

FIRST EQUITY PROPERTIES INC

Form 10-Q

November 14, 2007

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For The Quarterly Period Ended September 30, 2007

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

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(Address of principal executive offices)

(Zip Code)

(469) 522-4200

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

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 November 9, 2007)

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****FIRST EQUITY PROPERTIES, INC.****BALANCE SHEETS**

	September 30, 2007 (unaudited)	December 31, 2006
Assets		
Cash and cash equivalents	\$ 68,536	\$ 63,672
Notes and interest receivable	2,407,540	2,407,540
Total assets	\$ 2,476,076	\$ 2,471,212
Liabilities and Stockholders Equity		
Accrued expenses	\$ 3,005	\$
Federal income taxes payable	55,192	37,501
Due to affiliate	1,731,981	1,847,980
Total liabilities	1,790,178	1,885,481
Stockholders equity:		
Common stock, \$0.01 par, 40,000,000 shares authorized, 1,057,628 shares issued and outstanding	10,576	10,576
Additional paid-in capital	1,376,682	1,376,682
Retained deficit	(701,360)	(801,527)
Total stockholders equity	685,898	585,731
	\$ 2,476,076	\$ 2,471,212

The accompanying notes are an integral part of these Financial Statements.

Table of Contents**FIRST EQUITY PROPERTIES, INC.****STATEMENTS OF EARNINGS****(unaudited)**

	For the Three Months		For the Nine Months	
	Ended September 30, 2007	2006	Ended September 30, 2007	2006
Revenue				
Interest income	\$ 60,682	\$ 60,767	\$ 180,070	\$ 180,154
Operating Expenses				
General and administrative	2,338	1,737	9,687	3,894
Legal and professional fees	1,475	4,187	14,758	20,891
Total operating expenses	3,813	5,924	24,445	24,785
Net income before income taxes	56,869	54,843	155,625	155,369
Corporate income tax expense	(19,518)	(19,757)	(55,458)	(53,957)
Deferred tax benefit				13,600
NET INCOME	\$ 37,351	\$ 35,086	\$ 100,167	\$ 115,012
Earnings per share:				
Net income	\$ 0.04	\$ 0.03	\$ 0.10	\$ 0.11
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.

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**FIRST EQUITY PROPERTIES, INC.
STATEMENTS OF STOCKHOLDERS EQUITY**

For the Nine Months Ended September 30, 2007

(unaudited)

	Common Stock	Capital	Paid-in Capital	Retained Deficit	Stockholders Equity
Balance, January 1, 2007	1,057,628	\$ 10,576	\$ 1,376,682	\$ (801,527)	\$ 585,731
Net income				100,167	100,167
Balance, September 30, 2007	1,057,628	\$ 10,576	\$ 1,376,682	\$ (701,360)	\$ 685,898

The accompanying notes are an integral part of these Financial Statements.

Table of Contents**FIRST EQUITY PROPERTIES, INC.****STATEMENTS OF CASH FLOWS****(unaudited)**

	For the Nine Months Ended September 30,	
	2007	2006
Cash Flows From Operating Activities:		
Net income	\$ 100,167	\$ 115,012
Adjustments to reconcile net income to net cash provided by operating activities		
(Increase) decrease in		
Interest receivable		60,684
Deferred tax asset		(3,400)
Increase (decrease) in		
Accrued expenses	3,005	(7,320)
Federal income taxes payable	17,691	43,758
Due to affiliate	(115,999)	(206,000)
Net cash provided by operating activities	4,864	2,734
Net increase in cash and cash equivalents	4,864	2,734
Cash and cash equivalents, at the beginning of period	63,672	4,029
Cash and cash equivalents, at the end of period	\$ 68,536	\$ 6,763

The accompanying notes are an integral part of these Financial Statements.

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FIRST EQUITY PROPERTIES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A. ORGANIZATION AND BASIS OF PRESENTATION

First Equity Properties, Inc. (FEPI , The Company , We , Us , or Our) is the successor-in interest to WESPAC Investors Trust III, a California estate investment trust (WESPAC) originally established August 22, 1983. FEPI is a Nevada Corporation.

The accompanying condensed financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America for interim financial information and in conjunction with the rules and regulations of the Securities and Exchange Commission, and accordingly, do not include all of the information and footnotes required by generally accepted accounting principles in the United States of America for complete financial statements. In the opinion of management of First Equity Properties, Inc., all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of First Equity Properties, Inc.'s balance sheet, statement of earnings, statement of stockholder's equity and statement of cash flows, have been included. You should read these financial statements in conjunction with the financial statements and footnotes thereto in our annual report on Form 10-K for the year ended December 31, 2006. Hereafter in this document, First Equity Properties, Inc. is referred to as FEPI.

Operating results for the nine months ended September 30, 2007, are not necessarily indicative of the results that may be expected for the year ended December 31, 2007.

NOTE B. FEDERAL INCOME TAXES

The accompanying unaudited 2007 financial statements contain an accrual for current federal income taxes calculated using an estimated tax rate of 34%. There are no significant differences between the Company's net income for financial and income tax reporting.

