

FIRST EQUITY PROPERTIES INC  
Form 10-Q  
November 14, 2018

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 September 30, 2018

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 95-6799846  
(State or Other Jurisdiction of (I.R.S. Employer

Incorporation or Organization) Identification No.)  
1603 LBJ Freeway, Suite 300

Dallas, Texas 75234

(Address of principal executive offices)

(Zip Code)

(469) 522-4200

(Registrant's telephone number, including area code)

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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 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 1,057,628

(Class) (Outstanding at November 14, 2018)

**FIRST EQUITY PROPERTIES, INC.**

**FORM 10-Q**

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

	September 30, 2018 (unaudited)	December 31, 2017
<b>Assets</b>		
Notes receivable and accrued interest - related parties	\$ 1,553,267	\$ 2,106,229
Accounts receivable - related parties	199,650	-
Cash and cash equivalents	51,927	914
<b>Total assets</b>	<b>\$ 1,804,844</b>	<b>\$ 2,107,143</b>
<b>Liabilities and Shareholders' Equity</b>		
Notes payable and accrued interest - related parties	\$ 584,360	\$ 836,953
Accounts payable - other	6,635	669
Accounts payable - related parties	367,115	383,413
<b>Total liabilities</b>	<b>958,110</b>	<b>1,221,035</b>
<b>Shareholders' equity</b>		
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)	(540,524)	(501,150)
<b>Total shareholders' equity</b>	<b>846,734</b>	<b>886,108</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 1,804,844</b>	<b>\$ 2,107,143</b>

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

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
Revenue				
Revenue from operations	\$ -	\$ -	\$ -	\$ -
Total revenue	-	-	-	-
Operating Expenses				
Administrative fees - related parties	18,000	18,000	54,000	54,000
General and administrative	12,500	9,154	53,502	47,204
Total operating expenses	30,500	27,154	107,502	101,204
Income (loss) before interest expense and taxes	(30,500)	(27,154)	(107,502)	(101,204)
Other income (expense)				
Interest income - related parties	39,181	51,783	120,511	153,661
Interest expense - related	(15,359)	(20,577)	(52,383)	(61,060)

parties

Net income

(loss)

applicable	\$	(6,678)	\$	4,052	\$	(39,374)	\$	(8,603)
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to common

shareholders

Earnings

(loss)

per	\$	(0.01)	\$	-	\$	(0.04)	\$	(0.01)
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share

Weighted

average

shares	1,057,628	1,057,628	1,057,628	1,057,628
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outstanding

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

FIRST EQUITY PROPERTIES, INC.  
 CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS'  
 EQUITY

For the nine months ended September 30, 2018  
 (unaudited)

Common Stock		Paid in Capital	Retained Earnings (Deficit)		Total Equity
Shares	Amount				
Balances					
at					
January 1,	105,628	\$ 10,576	\$ 1,376,682	\$ (501,150)	\$ 886,108
2018					
Net					
income	-	-		(39,374)	(39,374)
(loss)					
Balances					
at					
September 30,	105,628	\$ 10,576	\$ 1,376,682	\$ (540,524)	\$ 846,734
2018					

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

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

	For the nine months ended September 30,	
	2018	2017
Cash Flows from Operating Activities		
Net Income (Loss)	\$ (39,374)	\$ (8,603)
Adjustments to reconcile net income applicable to common shareholders to net cash provided by (used in) operating activities:		
(Increase) decrease in		
Interest receivable - related parties	51,783	-
Accounts receivable - related parties	(199,650)	-
Increase (decrease) in		
Accounts payable - other	5,966	(4,732)
Accounts payable - related parties	(16,298)	16,464
Interest payable - related parties	(20,577)	-
Net cash provided by (used for) operating	(218,150)	3,129



activities			
Cash Flows from Investing Activities			
Notes receivable - related parties	501,179	-	
Net cash provided by (used for) investing activities	501,179	-	
Cash Flows from Financing Activities			
Notes payable - related parties	(232,016)	-	
Net cash provided by (used for) financing activities	(232,016)	-	
Net increase (decrease) in cash and cash equivalents	51,013	3,129	
Cash and cash equivalents at the beginning of period	914	900	
Cash and cash equivalents at the end of period	\$ 51,927	\$ 4,029	
Supplemental disclosures of cash flow information:			
Cash paid for interest expense to related parties	\$ 72,960	\$ 61,060	

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 and business*

First Equity Properties, Inc. is a Nevada based corporation organized in December 19, 1996 and the Company is headquartered in Dallas, TX. The Company's principal line of business and source of revenue is currently investments and interest on notes receivable. The Company is currently in the business of real estate investing. 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.

*Basis of presentation*

The accompanying unaudited financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States, or GAAP, have been condensed or omitted in accordance with such rules and regulations, although management believes the disclosures are adequate to prevent the information presented from being misleading. In the opinion of management, all adjustments (consisting of normal recurring matters) considered necessary for a fair presentation have been included.

