915, 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, and accelerated special depreciation per the Tax Acts of 2002 and 2003.

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.

10

ABLE ENERGY, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) JUNE 30, 2003 AND MARCH 31, 2004

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

E-COMMERCE OPERATING SYSTEM DEVELOPMENT COSTS

Costs of \$2,317,994 incurred in the developmental stage and thereafter 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 nine months ended March 31, 2004 and 2003 amounted to \$345,380 and \$332,114, respectively.

INTANGIBLE ASSETS

Intangibles are stated at cost and amortized as follows:

Customer Lists of \$571,000 related to the Connell's Fuel Oil Company acquisition on October 28, 1996, by Able Oil Company was being amortized

Edgar Filing: ABLE ENERGY INC - Form 10-Q

over a straight-line period of 15 years. 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 nine months ended March 31, 2004 and 2003 are \$15,000 and \$15,000, respectively.

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 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.

11

ABLE ENERGY, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) JUNE 30, 2003 AND MARCH 31, 2004

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 ongoing credit evaluations of its customers' financial conditions and requires no collateral from its customers.

Edgar Filing: ABLE ENERGY INC - Form 10-Q

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 \$346,297. The Company does not anticipate non-performance by the financial institutions.

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 \$508,510 and \$341,961 for the nine months ended March 31, 2004 and 2003, 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.

12

ABLE ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2003 AND MARCH 31, 2004

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

Edgar Filing: ABLE ENERGY INC - Form 10-Q

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

RECENT ACCOUNTING PRONOUNCEMENTS

FASB Interpretation No. 45 (FIN 45), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." In November 2002, the FASB issued FIN 45 which requires a guarantor to recognize a liability for the fair value of the obligation it assumes under certain guarantees. Additionally, FIN 45 requires a guarantor to disclose certain aspects of each guarantee, or each group of similar guarantees, including the nature of the guarantee, the maximum exposure under the guarantee, the current carrying amount of any liability for the guarantee, and any recourse provisions allowing the guarantor to recover from third parties any amounts paid under the guarantee. The disclosure provisions of FIN 45 are effective for financial statements for both interim and annual periods ending after December 15, 2002. The fair value measurement provisions of FIN 45 are to be adopted as of July 1, 2003. The Company has no obligation effected by this pronouncement.

13

ABLE ENERGY, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) JUNE 30, 2003 AND MARCH 31, 2004

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

RECENT ACCOUNTING PRONOUNCEMENTS (CONT'D)

SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure (an amendment of FASB Statement No. 123)." In December 2002, the FASB issued SFAS No. 148, which amends SFAS No. 123, "Accounting for Stock-Based Compensation," and provides alternative methods of transition for a voluntary change to the fair value-based method of accounting for stock-based employee compensation; SFAS No. 148 also amends the disclosure requirements of SFAS No. 123 and APB Opinion No. 28, "Interim Financial Reporting," to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The provisions of SFAS No. 148 are effective for financial statements for periods ending after December 15, 2002. The Company will adopt SFAS No. 148 effective July 1, 2003. It currently has no effect on the Company.

DEBT EXTINGUISHMENT

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements Nos. 4, 44 and 64, Amendment of FASB Statement No. 13, and technical Corrections." Among other things, this statement rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt" (SFAS No. 4), which required all gains and losses from extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of the related income tax effect. As a result, the criteria in Accounting Principles Board Opinion No. 30, "reporting the Results of Operations -

Edgar Filing: ABLE ENERGY INC - Form 10-Q

Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," which requires gains and losses on extinguishment of debts to be classified as income or loss from continuing operations, will now be applied. We adopted the provisions of this statement as of July 1, 2002, as it was effective for years beginning after June 15, 2002.

EXIT COSTS AND DISPOSAL ACTIVITIES

In June 2002, FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS NO. 146), which addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)" (EITF 94-3). The principal difference between SFAS No. 146 and EITF 94-3 relates to SFAS No. 146's requirements for recognition of a liability for a cost associated with an exit or disposal activity. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF 94-3, a liability for an exit cost as generally defined in EITF 94-3 was recognized at the date of an entity's commitment to an exit plan. We will adopt the new standard effective July 1, 2003. This currently has no effect on the Company's operations.

14

ABLE ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2003 AND MARCH 31, 2004

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

ASSET RETIREMENT OBLIGATIONS

Effective January 1, 2003, the Company has adopted SFAS No. 143, "Accounting for Asset Retirement Obligations" (SFAS No. 143). This statement provides the accounting for the cost of legal obligations associated with the retirement of long-lived assets. SFAS No. 143 requires that companies recognize the fair value of a liability for asset retirement obligations in the period in which the obligations are incurred and capitalize that amount as part of the book value of the long-lived asset. SFAS No. 143 also precludes companies from accruing removal costs that exceed gross salvage in their depreciation rates and accumulated depreciation balances if there is no legal obligation to remove the long-lived assets. The adoption had no current effect on the financial records.

