FIRST EQUITY PROPERTIES INC
Form 10-K
April 14, 2014

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

FORM 10-K

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

For the fiscal year ended December 31, 2013

OR

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

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 (IRS Employer Identification Number)
1603 LBJ Freeway, Suite 300 Dallas, Texas (Address of principal executive offices)	75234 (Zip Code)

Registrant's Telephone Number, including area code (469) 522-4200

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of each exchange on which registered
None	

Securities registered pursuant to Section 12(g) of the Act: Common Stock, $0.01 par value.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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 ¨

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 x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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 smaller reporting company)	Smaller reporting company x

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

The aggregate market value of the shares of voting and non-voting common equity held by non-affiliates of the Registrant, computed by reference to the price at which the common equity was last sold, or the average bid and ask price of such common equity as of June 30, 2013 (the last business day of the Registrant's most recently completed third fiscal quarter) is not determinable since no trading market existed on that date or presently exists for the shares of Common Stock. 264,807 shares were held as of June 30, 2013 by persons believed to be non-affiliates of the Registrant.

As of March 31, 2014, there were 1,057,628 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None

INDEX TO
ANNUAL REPORT ON FORM 10-K

3

PART I

Forward-Looking Statements

This report of First Equity Properties, Inc. may contain forward-looking statements. All statements other than statements of historical fact may be forward-looking statements. These include statements regarding any future financial results, operating results, business strategies, projected costs and capital expenditures, products, competitive positions, and plans and objectives of management for the future operations. Forward-looking statements may be identified by the words such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “continue” or the negative of these terms and include the assumptions that underlie such statements. Actual results could differ materially from those expressed or implied in these forward-looking statements as a result of various risks and uncertainties and other factors that might cause such differences, some of which could be material, including but not limited to economic and other market conditions, financing risks (such as the inability to obtain debt or equity financing on favorable terms), the level and volatility of interest rates, as well as other risks identified in this report, including those set forth in the section entitled Part I, Item 1A. “Risk Factors.” All forward-looking statements in this report are based on information available to management as of the date hereof, and management assumes no obligation to update any such statements. The information in this report should be read in conjunction with the financial statements and notes thereto included in this report.

ITEM 1. BUSINESS

As used herein, the terms (“FEPI”, “we”, “us”, “our”, or “the Company”) refer to First Equity Properties, Inc. a Neva corporation organized on December 19, 1996. FEPI is the successor-in-interest to WESPAC Investors Trust III, a California real estate investment trust (“WESPAC”) originally established August 22, 1983. The Company’s fiscal year ends December 31 of each year.

Prior to January 1, 1997, the Company’s business consisted of the management and operation of three motel properties in the Spokane, Washington area. During the fiscal years ended December 31, 1998 and 1999, the Company, through its subsidiaries, engaged in property, and real estate brokerage services. Between October 1999 and May 2004, the Company and its subsidiaries conducted no substantial business, but remained available to engage in property management and real estate brokerage activities.

Effective May 1, 2004, the Company sold all of the issued and outstanding common stock of a subsidiary company known as Carmel Realty, Inc., a Texas corporation (“Carmel”) and a 99% limited partnership interest in Carmel Realty Services, Ltd., a Texas limited partnership (“CRSL”) for an aggregate sale price of $2,072,540 (a basis equivalent to ten times capitalization of the management fees collected by Carmel and CRSL during 2003) to Regis. Regis paid cash of $250,000 to the Company and delivered a promissory note dated May 1, 2004 in the stated principal amount of $1,822,540 payable to the order of the Company on demand or, if no demand is made prior thereto, on December 31, 2011, with interest payable monthly as it accrues. This loan has been extended to December 31, 2013. Such promissory note is secured by a pledge of the common stock of Carmel and the partnership interest of CRSL sold.

Beginning in 1999 the principal source of revenue for the Company was interest income on notes receivable due from affiliated and/or related parties. In 2010, the Company began engaging in the business of real estate investing, which resulted in purchases of land being held for development or sale. All purchases were from related parties. In June 2012, the Company determined that it could not obtain adequate funding to properly develop raw land parcels and entered into a contract to sell Kelly Lot Development effective April 1, 2012 to Tacco Financial, Inc. (“TFI”), a related party, for $5,576,494 comprised of $4,120,300 of debt reduction and the assumption of third party debt. The transaction resulted in $259,071 of gain on sale. With the disposition of Kelly Lot Development the Company no longer has any land holdings.

Management of the Company is exploring alternatives, seeking to establish or acquire new business operations for the Company. Management cannot predict or give any assurance that any new business enterprise will be acquired by the Company at any time in the near future.

ITEM 1A. RISK FACTORS

An investment in equity securities of the Company involves a high degree of risk as there is no active trading market for our securities and liquidity is not assured. You should carefully consider the following information keeping in mind that the matters described below are not the only potential risks that may affect the Company. Additional risks, which we do not presently consider material or of which we are not currently aware, may also have an adverse impact upon us.

Our governing documents contain anti-takeover provisions that make it difficult for a third party to seek to acquire control of the Company.

Certain provisions of the Articles of Incorporation, Bylaws and Nevada law could, together or separately, discourage, delay or prevent a third party from acquiring the Company, even if doing so might benefit stockholders. The provisions may also affect the price investors might be able to receive for their shares of the Company's common stock. Examples of these provisions are:

- The right of our Board of Directors to issue preferred stock with rights and privileges, which are senior to the common stock, without prior stockholder approval.