These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ending December 31, 2017. Operating results for the nine month period ended September 30, 2018 are not necessarily indicative of the results that may be expected for any subsequent quarter or for the fiscal year ending December 31, 2018.

*Cost capitalization*

Costs related to planning and developing a project are capitalized and classified as Real Estate development costs in the Consolidated Balance Sheets. We capitalized certain operating expenses until development is substantially complete, but no later than one year from the cessation of major development activity.

*Newly issued accounting pronouncements*

We have considered all other newly issued accounting guidance that is applicable to our operations and the preparation of our statements, including that which we have not yet adopted. We do not believe that any such guidance will have a material effect on our financial position or results of operation.

**NOTE 2. FEDERAL INCOME TAXES**

The Company accounts for income taxes in accordance with Accounting Standards Codification, (“ASC”) No. 740, “Accounting for Income Taxes”. ASC 740 requires an asset and liability approach to financial accounting for income taxes. In the event differences between the financial reporting basis and the tax basis of the Company’s assets and liabilities result in deferred tax assets, ASC 740 requires an evaluation of the probability of being able to realize the future benefits indicated.

Recognition of the benefits of deferred tax assets will require the Company to generate future taxable income. There is no assurance that the Company will generate earnings in future years.

**NOTE 3. NOTES RECEIVABLE AND ACCRUED INTEREST – RELATED PARTIES**

Receivables from related parties primarily consist of two notes of \$1,164,113 and \$389,154 which are due to the Company in quarterly installments of interest only. The notes accrue interest at 10% per annum. The maturity date of these notes has been extended to December 31, 2019.

	2018	2017
Notes receivable – related parties		
Unsecured, due on demand, interest rate of 10%, due monthly	\$1,553,267	\$2,054,446
Accrued interest – related parties	0	51,783
Total notes and accounts receivable – related parties	\$1,553,267	\$2,106,229

**NOTE 4. NOTES PAYABLE AND ACCRUED INTEREST – RELATED PARTIES**

	2018	2017
Uncollateralized notes payable – related parties		
due on demand, interest rate of 10%, payable quarterly	\$584,360	\$816,376
Accrued interest and intercompany – related parties	0	20,577
Total notes payable – related parties	\$584,360	\$836,953

Long term debt and accrued interest is due December 31, 2019.

**NOTE 5. RELATED PARTIES TRANSACTIONS**

Transactions involving related parties cannot be presumed to be carried out on an arm's length basis due to the absence of free market forces that naturally exist in business dealings between two or more unrelated entities. Related party transactions may not always be favorable to our business and may include terms, conditions and agreements that are not necessarily beneficial to or in best interest of our company.

The Company has an administrative agreement with Pillar Income Asset Management, Inc., an affiliated entity, for accounting and administrative services. The total expense of the nine months ended September 30, 2018 was \$54,000 which is included in General and Administrative expenses of the Statements of Operations. Pillar owes the Company \$199,650 at September 30, 2018. The Company owes another related entity \$367,115 as of September 30, 2018.

**NOTE 6. SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through November 14, 2018, the date the financial statements were available to be issued, and has determined that there has been no subsequent activity.

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

The following discussion should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this report. This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the federal securities laws. We caution investors that any forward-looking statements presented in this report, or which management may make orally or in writing from time to time, are based on beliefs and assumptions made by, and information currently available to, management. When used, the words “anticipate”, “believe”, “estimate”, “expect”, “intend”, “may”, “might”, “plan”, “project”, “result”, “should”, “will” and similar expressions which do not relate solely to historical matters are intended to identify forward-looking statements. Such statements are subject to risks, uncertainties and assumptions and are not guarantees of future performance, which may be affected by known and unknown risks, trends, uncertainties and factors that are beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected by the forward-looking statements. We caution you that while forward-looking statements reflect our good-faith beliefs when we make them, they are not guarantees of future performance and are impacted by actual events when they occur after we make such statements. Accordingly, investors should use caution in relying on forward-looking statements, which are based on results and trends at the time they are made, to anticipate future results or trends.

### **Related parties**

We apply ASC Topic 805, “Business Combinations”, to evaluate business relationships. Related parties are persons or entities who have one or more of the following characteristics, which include entities for which investments in their equity securities would be required, trust for the benefit of persons including principal owners of the entities and members of their immediate families, management personnel of the entity and members of their immediate families and other parties with which the entity may deal if one party controls or can significantly influence the decision making of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests, or affiliates of the entity.

### **Results of Operations**

The following discussion is based on our Statement of Operations within our Financial Statements as presented in Part 1, Item 1 of this report for the nine months ended September 30, 2018 and 2017. The discussion is not meant to be an all-inclusive discussion of the changes within our operations. Instead, we have focused on the significant items relevant to obtain an understanding of the changes in our operations.

The results of operations for the nine months ended September 30, 2018, are not necessarily indicative of the results that may be expected for other interim periods or for the full fiscal year.