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

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of the Company's results of operations and financial condition. This discussion should be read in conjunction with the financial statements and notes.

Results of Operations

The Company's revenues are consistent with the prior periods. The major operating expenses are related to the professional fees required to maintain the organization. The majority of these expenses consist of legal and accounting fees. The Company is not making quarterly tax payments and is using a tax rate of 34% to estimate the effect of its tax liabilities and penalties.

Three months ended September 30, 2007 compared to the three months ended September 30, 2006:

The Company's primary source of income is from interest on notes receivable from affiliated entities. The outstanding balance on the notes have remained unchanged since December 31, 2006. Thus, the interest income of approximately \$60,000 has not changed from period to period. Legal and professional fees decreased by \$2,712 in the current period due to non-recurring professional fees in prior period.

Nine months ended September 30, 2007 compared to the nine months ended September 30, 2006:

The Company's primary source of income is from interest on notes receivable from affiliated entities. The outstanding balance on the notes have remained unchanged since December 31, 2006. Thus the interest income of approximately \$180,000 has not changed from period to period. General and administrative expenses increased by \$5,793 in the current period due to additional costs associated with the filings that were not incurred in prior period. Legal and professional fees decreased by \$6,133 due to non-recurring professional fees in prior period. The increase in income tax expense of \$1,501 is due to the estimate including interest and penalties to be incurred from not making quarterly estimated tax payments in the current period. The deferred tax benefit of \$13,600 was used in prior year.

Capital Resources and Liquidity

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The Company's significant assets consist of cash of \$68,536 and two notes receivables from affiliated parties totaling \$2,407,540.

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The Company is estimating paying federal income taxes and related penalties and interest of \$55,458 for the nine-month period ended September 30, 2007 and has accrued a federal tax liability of \$55,192 to date.

Due to affiliates consists of four non-interest bearing advances totaling \$1,731,981. The advances have no stated maturity dates. The Company has paid down \$115,999 of this obligation during the nine months period ended September 30, 2007.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Not applicable.

ITEM 4T. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures.

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Vice President, Treasurer and Chief Accounting Officer, and Acting Principal Executive Officer of the Company's disclosure controls and procedures pursuant to Exchange Act Rules 13a-15 and 15d-15. Based upon that evaluation, the Company's Vice President, Treasurer and Chief Accounting Officer and Acting Principal Executive Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting him to material information relating to the Company required to be included in the Company's periodic SEC filings.

(b) Changes in Internal Control over Financial Reporting.

There have been no changes in the Company's internal controls over financial reporting during the quarter ended September 30, 2007, that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

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PART II. OTHER INFORMATION

ITEM 6. EXHIBITS

The following exhibits are filed with this report or incorporated by reference as indicated;

Exhibit

Number	Description
3.1	Articles of Incorporation of Wespac Property Corporation as filed with and endorsed by the Secretary of State of California on December 16, 1996 (incorporation by reference is made to Exhibit 3.1 to Form 8-K of First Equity Properties, Inc. for event reported June 19, 1996).
3.2	Articles of Incorporation of First Equity Properties, Inc. filed with and approved by the Secretary of State of Nevada on December 19, 1996 (incorporation by reference is made to Exhibit 3.2 to Form 8-K of First Equity Properties, Inc. for event reported June 19, 1996).
3.3	Bylaws of First Equity Properties, Inc. as adopted December 20, 1996 (incorporation by reference is made to Exhibit 3.3 to Form 8-K of First Equity Properties, Inc. for event reported June 19, 1996).
3.4	Agreement and Plan of Merger of Wespac Property Corporation and First Equity Properties, Inc. dated December 23, 1996 (incorporation by reference is made to Exhibit 3.4 to Form 8-K of First Equity Properties, Inc. for event reported June 19, 1996).
3.5	Articles of Merger of Wespac Property Corporation into First Equity Properties, Inc. as filed with and approved with the Secretary of State in Nevada December 24, 1996 (incorporation by reference is made to Exhibit 3.5 to Form 8-K of First Equity Properties, Inc. for event reported June 19, 1996).
3.6	Certificate of Designation of Preferences and Relative Participating or Optional of Other Special Rights and Qualifications, Limitations or Restrictions thereof of the Series A 8% Cumulative Preferred Stock (incorporation by reference is made to Exhibit 3.6 to Form 10-KSB of First Equity Properties, Inc. for the fiscal year ended December 31, 1996.)
31.1*	Certification of Vice President, Treasurer, Chief Financial and Accounting Officer and Acting Principal Executive Officer pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934
32.1*	Rule 1350 Certification of Vice President, Treasurer, Chief Financial and Accounting Officer and Acting Principal Executive Officer pursuant to 18 U.S.C. Section 1350

* Filed herewith.

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SIGNATURE PAGE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FIRST EQUITY PROPERTIES, INC.

Date: November 14, 2007

By: /s/ Steven A. Abney
Steven A. Abney
Vice President, Treasurer, Chief Financial and Accounting Officer
and Acting Principal Executive Officer

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