- Certain limitations upon the stockholders to make, adopt, alter, amend, change, or repeal the Bylaws of the Corporation except by a vote of 66 2/3% of the holders of record of shares outstanding.

- So-called business combination "control" requirements when the combination involves the Company and a person that beneficially owns 20% or more of the outstanding common stock, except under certain circumstances.

In addition, while one entity is currently the owner of approximately 75% of the issued and outstanding common stock, the likelihood of any offer to acquire a significant position in the Company's common stock is remote.

There is no established independent trading market for the shares of common stock of the Company.

No trading market presently exists for the shares of common stock and its value is therefore not determinable. Holders of our common stock do not have a vested right to redeem their shares, and therefore may not be able to liquidate their investment in the event of an emergency or otherwise. There simply is no active trading market for the shares of common stock, and accordingly, the transferability of such shares is limited at best.

The Company continues to explore new business opportunities.

In 2010, the Company began exploring new business opportunities for the Company, resulting in multiple land purchases in December 2010 and the acquisition of a new subsidiary, ART Westwood FL. Effective March 31, 2011 ART Westwood FL, Inc. changed its name to Kelly Lot Development, Inc. At December 31, 2010 the Company owned various parcels of undeveloped land which consists of approximately 7.53 acres located in Farmers Branch, TX, approximately 6.916 acres of Vineyard Land located in Grapevine, TX and approximately 5.618 acres and 6.25 acres of Nashville Land located in Nashville, TN. All transactions were with related parties. In April 2011 the Company purchased approximately 3.028 acres of Seminary West Land located in Fort Worth, Texas and 6.796 acres of Travis Ranch Land located in Kaufman County, Texas from a related party. In November 2011 the Company purchased approximately 23.237 acres known as Cooks Lane located in Fort Worth, TX from a related party. The Company determined that it could not obtain adequate funding to properly develop raw land parcels and entered into a contract to sell Kelly Lot Development, Inc., which held all the Company's real estate holdings, effective April 1, 2012 to Tacco Financial, Inc. ("TFI"), a related party.

The Company is managed by the Board of Directors.

Management has established the operating policies and procedures of the Company, which may be modified or waived by the Board of Directors without stockholder approval. The ultimate effect of any such changes may adversely affect future operations. The Company's business is conducted so as not to become a regulated investment company under the Investment Company Act, which exempt entities that are "primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interest in real estate".

The Company’s primary source of income is from affiliated entities.

Our primary source of income is from affiliated entities. If any of these entities were to become insolvent or unable to pay their obligations, it could have a material adverse effect on our financial statements.

ITEM 1.B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

The Company's principal office is located at 1603 LBJ Freeway, Suite 300, Dallas, Texas 75234 in approximately 4,288 square feet of commercial office space. The space is suitable and adequate for the purposes for which it is utilized.

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Pursuant to the requirements of NRS 78.2055, on June 7, 2004, the members of the Board of Directors of the Company proposed and recommended to the stockholders a reverse-split on a 1-for-10 basis of the shares of Common Stock, par value $0.01 per share without any adjustment to the par value per share and without any reduction in the authorized number of shares of Common Stock at the same par value. The recommendation was submitted to the holder of approximately 75% of the outstanding Common Stock, Nevada Sea Investments, Inc. ("Nevada Sea"), which executed a written consent dated June 8, 2004, pursuant to NRS 78.320 adopting and approving the 1-for-10 reverse stock-split of the shares of Common Stock without any change in the par value and without any reduction in the authorized number of shares of Common Stock of the Company pursuant to the Articles of Incorporation. The 1-for-10 reverse stock split was ultimately effective July 12, 2004, following the distribution of an Information Statement on Schedule 14C to the other stockholders of the Company, and following the filing of an amendment to the Certificate of Incorporation of the Company with the Secretary of State of Nevada. The CUSIP Number for the post-split shares is 320097-20-7.

Under the approved action, based upon the 10,570,944 old shares outstanding on the effective date of July 12, 2004, the 1-for-10 reverse stock-split decreased the number of outstanding shares by approximately 90% which, after giving effect to an upward adjustment or "rounding up" for any fractional shares, added 534 shares to result in 1,057,628 post-split shares outstanding. The 1-for-10 reverse stock-split did not adversely affect any stockholder's proportionate equity interest in the Company, subject to the provisions for elimination of fractional shares by rounding up to the next whole share which slightly increased the proportionate holdings of all stockholders other than Nevada Sea. Each post-split share continues to be entitled to one vote, as was the case with each outstanding old share.

In connection with the implementation of a 1-for-10 reverse stock-split, no certificate or script representing any fractional share interest was issued, but a holder of the old shares received in lieu of any fraction of a post-split share to which the holder would otherwise have been entitled a single, whole post-split share on a "rounding up" basis without regard to any price. The result of this "rounding up" process increased slightly the holdings of those stockholders who held a number of old shares which were not evenly divisible by ten, resulting in an increase of 534 shares.