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

Edgar Filing: ABLE ENERGY INC - Form 10-Q

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 received covering payments from December 2000 through October 2001, representing interest of \$14,804.13 and principal of \$320.84. Payments were received in November and December 2002, representing December 2001 and January 2002, a total of \$3,333.34; interest of \$2,678.88, and principal of \$654.46.

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 in the amount of \$79,679.18 to be realized on collection of the notes.

Maturities of the Note Receivable are as follows:

FOR THE 12 MONTHS ENDING	PRINCIPAL AMOUNT
MARCH 31,	
2005	\$ 28,659
2006	12,219
2007	13,432
2008	14,765
2009	16,230
Balance	83,396

TOTAL	\$168,701
	=====

15

ABLE ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2003 AND MARCH 31, 2004

NOTE 2 NOTES RECEIVABLE (CONT'D)

- 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. One Note began December 1998, one began February 1999 and one began January 2004. 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 ENDED	PRINCIPAL AMOUNT
MARCH 31,	
-----	-----
2005	\$30,600
2006	6,028
2007	4,566
2008	4,887
2009	5,233
Balance	7,009

TOTAL	\$58,323
	=====

Edgar Filing: ABLE ENERGY INC - Form 10-Q

NOTE 3 INVENTORIES

ITEMS	MARCH 31, 2004	JUNE 30, 2003
	-----	-----
Heating Oil	\$ 394,609	\$ 241,107
Diesel Fuel	24,975	18,921
Kerosene	4,059	2,534
Propane	7,448	8,851
Parts, Supplies and Equipment	493,289	518,009
	-----	-----
TOTAL	\$ 924,380	\$ 789,422
	=====	=====

NOTE 4 NOTES PAYABLE BANK

- A. On September 22, 2003, the Company closed a new loan facility with UPS Capital Business Credit. The facility is a \$4,300,000 term loan, payable over fifteen (15) years with interest at the prime rate, plus 1.75%, and a line of credit of \$700,000 with interest at prime plus 1.00%. The payments on the term loan, due the first of each month, include principal, interest of \$35,900.04, and real estate tax escrow of \$2,576.63, totaling \$38,476.67. Real estate tax escrow of \$7,745.03 was paid at closing. September 30, 2003 was the first payment and included nine (9) days of interest plus principal totaling \$20,382.02. Any payment received more than five (5) days after the due date is subject to a late charge of 5% of such payment. Upon the occurrence of an event of default, the loan shall bear interest at five percentage points (5%) above the rate otherwise in effect under the loan.

On March 3, 2004, the Company repaid \$1,100,000 of the term loan principal balance. The monthly payments of principal and interest were reduced to \$26,672.65, commencing with the payment due April 1, 2004 which was paid by the Company in March 2004. All other terms of the loan will remain the same (See Note 22).

16

ABLE ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2003 AND MARCH 31, 2004

NOTE 4 NOTES PAYABLE BANK (CONT'D)

- A. The collateral will be as follows for the term loan:
1. A first mortgage on properties located at 344 Route 46, Rockaway, NJ and 38 Diller Avenue, Newton, NJ
 1. A first security interest in equipment and fleet vehicles
 1. A first security interest in the customer list

TERMS AND COLLATERAL RELATED TO THE REVOLVING LINE OF CREDIT

Interest is payable monthly on the first day of each month, in arrears.

Edgar Filing: ABLE ENERGY INC - Form 10-Q

This loan shall be paid down annually for a minimum of thirty (30) days at the borrower's discretion, but prior to renewal. The maturity is annually renewing from the closing date. This part of the loan is secured by a first priority lien on accounts receivable and inventory.

The Revolving Line of Credit will have rates supported by 75% on accounts receivable less than 90 days outstanding, plus 50% on inventory. The outstanding balance at March 31, 2004 is \$700,000.

The loan facility is guaranteed by Able Energy, Inc. Officers loans are subordinated to the lender and will remain standstill until all debt due to the lender is paid in full.

The agreement contains certain financial covenants:

1. Limit of unfinanced capital expenditures not to exceed \$350,000 for fiscal year 2004.

The Company paid the following loans on September 22, 2003:

Fleet Bank	\$ 1,340,644	(including interest and fees
KMA Associates	750,000	
Jeff Will	505,000	(including interest of \$5,00
Estate of Birdsal	657,895	(including interest of \$7,89
Long-term Debt	1,084,866	

Total Refinance	4,338,405	
Other Fees and Costs Paid at Closing	123,198	

Total	\$ 4,461,603	
	=====	

The loan advanced was \$4,300,000, the balance of \$161,603 was paid by the Company.

