FORM 10QSB

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

Filing Date: **1999-07-27** | Period of Report: **1997-06-30**
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FILER

UNITED VANGUARD HOMES INC /DE
CIK:**21221**| IRS No.: **112032899** | State of Incorp.:**DE** | Fiscal Year End: **0331**
Type: **10QSB** | Act: **34** | File No.: **000-05097** | Film No.: **99671071**
SIC: **6513** Operators of apartment buildings

Mailing Address
4 CEDAR SWAMP RD
GLEN COVE NY 11542

Business Address
4 CEDAR SWAMP RD
GLEN COVE NY 11542
5167591188

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended June 30, 1997

/ / TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from ________ to ________

Commission file number 0-5097

UNITED VANGUARD HOMES, INC.

(Exact Name of Small Business Issuer as Specified in Its Charter)

Delaware	11-2032899
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification Number)

4 Cedar Swamp Road, Glen Cove, New York 11542

(Address of Principal Executive Offices)

(516) 759-1188

(Issuer's Telephone Number, Including Area Code)

N/A

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 / /

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: At March 31, 1999, there were outstanding 3,313,265 shares of the Registrant's Common Stock, $.01 par value.

Transitional Small Business Disclosure Format:

Yes / / No /X/

FORM 10-QSB

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UNITED VANGUARD HOMES, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED BALANCE SHEET

ASSETS

<TABLE>
<CAPTION>

CURRENT ASSETS	June 30, 1997	March 31, 1997
<S>	<C>	<C>
Cash	$ 74,866	$ 202,924
Accounts receivable, less allowance for doubtful accounts of $40,000	562,996	547,812
Development fees and advances		
Due from affiliates, net	376,141	267,607
Prepaid expenses and other	511,315	518,393
Total current assets	1,525,318	1,536,736
PROPERTY AND EQUIPMENT - NET	2,233,906	2,276,651
OTHER ASSETS		
Development fees	880,500	795,500
Restricted assets	99,600	99,600
Other assets	173,169	176,437
	1,153,269	1,071,537
	$4,912,493	$4,884,924

</TABLE>

The accompanying notes are an integral part of these statements.

UNITED VANGUARD HOMES, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED BALANCE SHEET

LIABILITIES AND STOCKHOLDERS' DEFICIENCY

<TABLE>
<CAPTION>

	June 30, 1997	March 31, 1997
CURRENT LIABILITIES		
<S>	<C>	<C>
Current portion of long-term debt	$ 310,980	$ 264,918
Accounts payable	531,961	487,758
Accrued expenses	811,045	660,084
Public Offering Costs	587,000	587,000
Income taxes payable	179,482	190,749
Total Current Liabilities	2,420,468	2,190,509
RESIDENT SECURITY DEPOSITS	264,570	284,526
LONG-TERM DEBT, less current portion	6,216,869	6,334,265
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' DEFICIENCY		
Preferred stock $.001 par value; 1,000,000 shares authorized; none issued and outstanding		
Common stock, $.01 par value; authorized, 14,000,000 shares; issued and outstanding, 3,308,850 shares and 3,320,950 shares, June 30, 1997 and March 31, 1997, respectively	33,089	33,210
Additional paid-in capital	6,995,847	7,043,226
Accumulated deficit	(11,018,349)	(11,000,812)
	(3,989,413)	(3,924,376)
	$ 4,912,493	$ 4,884,924

</TABLE>

The accompanying notes are an integral part of these statements.

UNITED VANGUARD HOMES, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENT OF EARNINGS

	For the Three Months Ended June 30, 1997	1996
Operating Revenues:		
Resident Services	$ 1,195,210	$ 1,247,844
Health care services	686,316	644,005
Management Fees	30,000	--
Development fees	85,000	85,000
	1,996,526	1,976,849
Operating Expenses:		
Residence operating expenses	1,534,303	1,481,302
General and administrative	265,760	155,020
Depreciation and amortization	67,230	69,601
Provision for loss on (Recovery of) advances to affiliates	--	(71,856)
	1,867,293	1,634,067
Income from operations	129,233	342,782
Other Income (expense)		
Interest expense, net	(141,484)	(135,317)
Other income	12,590	20,856
Debt conversion expense	--	(156,466)

Income before income taxes	339	71,855
Income Taxes	17,776	33,250
NET INCOME (LOSS)	$ (17,437)	$ 38,605
Earnings per share (loss)	($ 0.01)	$ 0.02
Common shares and equivalents outstanding	3,301,432	2,237,983

The accompanying notes are an integral part of these statements.

