FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

Filing Date: **1996-11-14** | Period of Report: **1996-09-30**
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FILER

AMERICAN EQUITIES INCOME FUND INC

CIK:**1011583**| IRS No.: **223429295** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10QSB** | Act: **34** | File No.: **333-02856** | Film No.: **96662740**
SIC: **6159** Miscellaneous business credit institution

Mailing Address
80 EAST ROUTE 4
STE 202
PARAMUS NJ 07652

Business Address
80 EAST ROUTE 4
STE 202
PARAMUS NJ 07652
2013685900

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

FORM 10-QSB

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

For the quarterly period ended September 30, 1996

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

For the transition period from to

Commission File Number: 333-2856

American Equities Income Fund, Inc.
(Exact name of registrant as specified in its charter)

Delaware	22-3429295
(State of incorporation)	(I.R.S. Employer Identification No.)

East 80 Route 4, Suite 202, Paramus, New Jersey	07652
(Address of principal executive offices)	(Zip Code)

(201) 368-5900
(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 X 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: As of September 30, 1996, the Company had 1,000 shares of common stock, $1.00 par value, issued and outstanding.

AMERICAN EQUITIES INCOME FUND, INC.

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AMERICAN EQUITIES INCOME FUND, INC.
(A Development State Company)

BALANCE SHEET
(Unaudited)

SEPTEMBER 30, 1996

ASSETS

Current Assets:		
Republic National Bank	$ 67	
American Equities Income Fund-Checking	39,933	
Cash - Escrow	30,000	
Total Current Assets		$ 70,000
Other Assets:		
Organizational costs	$ 8,383	
Total Other Assets		8,383
Total Assets		$ 78,383

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:		
Due to American Equities, Inc.	$ 8,383	
Escrow Payable	30,000	
Total Current Liabilities		$ 38,383
Stockholders' Equity:		
Common Stock	$ 1,000	
Additional Paid-in capital	39,000	
Total Stockholders' Equity		$ 40,000

Total Liabilities and Stockholders' Equity	$ 78,383

See notes to financial statements.

AMERICAN EQUITIES INCOME FUND, INC.
(A Development State Company)

STATEMENT OF CASH FLOWS

FOR PERIOD MARCH 11, 1996 (INCEPTION)
THROUGH SEPTEMBER 30, 1996

CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in accounts payable	$ 8,383	
Increase in organizational costs	(8,383)	
Net cash flows from operating activities		-
CASH FLOWS FROM INVESTING ACTIVITIES		-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock	$ 40,000	
Proceeds from issuance of secured note	30,000	
Net cash flows from financing activities		70,000
NET INCREASE IN CASH		$ 70,000
CASH, BEGINNING OF PERIOD		-
CASH, END OF PERIOD		$ 70,000

See notes to financial statements.

AMERICAN EQUITIES INCOME FUND, INC.
(A Development State Company)
NOTES TO FINANCIAL STATEMENTS

NOTE A - FORMATION AND OPERATION OF THE COMPANY

American Equities Income Fund, Inc. (the "Company") was incorporated under the laws of the State of Delaware on March 11, 1996. The Company is considered to be in the development stage as defined in Financial Accounting Standard No. 7.

The Company intends to be in the business of factoring accounts receivable ("Receivables") and providing other financial services to client companies.

No statement of operations has been included since there were no operational activities other than the issuance of common stock as presented in these financial statements and accompanying footnotes.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Accounting records of the Company and financial statements are maintained and prepared on the accrual basis.

Year End

The Company's year end for financial reporting tax purposes is December 31.

Cash Equivalents

For financial statement purposes, with respect to the State of Cash Flows, cash equivalents include time deposits and all highly liquid investments with original maturities of three months or less. The amount included on the Company's Statement of Cash Flows is comprised of exclusively of cash.

NOTE C - STOCKHOLDERS' EQUITY

The Company is authorized to issue 1,000 shares of common stock at $1.00 par value. On March 22, 1996, there were 1,000 shares of common stock issued and outstanding.

The holders of the common stock are entitled to one vote per share on all matters to be voted on by shareholders.

NOTE D - ONGOING SECURED NOTE OFFERING

The Company is currently offering subscriptions for up to an aggregate of $15,000,000 of its secured promissory notes (the "Notes") in denominations of $1,000 each, or any integral multiple thereof. The Notes will bear interest at 12% per annum, payable interest only monthly, annually or upon maturity, at the option of the investor, with all principal and accrued interest, if any, due on September 30, 2006. Accrued but unpaid interest will be compounded monthly at the rate of 12% per annum. The Notes may be accelerated by the Note Holders on the first day of the fifth, sixth, seventh eighth and ninth years upon six months written notice to the Company. The Notes will be secured by the Receivables acquired with the proceeds of the offering or funds obtained from the repayment of such Receivables or any after acquired Receivables. The Notes are prepayable in whole or in part at any time without premium or penalty.