The balance of the term loan at March 31, is	\$3,099,661	
Included in current portion of long-term debt	142,871	

Included in long-term debt - less current portion	\$2,956,790	
	=====	

ABLE ENERGY, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
 JUNE 30, 2003 AND MARCH 31, 2004

NOTE 4 NOTES PAYABLE BANK (CONT'D)

- B. On October 22, 2001, the Company and its subsidiaries, either as Borrower or Guarantor, entered into a loan and security Agreement with Fleet

Edgar Filing: ABLE ENERGY INC - Form 10-Q

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.

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%, see below increase in interest rate. Interest is to be paid on the amount advanced on the last day of each month.

The Agreement had an expiration date of November 30, 2002. Fleet Bank did not renew the credit facility upon expiration of the Agreement on November 30, 2002. Effective December 1, 2002, the bank is charging an additional annual interest of 4% as the Note is in default. The total current interest rate charged is currently 8.25% per annum. The Company and Lender have entered into a Forbearance Agreement, where the Lender is willing to forbear until May 31, 2003 from exercising its rights and remedies. The Lender will receive a forbearance fee of \$50,000 at May 31, 2003, reduced by \$2,500 for each week prior to May 31, 2003, that the credit facility and all charges are paid in full, with a minimum forbearance fee of \$15,000. The interest charged is at 8.25% per annum. The principal amount outstanding was \$1,270,000. Interest for the three months ended March 31, 2004 was \$18,062. The loan and the \$50,000 forbearance fee were not paid at May 31, 2003. The Note payable plus forbearance fee, accrued interest and other costs were paid in full on September 22, 2003, in the amount of \$1,340,644 (See Note 4 A). The bank released all the collateral securing the Company debt.

NOTE 5 NOTES PAYABLE

- A. The Company has borrowed \$500,000 from an unrelated individual. The Note was 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 lender has granted the Company an additional extension at the same terms to June 26, 2003. The Lender has granted the Company an extension to July 26, 2003. 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. The Note was paid in full on September 22, 2003 (See Note 4 A). The same individual loaned the Company \$300,000 on February 12, 2004, to be paid \$100,000 per month plus interest, at 6% per annum on March, April and May 15, 2004. The balance at March 31, 2004 was \$200,000.

Edgar Filing: ABLE ENERGY INC - Form 10-Q

JUNE 30, 2003 AND MARCH 31, 2004

NOTE 5 NOTES PAYABLE

- 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 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 paid 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. The Note was paid in full on September 22, 2003 (See Note 4 A).
- C. The Company has borrowed \$335,000 from an unrelated Company. The mortgage and Note are dated April 16, 2003. The loan is to Able Energy New York, Inc., a wholly owned subsidiary. The loan is collateralized by a mortgage on property in Lake George, New York owned by the subsidiary and a second mortgage on property in Bolton, New York, owned by the Company's CEO who is also a guarantor on the loan. Payments of interest only on the outstanding principal balance at a rate of 14% per annum, are payable monthly. The first payment was paid June 1, 2003. The entire amount, both principal and accrued interest shall be due and payable on May 1, 2004. The loan was paid in full on March 11, 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 is \$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 Horican Avenue, Town of Warrensburg, Warren County, New York. The balance due on this Note at March 31, 2004 and June 30, 2003 was \$91,708 and \$101,724, respectively.

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 Note is collateralized by the property and equipment purchased and assignment of the leases. The Note was paid in full on September 22, 2003 in the amount of \$650,000 plus interest of \$7,895 (See Note 4 A).

The Company has long-term debt represented by Notes Payable and capitalized leases collateralized by trucks, vans, office and computer equipment. The total outstanding at June 30, 2003 was \$1,433,731. On September 22, 2003, \$1,084,866 of these Notes, then outstanding, were paid in full (See Note 4 A).

Edgar Filing: ABLE ENERGY INC - Form 10-Q

ABLE ENERGY, INC. AND SUBSIDIARIES
 NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENT (CONT'D)
 JUNE 30, 2003 AND MARCH 31, 2004

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:

	2004 ----	
	AMOUNT -----	PERCENT -----
Statutory Federal Income Tax	\$ 586,695	34.0%
Federal Income Tax Reduction due to Carryforward Loss	(531,070)	
State Income Tax	135,215	5.9
	-----	-----
Income Taxes	\$ 190,840	39.9%
	=====	=====
Income Taxes consist of:		
Current	\$ 138,130	
Deferred	52,710	

TOTAL	\$ 190,840	
	=====	
Statutory Federal Income Tax	\$ 513,619	34.0%
Federal Income Tax Reduction due to Carryforward Loss	(536,639)	
State Income Tax (Note X)	159,980	5.9
State Income Tax Reduction due to Carryforward Loss	(169,850)	
Income Taxes	\$ (32,890)	39.9%
	=====	=====
Income Taxes consists of:		
Current		
Deferred		
	\$ --	
TOTAL	(32,890)	

	\$ (32,890)	
	=====	

(Note X) The State of New Jersey has suspended the use of carryforward losses for the years 2002 and 2003. As such, state income taxes of \$45,091 have been shown as a deferred asset and as income taxes payable for the year ended June 30, 2003. New Jersey carryforward is treated separately by the Company. Able Oil Company has a New Jersey Operating Loss of \$501,010 which could not be utilized in the current year ended June 30, 2003. Under current New Jersey law, the carryforward will be available after 2003, the Company's fiscal year ending June 30, 2005.