UNITED VANGUARD HOMES, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIENCY

THREE MONTHS ENDED JUNE 30, 1997

<TABLE>
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	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Total
<S>	<C>	<C>	<C>	<C>	<C>
Balance, March 31, 1997	3,320,950	$33,210	$7,043,226	$(11,000,812)	$(3,924,376)
Shares purchased and simultaneously retired	(19,600)	(196)	(69,804)		(70,000)
Investment in Vanguard Homes of N.J., Inc.				(100)	(100)
Shares issued as compensation	7,500	75	22,425		22,500
Net Income for the 3 mos. ended June 30, 1997	-	-	-	(17,437)	(17,437)
Balance, June 30, 1997	3,308,850	$33,089	$6,995,847	$(11,018,349)	$(3,989,413)

</TABLE>

The accompanying notes are an integral part of these statements.

UNITED VANGUARD HOMES, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE THREE MONTHS ENDED JUNE 30, 1997

<TABLE>
<CAPTION>

	1997	1996
Cash flows from operating activities:		
<S>	<C>	<C>
Net income	$(17,437)	$38,605
Adjustments to reconcile net income to net cash provided by operating activities:		

Depreciation and amortization	65,258	69,601
Common stock issued for services	22,500	2,781
Deferred income taxes	-	4,500
Debt Conversion expense	-	156,466
Changes in operating assets and liabilities:		
Accounts receivable, advances and other receivables	(123,716)	340,145
Prepaid expenses and other	12,752	34,662
Development fees	(85,000)	25,199
Accounts payable	44,203	(95,795)
Accrued expenses	150,959	70,119
Income taxes payable	(11,267)	18,768
Resident security deposits	(19,956)	3,600
Net cash provided by operating activities	38,296	668,651
Cash flows used in investing activities:		
Investment in VHNJ	(100)	
Purchases of property and equipment	(20,778)	(26,729)
	(20,878)	(26,729)
Cash flows from financing activities:		
Proceeds from borrowings on mortgages and notes payable		
Principal repayments of mortgages and notes payable	(75,476)	(79,235)
Common stock purchased and simultaneously retired	(70,000)	
Proceeds from exercise of warrants	-	207,074
Increase in deferred offering costs		(136,163)
Net cash used in financing activities	(145,476)	(8,324)
NET INCREASE (DECREASE) IN CASH	(128,058)	633,598
Cash at beginning of period	202,924	210,245
Cash at end of period	$ 74,866	$ 843,843
Cash paid during the year for		
Interest	$122,200	$ 119,000
Income taxes	$ 28,288	$ 1,000
Schedule of noncash investing and financing activities:		
Capital leases for furniture and equipment	-	$47,591
Debt converted to equity	$ -	1,305,000
	$ 0	$1,352,591

</TABLE>

The accompanying notes are an integral part of these statements.

UNITED VANGUARD HOMES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note A - Basis of Presentation

The accompanying consolidated balance sheet as of March 31, 1997 and June 30, 1997, the related consolidated statements of earnings and cash flows for the three-month periods ended June 30, 1997 and 1996, and the statement of stockholders' deficiency for the three-month period ended June 30, 1997 have been prepared by the management of United Vanguard Homes, Inc. (the "Company") without audit. In the opinion of management, all adjustments (which include only normal recurring accrual adjustments) necessary to present fairly the financial position and results of operations as of and for the three months ended June 30, 1997 have been made.

Certain information and footnote disclosures, normally included in financial statements prepared in accordance with generally accepted accounting principles, have been condensed or omitted. 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-KSB for the year ended March 31, 1997. The results of operations for the period ended June 30, 1997 are not necessarily indicative of the operating results expected for a full year.