FEPI's old shares of Common Stock, while available for trading in the over-the-counter market, to the knowledge of Management, have not had any material trading activity since their initial issuance in 1997. The old shares were issued pursuant to the terms of the Modified Plan in the bankruptcy proceeding styled In Re: WESPAC Investors Trust III, Case No. 94-00228-K-11 in the United States Bankruptcy Court for the Eastern District of Washington. The CUSIP Number of the old shares was 320097-10-8. The shares of beneficial interest of WESPAC Investors Trust III traded through the first quarter of 1988, and at one time, were quoted on the National Association of Securities Dealers Automatic Quotation System ("NASDAQ"). Since the cessation of trading on NASDAQ, there has been no established, independent trading market for the shares of beneficial interest of WESPAC or the old shares of Common Stock of FEPI as the successor, or the new shares of Common Stock of the Company after giving effect to the 1-for-10 reverse stock split

No cash dividends have been declared or paid during the period from January 1, 1994 to the present on either the shares of Beneficial Interest of the Trust or the old shares of Common Stock of FEPI as the successor or the new shares of Common Stock after giving effect to the 1-for-10 reverse stock split.

As of December 31, 2013, the 1,057,628 post-split shares of Common Stock of FEPI issued and outstanding were held by approximately 1,800 holders of record.

During the three years ended December 31, 2013, FEPI did not issue or sell any securities, nor did FEPI purchase any of its equity securities. The Board of Directors has not authorized any stock repurchase program.

ITEM 6. SELECTED FINANCIAL DATA

The selected historical financial data presented below for the five fiscal years ended December 31, 2013, are derived from the audited financial statements.

	Year Ended December 31,				
	2013	2012	2011	2010	2009
STATEMENT OF OPERATIONS DATA:					
Revenues	$240,754	$241,514	$240,754	$240,754	$240,754
General and administrative	107,277	107,482	187,404	144,870	129,752
Other income	-	-	67,730	-	-
Income from continuing operations	133,477	134,032	121,080	95,884	111,002
Gain on sale	-	259,071	-	-	-
Interest expense	(122,870)	(170,478)	(355,720)	(70,866)	(70,236)
Income from discountinued operations	-	-	-	-	-
Income (loss) before taxes	10,607	222,625	(234,640)	25,018	40,766
Income tax benefit (expense)	-	-	-	(3,778)	(9,097)
Net income (loss) applicable to common shareholders	$10,607	$222,625	$(234,640)	$21,240	$31,669
Weighted average earnings per share:					
Income from continuing operations	$0.01	$0.21	$(0.22)	$0.02	$0.03
Loss from discountinued operations	-	-	-	-	-
Net income loss applicable to common shareholders	$0.01	$0.21	$(0.22)	$0.02	$0.03
Weighted average shares outstanding	1,057,628	1,057,628	1,057,628	1,057,628	1,057,628
BALANCE SHEET DATA;					
Total Assets	$2,694,379	$3,102,775	$8,301,575	$6,523,341	$2,517,028
Total Liabilities	$1,814,847	$2,233,850	$7,655,275	$5,642,401	$1,657,328
Stockholders' Equity	$879,532	$868,925	$646,300	$880,940	$859,700

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion is not an all-inclusive discussion of our operations. The information provided relates to significant items, which Management believes is relevant to an assessment and understanding of the Company's results of operations and financial condition. The discussion should be read in conjunction with the financial statements presented and the notes to the financial statements as included in this Form 10K.

Results of Operations

FEPI's sole source of income is from the interest received on affiliated receivables and its operating expenses are professional and administrative fees.

Results of operations for the year ended December 31, 2013 as compared to the same period ended 2012.

Net income decreased by $212,156 as compared to the year ended 2012. This decrease is principally due to the recognition of a gain on the land sales to TFI, a related party in 2012.

Results of operations for the year ended December 31, 2012 as compared to the same period ended 2011.

Income decreased by $66,970 as compared to the year ended 2011. This decrease is due to the recognition of lease termination income in 2011.

Operating expenses decreased by $79,922 as compared to the year ended 2011. This decrease is primarily due to the reduction in property tax expense from the land sales and no recognition of rent expense in 2012.

Interest expense decreased by $185,242 as compared to the year ended 2011. This decrease is due to the land sales in 2012 to TFI, a related party.

Other income increased by $259,071 as compared to the year ended 2011. This increase is due to the recognition of a gain on the land sales to TFI, a related party.

A substantial asset concentration relates to notes receivables from affiliated entities which is the primary source of income consisting of interest on such receivables. Any adverse conditions affecting the financial condition of any of these entities, specifically their ability to service the debt obligation owed, could have a severe adverse impact upon the financial statements of the Company. However, as the entities are "related parties" to the Company, management of the Company is generally aware of the related parties financial condition. The entities are currently not in default on their obligations and management does not consider it necessary at this time to provide other financial information for such entities. However, management of the Company is aware of the circumstances and any conditions that might impact the ability of such "related parties" to meet their respective obligations. Management of the Company considers the collectability of such obligations to not be a question at this time.

Financial Condition, Capital Resources and Liquidity

General

Our primary source of liquidity is from proceeds from accrued interest on notes receivables from affiliated entities. At December 31, 2013, we had total assets of $2,694,379. Our overall liabilities have decreased as compared to prior year. The decrease in liabilities is due to the land sales to TFI, a related party. We feel that our cash from operations is sufficient to provide for our current cash flow needs.

Cash flow analysis

The following summary discussion of our cash flows are based on the Statements of Cash Flows as presented in this Form 10-K and is not meant to be an all-inclusive discussion of the changes in our cash flows.

2013 as compared to 2012 – The cash flow remained static as compared to the year ended 2012.

2012 as compared to 2011 – The cash flow remained static as compared to the year ended 2011.

Contractual obligations

We do not have any further contractual obligations and commitments in regards to payments of operating leases. See Note K regarding termination of operating lease.