Edgar Filing: ABLE ENERGY INC - Form 10-Q

20

ABLE ENERGY, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
 JUNE 30, 2003 AND MARCH 31, 2004

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:

	MARCH 31, 2004	
	TEMPORARY DIFFERENCE -----	TAX EFFECT -----
Depreciation and Amortization	\$ (297,723)	\$ (82,290)
Allowance for Doubtful Accounts	90,472	29,012
Gain on Sale of Subsidiary	18,766	4,035
New Jersey Net Operating Loss Carryforward (See Note X, Prior Page)	501,010	45,091

	JUNE 30, 2003	
	TEMPORARY DIFFERENCE -----	TAX EFFECT -----
Depreciation and Amortization	\$ (241,993)	\$ (70,310)
Allowance for Doubtful Accounts	279,913	69,742
Gain on Sale of Subsidiary	18,766	4,035
New Jersey Net Operating Loss Carryforward (See Note X, prior page)	501,010	45,091

Able Energy, Inc., et al, open years are December 31, 2000 and June 30, 2001, 2002 and 2003. The Company has a net operating loss carryforward of \$2,302,315. 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. For the nine months ended March 31, 2004 \$1,561,970 of net income has been utilized against the net operating loss carryforward. At this time, the Company believes that a full valuation allowance should be provided. The component of the deferred tax asset as of March 31, 2004 are as follows:

Net Operating Loss Carryforward - Tax Effect	\$ 782,787
Valuation Allowance	(782,787)

Edgar Filing: ABLE ENERGY INC - Form 10-Q

Net Deferred Tax based upon Net

Operating Loss Carryforward

\$ - 0 -
=====

21

ABLE ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2003 AND MARCH 31, 2004

NOTE 8 NOTE RECEIVABLE - SUBSIDIARY

The Company has a Note Receivable from PriceEnergy.Com, Inc. for advances made in the development of the business, 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. Through March 31, 2004, no principal has been paid. No interest was accrued for the nine months ended March 31, 2004 or the six months ended June 30, 2003 as the note is non performing. Unpaid accrued interest due through June 30, 2003 is \$234,000. The Note and accrued interest have been eliminated in the consolidated financial statements (See Notes 1 and 13). Able Oil Company has a Note Receivable originally dated September 30, 2002 in the amount of \$1,510,372.73 from PriceEnergy.Com, Inc. The Note has been updated for transactions resulting in a balance of \$2,029,878 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. No interest has been recorded for the nine months ended March 31, 2004. Any payments will go to pay principal. The note receivable and accrued interest have been eliminated in consolidation against the amounts 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 Company matches 25% of qualified employee contributions. The expense was \$19,945 (2004) and \$18,219 (2003), for the nine months ended March 31.

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.

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

Edgar Filing: ABLE ENERGY INC - Form 10-Q

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.

22

ABLE ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2003 AND MARCH 31, 2004

NOTE 10 COMMITMENTS AND CONTINGENCIES (CONT'D)

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 received a release from the Estate (the Seller) and a release and indemnification from the Company. The defendants provided 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, was collected and placed in an attorney's escrow account for payment of all investigation and remediation costs. Able Energy Terminal, LLC has incurred costs of \$102,956 to March 31, 2004, which are included in Prepaid Expenses and must be presented to the attorney for reimbursement. Per management, certain items such as a performance bond are being finalized, then reimbursement can be made.

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.

Following an explosion and fire that occurred at the Able Energy Facility in Newton, NJ on March 14, 2003, and through the subsequent clean up efforts, Able Energy has cooperated fully with all local, state and federal agencies in their investigations into the cause of this accident.

On April 2, 2003, Able Energy received a Notice Of Violation from the New Jersey Department of Community Affairs ("DCA") citing a total of 13 violations to the New Jersey Administrative Code, Liquefied Petroleum Gas. Twelve of the violations were assessed a penalty of \$500 each. One of the violations, regarding the liquid transfer from one truck to another truck, was assessed a penalty of \$408,000, a second notice was received on April 29, 2003, for an alleged violation on April 12, 2003, and a fine of \$5,500 was assessed for a total of \$419,500. This amount is included in accrued expenses at June 30. (See below)

Based upon initial review, the company disagrees with many of the findings of the report and disputes many of the allegations. The company has contested the DCA Notice of Violation and the assessed penalties. Counsel

Edgar Filing: ABLE ENERGY INC - Form 10-Q

and the DCA have had several meetings and hearings were held in the Office of Administrative Law. The Company and DCA have settled the penalties of \$419,500 for \$25,000, resulting in Other Income of \$394,500 (See Note 22). The \$25,000 was paid March 10, 2004.