Note B - Stockholders' Equity

Convertible Debt

In March 1996, the Company offered the convertible mortgage holders and noteholders the option to convert, through April 30, 1996, to shares of common stock at a price of $3.75 instead of prices ranging from $6.67 through $7.22. In April 1996, 347,996 common shares were issued in connection with the offer. As a result of the offer, the Company issued 167,877 additional shares upon conversion, the fair value of which, $156,466, has been recorded as debt conversion expense in the accompanying consolidated statement of operations for the three months ended June 30, 1996.

Stock Option Plan

In June 1996, the Company adopted the 1996 Outside Directors' Stock Option Plan (the "Directors' Plan"), which provides for the grant of options to purchase common stock of the Company to non-employee directors of the Company. The Directors' Plan authorizes the issuance of a maximum of 90,000 shares of common stock.

The Directors' Plan is administered by the Board of Directors. Under the Directors' Plan, each non-employee director elected after April 1, 1996 will receive options for 3,000 shares of common stock upon election. To the extent that shares of common stock remain available for the grant of options under the Directors' Plan, each year on April 1, commencing April 1, 1997, each non-employee director will be granted an option to purchase 1,800 shares of common stock. The exercise price per share for all options granted under the Directors' Plan will be equal to the fair market value of the common stock as of the date preceding the date of grant. All options vest in three equal annual installments -- beginning on the first anniversary on the date of the grant.

Prior to the adoption of the Directors' Plan, options had been issued to outside directors, of which options to purchase ____ shares were outstanding at June 30, 1997.

Employment Agreement

As of April 1, 1996, the Company entered into an employment agreement with the Company's President and Chief Operating Officer pursuant to which an annual base salary under the employment agreement is $100,000. In June 1996, The President received a $25,000 cash bonus and 3,000 shares of the Company's common stock fair valued at $.93 per share.

Note C - Contingencies

An affiliate of Vanguard Ventures, Inc. ("Vanguard"), the Company's majority stockholder, was indebted under a first mortgage in the principal amount of $4,081,000. The mortgage securing this loan provides that a default under such loan is a default under each of the Company's Hillside Terrace and Whitcomb Tower Mortgages. Therefore, a potential Vanguard default on this affiliate's loan could result in the foreclosure of Hillside Terrace and Whitcomb Tower.

Health care and senior living facilities are areas of extensive and frequent regulatory change. Changes in the laws or new interpretations of existing laws can have a significant effect on methods of doing business, costs of doing business and amounts of reimbursement, from governmental and other payors. The Company at all times attempts to comply with all applicable fraud and abuse laws; however, there can be no assurance that administrative or judicial interpretation of existing laws or regulations will not have a material adverse effect on the Company's operations or financial conditions.

Note D - Promissory Note

In August 1996, the Company received a $450,000 installment loan from State Bank of Long Island. The principal is payable in 36 equal installments plus interest at prime plus 1 1/2 percent.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF PLAN OF OPERATION

Three Months Ended 1996 vs. 1997

Revenues

Net revenues of the Company represent its gross consolidated revenues, less charitable and Supplementary Social Security Income discounts.

Net revenues increased by $20,000, or 1 percent, from $1,977,000 in the 1996 period to $1,997,000 in the 1997 period. The increase is attributable to a $30,000 management fee on a management contract which began October 1, 1996. Resident services revenues decreased by $53,000, or 4 percent, from $1,248,000 in the 1996 period to $1,195,000 in the 1997 period. The decrease was a result of a reduction in occupancy due to a temporary mortorium on admissions at one of the Company's facilities. From January to October 1997, Olds Manor was subject to a moratorium on admissions in the Home for the Aged due to the allegation that certain services being rendered were beyond the scope of the facility's Home for the Aged License. As a consequence of the moritorium, occupancy dropped from 95 percent, as of March 31, 1996, to 61 percent, as of June 30, 1997.

Healthcare services revenues increased by $42,000, or 7 percent, from $644,000 in the 1996 period to $686,000 in the 1997 period. The increase was a result of higher rates.

Residence Operating Expenses

Residence operating expenses include all retirement and healthcare center operating expenses, including, among other things, payroll and employments costs, food, utilities, repairs and maintenance, insurance, and property taxes.

Residence operating expenses increased by $53,000, or 4 percent, from $1,481,000 in the 1996 period to $1,534,000 in the 1997 period. The increase is mainly attributable to salary increases.