Environmental Matters

Under various federal, state and local environmental laws, ordinances and regulations, the Company may be potentially liable for removal or remediation costs, as well as certain other potential costs, relating to hazardous or toxic substances (including governmental fines and injuries to persons and property) where any property-level manager in the employee of a subsidiary of the Company may have arranged for the removal, disposal or treatment of hazardous or toxic substances. Management is not aware of any environmental liability relating to the above matters that would have a material adverse effect on the Company's business, assets, or results of operations.

8

Inflation

The effects of inflation on the Company's operations are not quantifiable. To the extent that inflation affects interest rates, the Company's earnings from any short-term investments and the cost of new financings as well as the cost of variable rate financing will be affected.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk from changes in interest rates, which may adversely affect its financial position, results of operations and cash flows. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposures through its regular operating activities. The Company does not use financial instruments for trading or other speculative purposes and is not a party to any leveraged financial instruments.

Based upon the Company's market risk sensitive instruments (including variable rate debt) outstanding at December 31, 2013, the Company has determined that there was no material market risk exposure to the Company's financial position, results of operations or cash flows as of such date.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Financial Statements, together with an index thereto, are attached hereto following the signature page to this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

A review and evaluation was performed by management under the supervision and with the participation of the Principal Executive Officer and Chief Financial Officer of the effectiveness of the Company's disclosure controls and procedures, as required by Rule 13a-15(b) of the Securities Exchange Act of 1934 as of December 31, 2012. Based upon that most recent evaluation, which was completed as of the end of the period covered by this Form 10-K, the Principal Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at December 31, 2011 to ensure that information required to be disclosed in reports that the Company files submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and timely reported as provided in the Securities and Exchange Commission ("SEC") rules and forms. As a result of this evaluation, there were no significant changes in the Company's internal control over financial reporting during the three months ended December 31, 2013 that have materially affected or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Exchange Act Rules 13a-15(f). The Company's internal control over financial reporting is a process designed under the supervision of the Company's principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or because the degree of compliance with policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our Chief Financial and Accounting Officer, we conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2013. The assessment was based on criteria established in the framework Internal Control -Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2013.

Changes in Internal Control Over Financial Reporting

There has been no change in the Registrant's internal control over financial reporting during the year ended December 31, 2013 that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors and Executive Officers

The business affairs of the Company are managed by, or under the direction of, the Board of Directors. The Board of Directors are responsible for the general investment policies of the Company and for such general supervision of the business of the Company conducted by its officers, agents, employees, advisors or independent contractors as may be necessary to insure that such business conforms to policies adopted by the Board of Directors. Pursuant to Article III, Section 3.1, of the Bylaws of the Company, there shall not be less than three (3) nor more than fifteen (15) directors of the Company. The number of directors shall be determined from time to time by resolution of the directors and the last count of that number of directors was at three (3) at the time of creation of the Company. The initial three directors were the three members of the Board of Trustees of the Trust. The term of office of each director is one year and until the election and qualification of his or her successor. Directors may succeed themselves in office and are to be elected at an annual meeting of stockholders or appointed by the Company's incumbent Board of Directors.

The two current directors of the Company (both of whom are also executive officers) are listed below, together with their ages, all positions and offices with the Company, their principal occupation, business experience and directorship with other companies during the last five years or more. A vacancy currently exists on the Board of Directors.

The names, ages and positions of the directors as of December 31, 2013 are set forth below.

Name	Age	Position with the Company
Daniel J. Moos	64	Director, President and Treasurer
Steven Shelley	31	Director, Vice President and Secretary

Daniel J. Moos, 64

Director, President and Treasurer of the Company since April 19, 2011.

Mr. Moos has been President (since April 2007) and Chief Executive Officer (since March 2010) of American Realty Investors, Inc., a Nevada corporation ("ARL") which has its common stock listed on the New York Stock Exchange, Inc. ("NYSE"), Transcontinental Realty Investors, Inc., a Nevada corporation ("TCI") which also has its common stock listed on the NYSE and Income Opportunity Realty Investors, Inc., a Nevada corporation ("IOT") which has its common stock listed on the NYSEMKT (formally the American Stock Exchange). He was also Senior Vice President and Business Line Manager for U.S. Bank Corp. (NYSE: USB) working out of offices in Houston, Texas from 2003 to April 2007; Executive Vice President and Chief Financial Officer, Fleet Cor Technologies, a privately held transaction processing company that was headquartered in New Orleans, Louisiana from 1998 to 2003; Senior Vice President and Chief Financial Officer, ICSA, a privately held internet security and information company headquartered in Carlisle, Pennsylvania from 1996 to 1998; and for more than ten years prior thereto he was employed in various financial and operating roles for PhoneTel Technologies, Inc. which was a publicly traded telecommunication company on the American Stock Exchange headquartered in Cleveland, Ohio (1992-1996) and LDI Corporation which was a publicly traded computer equipment sales/service and asset leasing company listed on the NASDAQ and headquartered in Cleveland, Ohio. Mr. Moos was also President of Prime Income Asset Management, Inc., a Nevada corporation ("Prime") and effective April 30, 2011, of Pillar Income Asset Management, Inc., a Nevada corporation ("Pillar"). Mr. Moos is the Principal Executive Officer of the Company.

Steven Shelley, 31

Director, Vice President and Secretary of the Company since December 29, 2010.

Mr. Shelley was employed by Prime until April 2011 for more than 5 years prior thereto. Since April 2011 he has been employed by Pillar. He is also (since May 2006) a Vice President of ARL, TCI and IOT. Mr. Shelley is the Principal Financial Officer of the Company.