23

ABLE ENERGY, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) JUNE 30, 2003 AND MARCH 31, 2004

NOTE 10 COMMITMENTS AND CONTINGENCIES (CONT'D)

Company personnel met with personnel of the United States Occupational Safety and Health Administration ("OSHA") on September 12, 2003. OSHA has conducted an investigation relating to the safety practices of the Company, including such practices relating to the March 14, 2003 explosion and fire. OSHA has informed the Company it will be assessed a penalty of \$16,000 based upon violations cited. This amount is included in Accrued Expenses at June 30, 2003. This amount was paid in October 2003.

The Sussex County, New Jersey, Prosecutor's Office is conducting an investigation as a result of the March 14, 2003 explosion and fire. No determination has been made with respect to its investigation.

A lawsuit has been filed against the Company by property owners who allegedly suffered property damages as a result of the March 14, 2003 explosion and fire. The Company's insurance carrier is defending as related to compensatory damages. Legal counsel is defending on the punitive damage claim. A hearing was held on March 11, 2004 on an application on certain matters by the Plaintiffs, which were denied. Per legal counsel, in their opinion, the matter will not be certified as a Class Action.

As a result of the March 14, 2003 explosion and fire, various claims for property damage have been submitted to the Company's insurance carrier. These claims are presently being handled and, in many cases, settled by the insurance carrier's adjuster. There are approximately 200 claims being handled and adjusted with reserves for losses established as deemed appropriate by the insurance carrier.

The Company in the normal course of business has been involved in law suits. Current suits are being defended by the insurance carrier and should be covered by insurance.

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.

Edgar Filing: ABLE ENERGY INC - Form 10-Q

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.

24

ABLE ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2003 AND MARCH 31, 2004

NOTE 11 OPERATING LEASE (CONT'D)

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 current monthly rent, including Common Area Charges, is \$9,799.04 per month.

The lease does not contain any option for renewal. The rent expense was \$110,342 for the nine months ended March 31, 2004. The estimated future rents are as follows:

YEAR ENDED JUNE 30,

2004	\$ 29,397
2005	117,588
July 2005	9,799

TOTAL	\$ 156,784
	=====

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

Able Oil Melbourne	\$500.00, per month
	Total rent expense, \$4,500
Able Energy New York	\$600.00, per month
	Total rent expense, \$5,400

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

Edgar Filing: ABLE ENERGY INC - Form 10-Q

territory of Fairfield County, Connecticut as designated in the agreement. No new franchise agreements have been signed.

25

ABLE ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2003 AND MARCH 31, 2004

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 a total of \$380,000 as of June 30, 2003, as evidenced by a Demand Note with interest at 6% per annum, which can be paid all or in part at any time without penalty. The Shareholder was repaid \$135,000 on March 3, 2004 (See Note 22). The balance of the Note was paid in March 2004. Interest expense has been paid in the amount of \$13,033. In relation to the payment of this Note, the Shareholder has a liability to the Company of \$16,840.

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 and diluted Earnings Per Common Share are as follows:

	MARCH 31, 2004	MARCH 31, 2003
	----	----
Weighted Average of Common Shares Outstanding Used in Basic Earnings Per Share	2,013,250	2,009,814
Dilutive Effect of:		
Employee Stock Options	27,338	42,937
Stock Warrants	--	--
	-----	-----
Weighted Average Common Shares Outstanding Used in Diluted Earnings Per Share	2,040,588	2,052,751
	=====	=====

Weighted average common shares outstanding, assuming dilution, includes the incremental shares that would be issued upon the assumed exercise of stock options, and stock warrants. For 2003, approximately 389,000 of the company's stock options and stock warrants were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-diluted, 335,183 (2002). These options and warrants could

Edgar Filing: ABLE ENERGY INC - Form 10-Q

be dilutive in the future. The numerator for the calculation of both basic and diluted earnings per share is the earnings or loss available for common stockholders. The above table shows the denominator for basic and diluted earnings per share.

26

ABLE ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2003 AND MARCH 31, 2004

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.

Options granted currently expire no later than 3 to 5 years from the grant and have vesting periods from none to 25% at grant and 25% each anniversary.

	NUMBER OF SHARES	EXERCISE PRICE	OUTSTANDING OPTIONS TERM
	-----	-----	----
January 6, 2000			
Grants	56,000	\$ 5.00	5 years
Exercises	0		
December 21, 2000			
Grants	60,000	\$ 1.80	5 years
Exercises	0		
Grants	23,000	\$ 2.25	5 years
Exercises	0		
October 22, 2002			
Grants	50,000	\$ 3.00	5 years
Exercises	0		

NOTE 16 STOCK WARRANTS

The Company has issued stock warrants as follows:

- C. 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.

- C. 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 warrants have not been registered under the Securities Act of 1933.