Our sole source of income is from the interest received on related party receivables. The principal balances on those receivables have been consistent for the past years, thus making our revenues consistent from year to year. Expenses are primarily related to professional and administrative fees and interest on related party notes.

***Comparison of the three months ended September 30, 2018 to the same period ended 2017.***

We reported net loss applicable to common shareholders of (\$6,678) for the three months ended September 30, 2018 as compared to net income to common shareholders of \$4,052 for the same period ended 2017. The decrease in net income is due to the decrease in interest income – related parties due to the principal pay down on the notes receivables.

***Comparison of the nine months ended September 30, 2018 to the same period ended 2017.***

We reported a net loss applicable to common shareholders of (\$39,374) for the nine months ended September 30, 2018 as compared to a net loss to common shareholders of (\$8,603) for the same period ended 2017. The increase in net loss is primarily due to the decrease in interest income – related parties due to the principal pay down on the notes receivables.



## Liquidity and Capital Resources

### *General*

Our principal liquidity needs for the next twelve months are funding of normal recurring expenses including interest expense and legal and administrative fees.

Our principal source of cash is proceeds from interest income on our notes receivables. The following impacted our balance sheet as of September 30, 2018:

Our *notes receivable and accrued interest – related parties* decreased due to principal payments received on notes receivable in February 2018.

Our *accounts receivable – related parties* increased due to short term funding to a related party.

Our *notes payable and accrued interest – related parties* decreased due to principal payments made on note payables in May 2018.

## ITEM 3.

## CONTROLS AND PROCEDURES

As indicated in the certifications in Exhibit 31 of this report, the Company's Principal Executive Officer and Principal Financial Officer have evaluated the Company's disclosure controls and procedures as of September 30, 2018. Based on that evaluation, these officers have concluded that the Company's disclosure controls and procedures are effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to them in a manner that allows for timely decisions regarding required disclosures and are effective in ensuring that such information is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. There were no changes during the Company's last fiscal quarter that materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

**PART II – OTHER INFORMATION**

**ITEM 4.**

**EXHIBITS**

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

<b>Exhibit Number</b>	<b>Description</b>
K.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).
K.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).
K.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).
K.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).
K.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).
K.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.)
<u>K.1.1*</u>	Certification of Principal Executive Officer pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934.
<u>K.1.2*</u>	Certification of Principal Financial and Accounting Officer pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934
<u>K.2.1*</u>	Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

\*

Filed herewith.



**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: /s/ R. Neil  
November 14, 2018  
By: Crouch II

R. Neil  
Crouch II

Director,  
President  
&  
Treasurer

FIRST  
EQUITY  
PROPERTIES,  
INC.

Date: /s/  
November 14, 2018  
By: Cecelia  
K. Maynard

Cecelia  
K.  
Maynard

Director,  
Vice  
President  
&  
Secretary



**EXHIBIT 31.1**

**RULE 13a – 14(a)/15d – 14(a) CERTIFICATION**

I, R. Neil Crouch II, certify that:

1. I have reviewed this quarterly report on Form 10-Q of First Equity Properties, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining internal controls and procedures (as defined in Exchange Act Rules 13a-15(e)) and internal control over financial reporting as defined in Exchange Act Rules 13(a)-15(f) and 15(d)-15(f) for the registrant and have:
  - (a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to insure that material information relating to the registrant including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in the report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

Date:

November 14, 2018 By: /s/ R. Neil Crouch II

R. Neil Crouch II

President and Treasurer (Principal Executive Officer)



**EXHIBIT 31.2**

**RULE 13a – 14(a)/15d – 14(a) CERTIFICATION**

I, Cecelia K. Maynard, certify that:

1. I have reviewed this quarterly report on Form 10-Q of First Equity Properties, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining internal controls and procedures (as defined in Exchange Act Rules 13a-15(e)) and internal control over financial reporting as defined in Exchange Act Rules 13(a)-15(f) and 15(d)-15(f) for the registrant and have:
  - (a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to insure that material information relating to the registrant including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in the report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

Date:

November 14, 2018 By: /s/ Cecelia K. Maynard

Cecelia K. Maynard



Vice President & Secretary (Principal Financial Officer)

**EXHIBIT 32.1**

**Certification Pursuant to 18 U.S.C. Section 1350,**

**as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of First Equity Properties, Inc. (the “Company”), on Form 10-Q for the period ended September 30, 2018, as filed with Securities Exchange Commission on the date hereof (the “Report”), R. Neil Crouch II, Director, President and Treasurer of the Company, and Cecelia K. Maynard, Vice President and Secretary of the Company, each hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date:

November 14, 2018 By: /s/ R. Neil Crouch II

R. Neil Crouch II

President and Treasurer

Date:

November 14, 2018 By: /s/ Cecelia K. Maynard

Cecelia K. Maynard

Vice President and Secretary