General and Administrative Expenses

General and administrative expenses include all marketing costs, as well as the general and administrative expenses incurred at the Company's principal executive offices. General and administrative expenses include, among other things, administrative salaries, rent, utilities, insurance, and related expenses.

General and administrative expenses increased by $111,000, or 71 percent, from $155,000 in the 1996 period to $266,000 in the 1997 period. The increase is primarily attributable to an increase in personnel costs and an increase in overhead associated with the Company's attempted public offering and plans to expand its development projects.

Provision for Recovery on Advances to Affiliates

During the three months ended June 30, 1995, the Company recorded a net recovery of Advances to Affiliates aggregating $72,000. No such recovery was received in the current quarter. The variance is a function of net funds paid out or received from the Company's parent (Vanguard) and affiliated companies. Future recoveries are anticipated as Vanguard liquidates some of its properties.

Interest Expense, Net

Interest expense, net, increased by $6,000, or 5 percent, from $135,000 in the 1996 period to $143,000 in the 1997 period. The increase is primarily attributable to interest on an installment loan received in August 1996 (see Note D).

Debt Conversion Expense

The Company offered its debtholders an inducement in the form of a reduced conversion price on its then outstanding debt. As a result of such inducement, an aggregate of $1,305,000 of the Company's debt was converted into 347,996 shares of the Company's Common Stock effective April 1, 1996. As a result of such inducement, the Company issued 167,877 additional shares upon conversion, the fair value of which, $156,466, has been recorded as debt conversion expense during the 1996 period.

Income Taxes

Income taxes decreased by $15,000, or 47 percent, from $33,000 in the 1996 period to $18,000 in the 1997 period. The decrease is due to decline in Operating Income.

Liquidity and Capital Resources

Cash flow from operations was approximately $38,000 in the 1997 period as compared to $669,000 in the 1996 period. The change was primarily due to cash advances made to development projects and fees earned but not collected. In the 1996 period there was collected approximately $590,000 on such advances. Conversely, in the 1997 period there were advances and fees earned but not collected of approximately $194,000. The effect of this change was the principal cause of a $241,000 increase in the working capital deficit as at June 30, 1997. Included in the deficiency of working capital are $587,000 of remaining liabilities associated with the Company's unsuccessful public offering. Management is currently negotiating with these creditors for reductions in amounts charged and extended payment terms.

The Company's capital is not sufficient to fund its operating plans. Given the above, the Company is currently negotiating to sell a substantial portion of its operating and development properties. If such sales are successful, the Company would have adequate capital to fund future development projects. In addition, the Company has received a commitment letter from a financial institution to refinance substantially all of its outstanding mortgages. If the Company elects to pursue this financing alternative, the Company believes it will have adequate working capital.

Part II -- OTHER INFORMATION

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None during the quarter ended June 30, 1997.

Item 6 - EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit 11, Unaudited Computation of Earnings Per Share
Exhibit 27, Unaudited Financial Data Schedule

(b) Report on 8-K

No reports on Form 8-K were filed during this period.

SIGNATURES

In accordance with the requirements of the Securities and Exchange Act of 1934, as amended, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UNITED VANGUARD HOMES, INC.

by: /s/ Carl G. Paffendorf

Carl G. Paffendorf, Chairman of the Board

by: /s/ Paul D'Andrea

Paul D'Andrea, Vice President - Finance

Date: July 22, 1999

EXHIBIT 11

UNITED VANGUARD HOMES, INC. AND SUBSIDIARIES

UNAUDITED COMPUTATION OF EARNINGS PER SHARE

<TABLE>
<CAPTION>

	For the Three Months Ended June 30, 1997			For the Three Months Ended June 30, 1996		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net Income	($17,437)	3,301,432	($0.01)	$38,605	2,237,983	$0.02
Effect of Dilutive Securities						
Stock Options		28,080			20,772	
Diluted EPS Income available to common stock-holders plus assumed conversions	($17,437)	3,329,512	($0.01)	$38,605	2,258,755	$0.02

</TABLE>

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This schedule contains summary financial information extracted from the Company's Form 10- QSB for the quarter ended June 30, 1997 and is qualified in its entirety by reference to such financial statements.
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