Edgar Filing: ABLE ENERGY INC - Form 10-Q

- C. 100,000 Common Stock Purchase Warrants at \$4.00 per share, effective September 13, 2002, and expiring September 13, 2004, in connection with a \$750,000 Note Payable (see Note 5).

27

ABLE ENERGY, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
 JUNE 30, 2003 AND MARCH 31, 2004

NOTE 16 STOCK WARRANTS

The 200,000 warrants to purchase shares of common stock were outstanding during the first quarter of 2004 and were not included in the computation of diluted EPS as the warrants' were all higher than the average stock price of \$2.87 and would have been anti-diluted (See Note 14). These warrants have not been registered under the Securities Act of 1933.

NOTE 17 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 March 31, 2004, any amount for accrual of the above is not material and has not been computed.

NOTE 18 CASH FLOW INFORMATION

The Directors received Common Stock as payment of Directors' Fees, \$24,000, in the quarter ended September 30, 2002. No cash was received or paid. Upon the sale of the subsidiary on March 1, 2004, \$1,400,000 is a receivable and has no effect on cash.

NOTE 19 INSURANCE CLAIM

The Company suffered a loss on March 14, 2003 of a building, trucks, leasehold improvements, product inventory and equipment as well as cost of cleanup and restoration. The Company has filed an insurance claim. The insurance adjusters are in the process of finalizing the amounts to be paid to the Company. The estimated costs not reimbursed are \$544,902 and is currently shown as deferred costs insurance claims on the balance sheet. Management anticipates the insurance recovery will cover the company costs. A claim for business interruption still has to be filed. The following is a summary of insurance claims filed:

Building (commercial property)	\$349,526	
Paid by March 31, 2004	349,526	-----
Contents	\$337,617	
Paid by March 31, 2004	319,332	\$ 18,285

Vehicles	\$302,674	
Paid by March 31, 2004	247,409	55,265
Total		\$ 73,550
		=====

Edgar Filing: ABLE ENERGY INC - Form 10-Q

The above amounts were submitted as claims but do not represent a settlement with the insurance carriers.

28

ABLE ENERGY, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) JUNE 30, 2003 AND MARCH 31, 2004

NOTE 20 BUSINESS SEGMENT INFORMATION

The Company does not have separate operating financial segments. The financial information is evaluated on a company wide basis. As such, no segment reporting is prepared for internal use.

NOTE 21 RECLASSIFICATION

The Company has entered into a financing agreement with UPS Capital Business Credit, that permits the Company to borrow a \$4,300,000 term loan, payable over fifteen (15) years. The loan closed on September 22, 2003 (see Note 4). The Company used the funds in part to repay short-term debt of \$3,170,000, a bank loan of \$1,270,000 and other Notes totaling \$1,900,000. In accordance with Financial Accounting Standards Board FAS6, the refinanced short-term debt at June 30, 2003, has been reclassified to long-term as "Short-Term Debt Refinanced".

NOTE 22 SALE OF SUBSIDIARY

On March 1, 2004, the Company sold its subsidiary, Able Propane, LLC. The Sale was a sale of inventory and equipment (the operating assets of the subsidiary). The total price of the sale was \$4,400,000. Of that, \$3,000,000 was received in cash and was used as a reduction of long-term debt in the amount of \$1,284,737. There was also payment of \$135,000 of Officer Loan and \$325,000 of Legal Fees. The Company had a cash increase of \$1,255,268.

In conjunction with the sale of the propane business, the New Jersey Dept. of Community Affairs (DCA) reduced the fine that was charged of \$419,500 to \$25,000 and the reduction of \$394,500 is shown as Other Income. The \$419,500 had been deducted as an expense in the prior fiscal year ended June 30, 2003 (See Note 10).

The Company received a Note receivable for \$500,000, principal balance of this Note payable in full on the fourth anniversary of the closing, March 1, 2008. The Note bears interest at 6% per annum (\$30,000 per year), payable quarterly within 45 days of the closing of each fiscal quarter.

The Company also has signed a non-competition agreement and will receive a total payment of \$900,000, payable in \$225,000 installments due one, two, three and four years from the date of closing.

The Company will receive the accounts receivable due 60 days or less as follows: Current 100%, 30 days 95% and 60 days 85%. Within 30 days following closing, the Company is due approximately \$124,586 from the buyer, \$208,917 of accounts receivable have been paid. Accounts 90 days and greater, if collected, go to the buyer, which is approximately \$42,000.

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

RESULTS OF OPERATIONS

NINE MONTHS ENDED MARCH 31, 2004, COMPARED TO THE NINE MONTHS ENDED MARCH 31, 2003.

The Company reported revenues of \$36,772,902 for the nine months ended March 31, 2004, a decrease of 3.68% over the prior year's revenues for the same nine-month period. The sales decreased by \$1,401,749. A higher commodity cost during this past season due to economic unrest, and the fear that war could disrupt the world's oil supply also impacted revenues. The Company did not have use of its facility in Newton, New Jersey, due to the explosion in March 2003, which affected its deliveries to Sussex and Warren Counties in New Jersey.

