

FIRST EQUITY PROPERTIES INC  
Form 10-Q  
August 15, 2011

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

FORM 10-Q

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

For the quarterly period ended June 30, 2011

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 000-11777

FIRST EQUITY PROPERTIES, INC.  
(Exact Name of Registrant as Specified in Its Charter)

Nevada  
(State or Other Jurisdiction of  
Incorporation or Organization)

95-6799846  
(I.R.S. Employer  
Identification No.)

1800 Valley View Lane, Suite 300  
Dallas, Texas 75234  
(Address of principal executive offices)  
(Zip Code)

(469) 522-4200  
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required

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to submit and post such files) \*.  Yes  No.

\* The registrant has not yet been phased into the interactive data requirements

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

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

Indicate the number of shares outstanding of each of the issuer’s classes of Common Stock, as of the latest practicable date.

Common Stock, \$.01 par value  
(Class)

1,057,628  
(Outstanding at August 15, 2011)

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

FIRST EQUITY PROPERTIES, INC.  
CONSOLIDATED BALANCE SHEETS

(unaudited)

	June 30, 2011	December 31, 2010
Assets		
Real estate land holdings, at cost	\$4,783,673	\$3,832,399
Notes receivable and accrued interest - affiliates	2,921,773	2,688,459
Cash and cash equivalents	24	151
Other Assets	106,636	-
Federal income tax receivable	-	636
Deferred tax asset	1,696	1,696
Total assets	\$7,813,802	\$6,523,341
Liabilities and Shareholders' Equity		
Notes payable and accrued interest - affiliates	\$6,338,143	\$5,535,275
Notes payable - bank	500,000	-
Accounts payable - other	60,182	52,566
Accounts payable - affiliates	179,012	54,560
Total liabilities	7,077,337	5,642,401
Shareholders' equity		
Common stock, \$0.01 par value; 40,000,000 shares authorized; 1,057,628 issued and outstanding	10,576	10,576
Preferred stock, \$0.01 par value; 4,960,000 shares authorized; none issued or outstanding	-	-
Paid in capital	1,376,682	1,376,682
Retained earnings (deficit)	(650,793 )	(506,318 )
Total shareholders' equity	736,465	880,940
Total liabilities and shareholders' equity	\$7,813,802	\$6,523,341

The accompanying notes are an integral part of these financial statements.

FIRST EQUITY PROPERTIES, INC.  
STATEMENTS OF OPERATIONS  
(unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	2011	2010	2011	2010
Revenue				
Interest income	\$60,024	\$60,024	\$119,388	\$119,388
Operating Expenses				
General and administrative	41,008	30,457	74,951	58,230
Legal and professional fees	15,639	750	33,255	12,386
Total operating expenses	56,647	31,207	108,206	70,616
Income (loss) before interest expense and taxes	3,377	28,817	11,182	48,772
Other income (expense)				
Interest expense	(81,004 )	(17,511 )	(155,021 )	(34,830 )
Income (loss) before income taxes	(77,627 )	11,306	(143,839 )	13,942
Income tax (expense) benefit	(10,568 )	(1,696 )	(636 )	(2,091 )
Net income applicable to common shareholders	\$(88,195 )	\$9,610	\$(144,476 )	\$11,851
Earnings (loss) per share	\$(0.08 )	\$0.01	\$(0.14 )	\$0.01
Weighted average shares outstanding	1,057,628	1,057,628	1,057,628	1,057,628

The accompanying notes are an integral part of these financial statements.

FIRST EQUITY PROPERTIES, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(unaudited)

FIRST EQUITY PROPERTIES, INC.  
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
For the six months ended Jun 30, 2011  
(unaudited)

	Common Stock		Paid in Capital	Retained Earnings (Deficit)	Total Equity
	Shares	Amount			
Balances at January 1, 2011	1,057,628	\$10,576	\$1,376,682	\$(506,318)	\$880,940
Net income (loss)	-	-	-	(144,476)	(144,476)
Balances at June 30, 2011	1,057,628	\$10,576	\$1,376,682	\$(650,793)	\$736,465

The accompanying notes are an integral part of these financial statements.

FIRST EQUITY PROPERTIES, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(unaudited)

	For the six months ended June 30,	
	2011	2010
Cash Flows from Operating Activities		
Net Income (Loss)	\$(144,475 )	\$11,851
Adjustments to reconcile net income applicable to common shareholders to net cash provided by (used in) operating activities:		
(Increase) decrease in		
Interest receivable - affiliates	62,002	(60,023 )
Other Assets	(106,636 )	-
Federal income tax receivable	636	-
Increase (decrease) in		
Accounts payable - other	7,616	32,066
Accounts payable - affiliates	124,452	(2,493 )
Federal income taxes payable	-	1,440
Net cash provided by (used for) operating activities	(56,405 )	(17,159 )
Cash Flows from Investing Activities		
Increase in investment in real estate	(951,274 )	-
Notes receivable - affiliates	(295,316 )	17,399
Net cash provided by (used for) investing activities	(1,246,590)	17,399
Cash Flows from Financing Activities		
Notes payable - affiliates	802,868	-
Notes payable - bank	500,000	-
Net cash provided by (used for) financing activities	1,302,868	-
Net increase (decrease) in cash and cash equivalents	(127 )	240
Cash and cash equivalents at the beginning of period	151	82
Cash and cash equivalents at the end of period	\$24	\$322
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$-	\$-
Cash paid for income taxes	\$-	\$-
Non - cash items:		
Real estate development projects financed by affiliate	\$802,868	\$-

The accompanying notes are an integral part of these financial statements.

FIRST EQUITY PROPERTIES, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

First Equity Properties Inc. (“FEPI”) is Nevada based corporation organized in December 19, 1996 and the company is headquartered in Dallas, TX. FEPI is a publicly traded company however, no trading market presently exists for the shares of common stock and its value is therefore not determinable.