ITEM 2. PLAN OF OPERATIONS

The Company was formed on March 11, 1996 to be a special purpose corporation in financial services and to acquire and factor accounts receivable. The Company is a wholly owned subsidiary of American Equities Group, Inc. ("AEG"), which was formed on June 17, 1992 to act as a general partner of partnerships and acquire and factor accounts receivable, lend funds to businesses, engage in leasing transactions and act as a financial intermediary and manager for its special purpose subsidiaries. AEG is the general partner of one partnership and the parent corporation of six special purpose corporations and will manage the Company's day-to-day affairs.

The Company intends to acquire accounts receivable ("Receivables") principally from companies in the publishing, printing and general service industries (e.g. firms which have no tangible products but conduct such services as telemarketing and market research). Based upon the prior performance of AEG in similar investments, an investor can expect that approximately 50% of the purchased Receivables will come from companies engaged in the publishing business, approximately 30% of the purchased Receivables will come from companies engaged in the printing business and approximately 20% of the purchased Receivables will come from companies engaged in general services businesses.

On August 27, 1996, the Company's initial public offering of up to $15,000,000 aggregate principal amount (ranging to a minimum of $500,000 aggregate principal amount) of the Company's ten-year promissory notes (the "Notes") was declared effective by the Securities and Exchange Commission. As of September 30, 1996, the Company had raised approximately $30,000, all of which was being held in an interest-bearing escrow account pending receipt of the minimum offering proceeds ($500,000). Once such minimum offering proceeds are raised the Company expects to begin acquiring Receivables. The Notes will bear interest at the rate of 12% per annum. Interest is payable monthly or annually in arrears or upon maturity with the payments due on the first day of the each month or year. Principal is payable in one payment upon maturity of the Notes.

Compensation and Fees to AEG

AEG will receive the following compensation and fees from the Company in connection with this Offering and the conduct of the Company's business.

Recipient(1)	Nature of Payment	Amount of Payment
AEG	Operations and Overhead Expense Allowance	5% of the gross proceeds of the Company's initial public offering or $750,000 if the maximum amount of such offering is sold ($25,000 if only the minimum amount of such offering is sold).
	Factoring Fee	AEG will receive 50% of the factoring fees obtained from acquisition of Receivables during the Company's operational stage. Such fees will typically equal 7% to 10% of the face amount of the receivables being factored.
	Reimbursement of Offering Expenses	AEG will receive approximately $32,000 from the gross proceeds of the Company's initial public offering as reimbursement of certain offering expenses advanced by AEG in connection with such offering.

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(1) While the officers and directors of the Company will not receive any direct compensation from the Company in connection with their services, such officers and directors are officers and directors of AEG and, therefore, will indirectly benefit from the above payments.

Operations and Overhead Expenses

AEG will pay all operational and overhead expenses of the Company out of its portion of the fees earned in the factoring of the Receivables, which fee will typically equal 7% to 10% of the face amount of the Receivables being factored. The Company and AEG will share the fees charged, 50% to the Company and 50% to AEG. Such costs and expenses to be paid by AEG will include personnel costs, including employee salaries associated with the identification, evaluation, purchasing, monitoring and collection of Receivables; the use of AEG's accounting and computer systems; and expenses incurred for administrating investor accounts and other administrative services and providing managerial assistance to the Company. Any costs and expenses which exceed the amount of fees generated by the factoring of the Company's Receivables shall be paid by AEG out of its own funds.

AEG shall also receive approximately 5% of the gross proceeds of the Company's initial public offering as an Overhead Allowance. AEG will receive this one-time fee for preparing all of the necessary systems required in order to provide the Company with a turn-key management program which will eliminate the traditional start-up time of a new company. AEG has invested a significant amount of time and money to properly staff the various departments that will be required if and when the Company sells the minimum amount of the offering. In addition, AEG has arranged for the necessary computer systems, banking systems, servicing, collection and tracking operations, credit review facilities, investor services systems, accounting procedures and has procured the necessary office space in order to affectively service and manage the Company's funds and Receivables that it acquires. Furthermore, AEG has initiated a national marketing effort to arrange for business to be available to the Company once it has raised the minimum amount of the offering.

There are no known trends, events or uncertainties that are reasonably likely to materially impact the Company's short-term and long-term liquidity or results of operations. The default rate for all Receivables acquired by AEG and its affiliates is under 10% of such total amount of Receivables. However, none of such defaults have resulted in loss to AEG or any of its affiliates as such defaults are charged against reserves held by AEG after it receives its fee.

The Company believes it will be able to satisfy its cash requirements for the foreseeable future. If the Company desires to acquire additional Receivables beyond those which can be acquired with the proceeds of its initial public offering, it will need to raise additional funds in the following twelve months. There is no assurance the Company will seek or secure additional funds to acquire additional Receivables. Management does not believe that investors will be adversely affected if the Company is not able to expand its business by acquiring additional Receivables.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 2. Changes in Securities

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

None.

(b) Reports on Form 8-K

None.

SIGNATURES

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

Date: November 13, 1996

By:/S/ David S. Goldberg
David S. Goldberg
Chief Executive Officer and
Chief Financial Officer

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