Gross profit margin, as a percentage of revenues, for the nine months ended March 31, 2004, vs. 2003 decreased by 3.36% or \$1,490,929. The decrease in margin was the result of the dramatically rising product costs during the months of October, November and December. Retail pricing was adjusted appropriately to cover most of the increases while continuing to maintain the company's competitive position in the marketplace.

Selling, General, and Administrative expenses, as a percent of sales, increased by 2.77% from 10.94% in nine months ending March 31, 2003 to 13.71% during the same period in 2004. There were increases in payroll, advertising, vehicle repair and maintenance, bank charges, interest expense, a write-off of uncollectable accounts and an increase in insurance costs due to the unsettled insurance market. Management will

Edgar Filing: ABLE ENERGY INC - Form 10-Q

continue to monitor the fiscal budget against actual results on an ongoing basis and strengthen its efforts to reduce SG&A as a percentage of sales.

Operating loss for the nine months ended March 31, 2004 was \$(524,595) as compared to the Company's income of \$1,870,412 for the nine months ended March 31, 2003. This operating loss for nine months was directly related to the increase in operating costs and lower gross profit.

Net income for the nine months ended March 31, 2004 was \$1,366,130 as compared to the same period for the previous year of \$1,275,747. This net income in 2004 was the result of the sale of the propane operation of Able Propane, LLC, a subsidiary, at a gain of \$2,668,490.

OPERATIONAL EFFICIENCIES

The Company is continuing to evaluate several alternatives to increase the utilization of existing personnel and equipment, to reduce expenses and increase profitability, within its current business configuration. Since the March 14th 2003 explosion at its Newton, New Jersey fuel distribution facility, the company is operating the business of its main subsidiary, Able Oil Co. out of its Rockaway, New Jersey site. This has caused an increase in operating costs due to increased travel distances for the service and delivery vehicles. The company is currently seeking approval, via appeal to Superior Court in Morris County, to rebuild at the Newton site (Sussex County). The Company is also looking at several additional locations within Sussex County as an alternative. These options are being weighed to reduce expense and increase efficiency.

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. Gross margins for the period October 2003 to March 2004 were temporarily lower due to a dramatic rise in the cost of distillates, and the company believes that its margin strategy is working and has been expanded to include equipment sales and services. During this current fiscal year, the Company began marketing discounted heating oil sales under the name of Able Oil Express. The full service heating oil deliveries including a full line of HVAC service continues to be operated under the trade name of Able Energy. This distinctive strategy was put into place to differentiate the Company's full service business from its sales of discounted heating oil as a further step in Able's margin management strategy.

In October of 2003, the Company began billing for its in-home heating repairs utilizing a methodology known as "Flat Rate Pricing", an approach similar to that used in the automobile repair field. Flat Rate Pricing is being introduced in stages with the first phase having been introduced in October. This system gives the Company's 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 by the end of the current fiscal year.

OPERATING SUBSIDIARY

The Company's operating subsidiary, PriceEnergy with its modern order-processing platform is now in its third full year of operation. The revolutionary proprietary technology that is used to power the PriceEnergy

Edgar Filing: ABLE ENERGY INC - Form 10-Q

platform is fully automated and allows for the removal of the inefficiencies associated with a traditional heating oil company in this industry. PriceEnergy has generated almost 4 million gallons in new business this year, which was delivered by its dealer network. In December 2002, PriceEnergy began sales of Home Heating Oil in two BJ's Wholesale Club stores in the Northeast. Since the introduction of home heating oil sales in the initial two stores, heating oil sales are now being offered in over 50 BJ's Wholesale Club stores and being delivered by a network of over 50 independent dealers in 8 states. The Company is enthused about the growth with its new "Channel Partner", BJ's and looks for further sales gains as the occasion to sell in other retail venues materialize.

EXPLOSION AND FIRE

On March 14, 2003, Able Energy experienced an explosion and fire at its Newton, New Jersey facility which resulted in the destruction of an office building on the site, as well as damage to 18 Company vehicles as well as some neighboring properties. Fortunately, due to the immediate response by employees at this location, a quick evacuation of all personnel occurred prior to the explosion, preventing any serious injuries.

The results of the investigations done by the Company as well as local officials, OSHA, and the New Jersey Department of Community Affairs, indicated that the explosion was an accident that occurred as a result of a combination of human error, mechanical malfunction, as well as the failure to follow prescribed state standards and company policy for propane delivery truck loading. On April 3, 2003, Able Energy received a Notice of Violation from the New Jersey Department of Community Affairs. The dollar amount of the assessed penalty totaled \$414,000. Later in April of 2003, Able Energy received a subsequent fine in the amount of \$5,500. Able Energy contested the Notices of Violation and ultimately settled with the Department of Community Affairs via a "global settlement" which was arrived at earlier this year. The settlement resulted in the sale of the operating subsidiary, Able Propane, Co. LLC, and the reduction of the fines and penalties to the Department of Community Affairs down to \$25,000.