Meetings and Committees of Directors; Code of Ethics for Senior Financial Officers

The Company's Board of Directors held no formal meetings in 2013, but acted by written consent. The Board of Directors has no standing audit, nominating or compensation committee.

The Board of Directors adopted on February 23, 2004, a Code of Ethics policy for Senior Financial Officers that applies to the principal executive officer, president, principal financial officer, chief financial officer, principal accounting officer and controller. FEPI does not have a website, but a copy of such document may be obtained by written request to the Secretary of FEPI. Those requests should be sent to Secretary, First Equity Properties, Inc., 1603 LBJ Freeway, Suite 300, Dallas, Texas 75234.

Stockholders may also send communications to Board members by either sending a communication to the Board or a particular Board member in care of the Secretary of First Equity Properties, Inc., 1603 LBJ Freeway, Suite 300, Dallas, Texas 75234.

Compliance With Section 16(a) of the 1934 Act.

Under the securities laws of the United States, the Company's directors, executive officers, and any person holding more than 10% of the Company's shares of common stock are required to report their ownership of the Company's shares and any changes in ownership to the Commission. Specific due dates for these reports have been established and the Company is required to report any failure to file by the date. All the filing requirements were satisfied by the Company's directors, executive officers and 10% holders during 1996. In making these statements, the Company has relied on the written representations of its directors and executive officers and its 10% holders and copies of the reports that they filed with the Commission, both with respect to the Trust, as a predecessor to the Company, and the Company.

ITEM 11. EXECUTIVE COMPENSATION

Neither the executive officers nor directors received salaries or cash compensation from the Company for acting in such capacity during the year ended December 31, 2013.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

The Company's voting securities consist of the shares of common stock, par value $0.01 per share. As of April 1, 2014, according to the stock transfer records of the Company and other information available to the Company, the following persons were known to be the beneficial owners of more than five percent (5%) of the outstanding shares of common stock of the Company:

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class (1)
Shares of common stock, par value $0.01 per share	Nevada Sea Investments, Inc. 1603 LBJ Freeway, Suite 300 Dallas, Texas 75234	792,821 shares	74.96%

(1) Based on 1,057,628 shares of common stock outstanding on March 31, 2014.

As of March 31, 2013, according to the stock transfer records of the Company and other information available to the Company, each of the directors and executive officers of the Company, and all present executive officers and directors as a group, beneficially own the following shares:

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class (a)
Shares of common stock, par value $0.01 per share	Daniel J. Moos 1603 LBJ Freeway, Suite 300 Dallas, Texas 75234	792,821 (b)	74.96%
Shares of common stock, par value $0.01 per share	Steven Shelley 1603 LBJ Freeway, Suite 300 Dallas, Texas 75234	792,821 (b)	74.96%
Shares of Common Stock, par value $0.01 per share	All officers and directors as a group (2 persons)	792,821 (b)	74.96%

(a) Based on 1,057,628 shares of common stock outstanding on March 31, 2014.
(b) Includes 792,821 shares owned by Nevada Sea Investments, Inc., of which the directors and executive officers have disclaimed any beneficial ownership of such shares.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

On December 31, 2010 the Company purchased ART Westwood FL, Inc., a Nevada corporation, for investment purposes. On March 31, 2011, ART Westwood FL, Inc. changed its name to Kelly Lot Development, Inc. and owns various parcels of undeveloped land consisting of approximately 7.53 acres located in Farmers Branch, TX, approximately 6.916 acres of Vineyard Land located in Grapevine, TX and approximately 5.618 acres of Nashville Land located in Nashville, TN all purchased from a related party. In April 2011, the Company purchased Seminary West Land consisting of 3.028 acres located in Fort Worth, TX and Travis Ranch Land consisting of 6.796 acres located in Kaufman County, TX from a related party. On November 30, 2011 the Company purchased Cook's Lane consisting of 21.754 acres and 1.483 acres located in Fort Worth, TX also from a related party. On April 1, 2012 the Company sold Kelly Lot Development, Inc. to TFI, a related party.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table sets forth the aggregate fees for professional services rendered to FEPI for the years 2013 and 2012 by FEPI's principal accounting firm, Swalm & Associates, P.C.:

	Swalm & Associates, P.C.	
Type of Fees	2013	2012
Audit fees	$23,250	$23,250
Audit related fees	-	-
Tax fees -preparation of corporate federal income tax returns	1,250	1,250
All other fees	-	-
Total	$24,500	$24,500

There is currently no standing Audit Committee. The Board of Directors fulfills that responsibility. As a result, there are no Audit Committee pre-approval policies and procedures in existence.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements. The following documents are filed as part of this report:

All other schedules and financial statements are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

(b) Exhibits. The following documents are filed herewith as exhibits or incorporated by the references indicated below:

Exhibit Designation	Description of Exhibit
2.1	Plan of Reorganization (as modified) dated March 22, 1996 (incorporation by reference is made by Exhibit 2.1 to Form 8-K of First Equity Properties, Inc. for event reported June 19, 1996).
2.2	First Amended Disclosure Statement (as modified) dated March 22, 1996 (incorporation by reference is made to Exhibit 2.2 to Form 8-K of First Equity Properties, Inc. for event reported June 19, 1996).
2.3	Order Confirming Plan of Reorganization dated May 15, 1996 entered May 20, 1996 (incorporation by reference is made to Exhibit 2.3 to Form 8-K of First Equity Properties, Inc. for event reported June 19, 1996).
2.4	First Modification to Plan of Reorganization (as modified) dated October 29, 1996 (incorporation by reference is made to Exhibit 2.4 to Form 8-K of First Equity Properties, Inc. for event reported June 19, 1996).

2.5	Ex parte Order approving modification to Plan of Reorganization (as modified) entered October 29, 1996 (incorporation by reference is made to Exhibit 2.5 to Form 8-K of First Equity Properties, Inc. for event reported June 19, 1996).
2.6	Certificate of Substantial Consummation dated January 21, 1997 (incorporation by reference is made to Exhibit 2.6 to Form 8-K of First Equity Properties, Inc. for event reported June 19, 1996).
2.7	Final Decree issued by the Court on February 11, 1997 (incorporation by reference is made to Exhibit 2.7 to Form 8-K of First Equity Properties, Inc. for event reported June 19, 1996).
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).

Exhibit Designation	Description of Exhibit
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).
3.7	Certificate of Amendment to Articles of Incorporation as filed with the Secretary of State of Nevada on July 12, 2004 (incorporation by reference is made to Exhibit 3.3 to Current Report on Form 8-K of First Equity Properties, Inc. for event reported May 1, 2004).
14	Code of Ethics for Senior Financial Officers (incorporation by reference is made to Exhibit 14 to Form 10-K of First Equity Properties, Inc. for the fiscal year ended December 31, 2003).
31.1*	Certification of Principal Executive Officer.
31.2*	Certification of Principal Financial and Accounting Officer.
32.1*	Rule 1350 Certification by Principal Executive Officer and Principal Financial and Accounting Officer.

* filed herewith

SIGNATURES

Pursuant to the requirements Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has caused this report to be signed by the undersigned, thereunto duly authorized.

Dated: April 14, 2014	FIRST EQUITY PROPERTIES, INC.	
	By:	/S/ DANIEL J. MOOS Daniel J. Moos Director, President & Treasurer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacity and on the dates indicated:

/S/ DANIEL J. MOOS Daniel J. Moos	Director, President and Treasurer	April 14, 2014
/S/ STEVEN SHELLEY Steven Shelley	Director, Vice President and Secretary	April 14, 2014

FIRST EQUITY PROPERTIES, INC.
TABLE OF CONTENTS

All other schedules and financial statements are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
First Equity Properties, Inc.
Dallas, Texas

We have audited the accompanying consolidated balance sheet of First Equity Properties, Inc. as of December 31, 2013, and 2012 and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in the notes to the financial statements, First Equity Properties, Inc. has significant transactions with and balances due to and from affiliates.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of First Equity Properties, Inc. as of December 31, 2013, and 2012 the results of its operations, changes in stockholder's equity and its cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

/s/ SWALM & ASSOCIATES, P.C.

SWALM & ASSOCIATES, P.C.
April 11, 2014
Richardson, Texas

FIRST EQUITY PROPERTIES, INC.
CONSOLIDATED BALANCE SHEETS
As of December 31, 2013 and 2012

	December 31, 2013	December 31, 2012
Assets		
Receivables and accrued interest - affiliates	2,694,033	3,101,233
Cash and cash equivalents	346	1,542
Total assets	$ 2,694,379	$ 3,102,775
Liabilities and Shareholders' Equity		
Notes payable and accrued interest - affiliates	$ 1,493,010	$ 1,787,307
Accounts payable - other	3,015	21,927
Accounts payable - affiliates	318,822	424,616
Total liabilities	1,814,847	2,233,850
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)	(507,726)	(518,333)
Total shareholders' equity	879,532	868,925
Total liabilities and shareholders' equity	$ 2,694,379	$ 3,102,775

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

FIRST EQUITY PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2013, 2012, and 2011

	2013	2012	2011
Revenue			
Interest income - from affiliates	$240,754	$241,514	$240,754
Lease termination income - affiliate	-	$-	$67,730
Total income	240,754	241,514	308,484
Operating Expenses			
General and administrative - affiliates	52,500	30,000	65,932
General and administrative	18,788	37,534	70,394
Legal and professional fees	35,989	39,948	51,078
Total operating expenses	107,277	107,482	187,404
Income (loss) before interest expense and taxes	133,477	134,032	121,080
Other income (expense)			
Gain on sale - affiliate	-	259,071	-
Interest expense - affiliates	(122,870)	(135,129)	(306,197)
Interest expense	-	(35,349)	(49,523)
Income (loss) before income taxes	10,607	222,625	(234,640)
Income tax (expense) benefit	-	-	-
Net income (loss) applicable to common shareholders	$10,607	$222,625	$(234,640)
Earnings (loss) per share	$0.01	$0.21	$(0.22)
Weighted average shares outstanding	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 CHANGES IN SHAREHOLDERS' EQUITY
For the years ended December 31, 2013, 2012 and 2011

	Common Stock		Paid in	Retained Earnings	Total
	Shares	Amount	Capital	(Deficit)	Equity
Balances at January 1, 2011	1,057,628	$10,576	$1,376,682	$(506,318)	$880,940
Net income (loss)	-	-	-	(234,640)	(234,640)
Balances at December 31, 2011	1,057,628	10,576	1,376,682	(740,958)	646,300
Net income (loss)	-	-	-	222,625	222,625
Balances at December 31, 2012	1,057,628	10,576	1,376,682	(518,333)	868,925
Net income (loss)	-	-	-	10,607	10,607
Balances at December 31, 2013	1,057,628	$10,576	$1,376,682	$(507,726)	$879,532