Able Energy worked closely and cooperated fully with the investigations conducted by all federal, state, and local officials since the accident. Strict and clear employee communications have taken place to reinforce compliance with all governmental regulations as well as all company policies regarding the safe and proper handling of all hazardous materials. Training will be ongoing and will upgrade employee training to the most modern and up-to-date levels as well as reinforce Able Energy's commitment to operate all aspects of the company in a professional, responsible, and safe manner.

The Company is not currently conducting operations at its Newton, New Jersey facility while it appeals the Newton Board of Adjustment's decision to deny operations at this location. The company is also contesting the adoption of the zoning ordinance, which changed the zoning to a non-permitted use. In the meantime, company operations have continued throughout the aftermath of the incident using its main distribution facility in Rockaway, New Jersey. While these arrangements permit the company to continue to operate, greater efficiency and customer service will be achieved by a location in the Sussex County area, as the Company believes that its Newton facility is crucial to its future operations, especially during the winter heating season. The company is currently diligently working, through appeal to the Superior Court in Morris County,

Edgar Filing: ABLE ENERGY INC - Form 10-Q

to obtain approval to resume its core heating oil operations at the Newton site.

RECENTLY IMPLEMENTED TECHNOLOGICAL MEASURES

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 began introducing additional customer service technology to its Rockaway Call and Administrative Center during the prior fiscal year. Management believes that by providing enhancements to existing telephony hardware and in-house equipment, 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 overstaffing to meet unrealized needs. New software now provides customers with the option of placing an order via a voice activated technology. This new feature lets 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. This unique technology was developed by a voice recognition company called Votara and integrated into the Able call center via a unique cost sharing agreement between both companies.

The Company is continuing to fully implement an automated dispatch technology into the service sector of Able's HVAC business. This system provides management with the ability to communicate with all service and installation personnel instantaneously. This system will also perform billing functions at the customer's location as well as immediately documenting payment data. Management will be aware of the status of every on-duty worker and be able to obtain real time reporting for stand-by, en-route, and service work time. This system, when fully implemented, will enable the Company to maximize scheduling opportunities and eliminate service technician down time. Unfortunately, much of the automated dispatch hardware and system was destroyed at the time of the explosion and fire in the Newton location in March of 2003. This system is currently in the process of being restored and should be fully functional during the next fiscal year.

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, en route, and service work time. This enables the Company to maximize scheduling opportunities and eliminating service technician down time.

LIQUIDITY AND CAPITAL RESOURCES

For the nine months ended March 31, 2004, compared to the nine months ended March 31, 2003, the Company's cash position increased by \$1,154,670 from \$11,890 to \$1,166,560. For the year ended June 30, 2003, cash was generated through loans, one from a private company of \$750,000 and officer loan in excess of \$300,000. In the quarter ending March 31, 2004, the Company sold the propane operation of a subsidiary, Able Propane, LLC, generating \$3 million in cash, plus \$1.4 million to be received in the future. The Company also paid debts and other costs of an excess of \$2.4 million. The Company will continue to grow its primary operation by

Edgar Filing: ABLE ENERGY INC - Form 10-Q

aggressively marketing the sale of #2 Heating Oil and diesel fuels as well as its HVAC services, while strengthening its infrastructures. The Company is also exploring other avenues of debt or equity financing.

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, primarily 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.

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 March 31, 2004, 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 March 31, 2004. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to March 31, 2004.

PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Edgar Filing: ABLE ENERGY INC - Form 10-Q

None.

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

- 31.1 Certification by Chief Executive Officer pursuant to Sarbanes-Oxley Section 302
- 31.2 Certification by Chief Financial Officer pursuant to Sarbanes-Oxley Section 302
- 32.1 Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350
- 32.2 Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350

(b) Reports on Form 8-K

DATE OF REPORT ITEM REPORTED ON

March 16, 2004 On March 1, 2004, Able Energy, Inc (the "Company"), Able Propane Co., LLC ("Able Propane"), Chris Westad, Timothy Harrington, Action Gas Propane Operations, LLC and Liberty Propane, L.P. executed an Asset Purchase Agreement for the sale of all of the assets of Able Propane. The assets included various size tanks and delivery trucks ("Assets"). The aggregate purchase price for the Assets was \$4,400,000, which includes a \$500,000 promissory note and \$900,000 in future payments in consideration for non-compete agreements. The purchase price was determined by an arms length third party negotiation between the parties

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 16th day of May 2004.

ABLE ENERGY, INC.

/s/ Timothy Harrington

Timothy Harrington, Chief

Edgar Filing: ABLE ENERGY INC - Form 10-Q

Executive Officer, Secretary, and
Chairman

/s/ Christopher P. Westad

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