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

FIRST EQUITY PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2013, 2012 and 2011

	2013	2012	2011
Cash Flows from Operating Activities			
Net Income (Loss)	$10,607	$222,625	$(234,640)
Adjustments to reconcile net income applicable to common shareholders to net cash provided by (used in) operating activities:			
Gain on sale	-	(259,071)	-
(Increase) decrease in			
Amortization	-	7,372	5,814
Interest receivable - affiliates	241,413	(241,413)	(277,250)
Federal income tax receivable	-	-	636
Deferred tax asset	-	-	1,696
Increase (decrease) in			
Accounts payable - other	(18,912)	(35,000)	4,361
Accounts payable - affiliates	(105,794)	130,203	819,935
Intercompany and interest payable - affiliates	(11,829)	70,428	244,577
Federal income taxes payable	-	-	(651)
Net cash provided by (used for) operating activities	115,485	(104,856)	565,129
Cash Flows from Investing Activities			
Increase in investment in real estate	-	-	(979,880)
Notes receivable - affiliates	165,787	105,890	-
Net cash provided by (used for) investing activities	165,787	105,890	(979,880)
Cash Flows from Financing Activities			
Financing costs	-	-	(84,892)
Notes payable - third party lender	-	-	500,000
Notes payable - affiliates	(282,468)	-	-
Net cash provided by (used for) financing activities	(282,468)	-	415,108
Net increase (decrease) in cash and cash equivalents	(1,196)	1,034	357
Cash and cash equivalents at the beginning of period	1,542	508	151
Cash and cash equivalents at the end of period	$346	$1,542	$508
Supplemental disclosures of cash flow information:			
Cash paid for interest	$134,699	$40,950	$-
Cash paid for income taxes	$-	$-	$-
Non - cash items:			
Land acquisition financed by third party lender	$-	$-	$444,000

Land acquisition financed by affiliates	$-	$-	$-
Change in Investment in RE from land sales	$-	$5,576,494	$-
Debt assumed by purchaser	$-	$(4,120,300)	$-

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

22

FIRST EQUITY PROPERTIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

From 2010 through April 2012, the Company engaged in the business of investing in real estate and purchased land held for investment or sale.

Our current source of revenue consists of interest on notes receivables from affiliated entities. Any adverse conditions that could affect the financial condition of these entities, and specifically their ability to service debt obligation owed, could have a material effect on the financial statements.

Organization and Business

First Equity Properties, Inc. is 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 has been 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 marked presently exists for the shares of common stock and its value is therefore not determinable.

Basis of Presentation

The accompanying Consolidated Financial Statements include our accounts, and our subsidiary, which is wholly-owned. All significant intercompany balances and transactions have been eliminated in consolidation. Effective December 31, 2010 the Company had a subsidiary, ART Westwood FL, Inc. and on March 31, 2011 changed its name to Kelly Lot Development, Inc. On April 1, 2012 the Company sold Kelly Lot Development, Inc. to Tacco Financial, Inc. ("TFI"), a related party.

Cash Equivalents

For purposes of the statement of cash flows, the Company considers all short-term investments with original maturities of three months or less to be cash equivalents.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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 by such assets. A valuation allowance is provided for a portion or all of the deferred tax assets when there is an uncertainty regarding the Company's ability to recognize the benefits of the assets in future years. 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. Since management could not determine the likelihood that the benefit of the deferred tax asset would be realized no deferred tax asset was recognized by the Company.

Earnings (loss) per Share

Earnings (loss) per share (EPS) are calculated in accordance with Accounting Standards Codification, ("ASC") No. 260, Earnings per Share (ASC 260), which was adopted in 1997 for all years presented. Basic EPS is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS does not apply to the Company due to the absence of dilutive potential common shares. The adoption of ASC 260 had no effect on previously reported EPS.

FASB Accounting Standards Codification

The company presents its financial statements in accordance with generally accepted accounting principles in the United States ("GAAP"). In June 2009, the Financial Accounting Standards Board ("FASB") completed its accounting guidance codification project. The FASB Accounting Standards Codification ("ASC") became effective for the Company's financial statements issued subsequent to June 30, 2009 and is the single source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. As of the effective date, the company will no longer refer to the authoritative guidance dictating its accounting methodologies under the previous accounting standards hierarchy. Instead, the Company will refer to the ASC Codification as the sole source of authoritative literature.

NOTE B -NOTES RECIEVABLE AND ACCRUED INTEREST – AFFILIATE

Receivables from affiliates primarily consist of two notes of $1,822,540 and $585,000 which are payable 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, 2015.

	2013	2012
Notes receivable – affiliates		
Unsecured, due on demand, interest rate of 10%, due monthly	$2,407,540	$2,407,540
Accrued interest – affiliates	240,754	482,168
Accounts receivable – affiliates	45,739	211,525
Total notes and accounts receivable – affiliates	$2,694,033	$3,101,233

NOTE C - LAND

On December 31, 2010 the Company owned various parcels of undeveloped land which consist of approximately 7.53 acres of Kelly Lots Land located in Farmers Branch, TX, approximately 6.916 acres of Vineyard Land located in Grapevine, TX and approximately 5.618 acres and 6.25 acres of Nashville Land located in Nashville, TN all purchased from a related party. On April 1, 2011 the Company purchased approximately 3.028 acres of Seminary West Land located in Fort Worth, Texas and 6.796 acres of Travis Ranch Land located in Kaufman County, Texas from a related party. On November 30, 2011 the Company purchased approximately 23.237 acres known as Cooks Lane located in Fort Worth, TX from a related party. On April 1, 2012 the Company sold Kelly Lot Development, Inc., which held all of the Company's investments in real estate, including all debt associated with the land to Tacco Financial, Inc. ("TFI"), a related party and realized a $259,071 gain on sale..

NOTE D -NOTES PAYABLE AND ACCRUED INTEREST – AFFILIATE

	2013	2012
Uncollateralized notes payable – affiliates		
due on demand, interest at Prime + 1%, payable quarterly	$1,370,140	$1,652,609
Accrued interest and intercompany - affiliates	122,870	134,698
Total notes payable – affiliates	$1,493,010	$1,787,307

	Payments due by period						
	Total	2013	2014	2015	2016	2017	Thereafter
Long term debt	$1,860,125	$-	$-	$1,860,125	$-	$-	$-

$1,860,125	$-	$-	$1,860,125	$-	$-	$-

24

NOTE E -INCOME TAXES

Deferred income taxes reflect the tax effects of temporary timing differences between carrying amounts of assets and liabilities reflected on the financial statements and the amounts used for income tax purposes. The tax effects of temporary differences and net operating loss carry forwards that give rise to the deferred tax assets. The Company had ($12,882) in NOL carry forward from 2012 that it is utilizing in 2013.

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.

The following table presents the principal reasons for the differences between the Company's effective tax rate and the United States statutory income tax rate.

	2013	2012	2011
Federal income tax at statutory rate per books	$10,607	$70,073	$(35,196)
Change in valuation allowance	-	-	35,196
Amortization	-	-	-
Net operating loss	(10,607)	(70,073)	-
Federal income tax per tax return	$-	$-	$-
Effective income tax rate	0.0%	0.0%	0.0%

The Company's Forms 1120, U.S. Corporation Income Tax Returns, for the years ending December 31, 2013, 2012, and 2011 are subject to examination, by the IRS, generally for three years after they are filed.

NOTE F -FINANCIAL INSTRUMENTS

The carrying values of cash and cash equivalents, accounts receivable affiliate, notes receivable affiliate and accounts payable affiliate approximate fair value due to short-term maturities of these assets and liabilities.

NOTE G -COMMITMENTS AND CONTINGENCIES

The Company is not involved in any legal proceedings. Management is not aware of any actions that could potentially have a material adverse effect on the Company's financial position.

NOTE H -COMPREHENSIVE INCOME

Accounting Standards Codification, (“ASC”) No. 220, Reporting Comprehensive Income, (ASC 220), requires that total comprehensive income be reported in the financial statements. For the years ended December 31, 2013, 2012, and 2011, the Company’s comprehensive income was equal to its net income and the Company does not have income meeting the definition of other comprehensive income.

NOTE I -QUARTERLY DATA (UNAUDITED)

The table below reflects the Company’s selected quarterly information for the years ended December 31, 2013 and 2012.

	Year ended December 31, 2013			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue	$59,364	$60,024	$60,683	$60,683
Operating expenses	12,169	51,858	20,821	22,428
Net income from continuing operations before taxes	47,195	8,166	39,862	38,255
Interest expense	17,318	36,481	34,535	34,536
Gain on sale	-	-	-	-
Income tax expense	3,029	(3,029)	-	-
Net income applicable to common shareholders	$26,848	$(25,286)	$5,327	$3,719
Earnings per share				
Weighted average earnings per share applicable to common shares	$0.03	$(0.02)	$0.01	$-

	Year ended December 31, 2012			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue	$60,124	$60,024	$60,683	$60,683
Operating expenses	57,220	28,471	11,433	17,731
Net income from continuing operations before taxes	2,904	31,553	49,250	42,952
Interest expense	110,188	17,511	17,703	17,703
Gain on sale	-	259,071	-	-
Income tax expense	-	-	-	-
Net income applicable to common shareholders	$(107,284)	$273,113	$31,547	$25,249
Earnings per share				
Weighted average earnings per share applicable to common shares	$(0.10)	$0.26	$0.03	$0.02

NOTE J -LEASES

On September 18, 2008, the Company entered into a long-term lease commitment with Income Opportunity Realty Investors, Inc., a related party. The lease was for 4,288 square feet of commercial space at the Hickory One Office building, located in Farmers Branch, Texas. The base rent consisted of monthly installments of $5,717 per month for a period of three years. The lease commenced on November 1, 2008 and extended through October 31, 2011. This lease has been terminated retroactive to June 30, 2010 by mutual agreement of the Company and the building's owner. Based on this agreement, the owner has agreed to reimburse the Company for rents paid after the effective termination date. In 2011, the Company recorded a note receivable from the owner in the amount of $45,739 and income from this lease termination of $67,730.

NOTE K -RELATED PARTIES TRANSACTIONS

The Company has historically engaged in and may continue to engage in certain business transactions with related parties, including but not limited to asset acquisition, dispositions, interest income, interest expense and general and administrative expenses. 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.

NOTE L –SUBSEQUENT EVENTS

In March 2014 the Company received a $500,000 payment made by Carmel Realty, Inc. and HRS Holdings, LLC to pay $240,754 for interest owed and $259,246 to pay down the principal on the notes and used those funds to pay down $269,000 of principal and $157,674 of interest on its notes to Gaywood Trust, RBA Partners, LTD, and Steller Aviation and $60,000 to Pillar for admin fees owed. In April 2014 the Company received $45,739 for payment of the Regis Realty receivable.