

Edgar Filing: AMERICAN BUSINESS CORP - Form 10QSB

AMERICAN BUSINESS CORP
Form 10QSB
September 20, 2006

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

Form 10-QSB

(Mark One)

- ☒ Quarterly report under section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended: March 31, 2006
- ☐ Transition report under section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____.

Commission File No: 33-9640-LA

AMERICAN BUSINESS CORPORATION

(Name of small business in its charter)

Colorado

90-0249312

(State or other jurisdiction of
incorporation)

(IRS Employer Id. No.)

11921 Brinley Avenue, Louisville, KY 40243

(Address of Principal Office including Zip Code)

Issuer's telephone Number: (502) 410-6900

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 is a shell company (as defined in Rule 12 b-2 of the Exchange Act). Yes [X] No []

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

Common Stock, \$.001 par value, 69,870,517 shares at March 31, 2006

Transitional Small Business Disclosure Format (Check one):

Yes [] No [X].

AMERICAN BUSINESS CORPORATION

Edgar Filing: AMERICAN BUSINESS CORP - Form 10QSB

FORM 10-QSB - QUARTER ENDED MARCH 31, 2006

INDEX

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.....	2
Condensed Balance Sheets at March 31, 2006 (unaudited) and December 31, 2005.....	3
Condensed Statements of Operations for the Three Months Ended March 31, 2006 and March 31, 2005 (unaudited).....	4
Condensed Statement of Stockholders' Deficit for the Three Months Ended March 31, 2006 (unaudited).....	5
Condensed Statements of Cash Flows for the Three Months Ended March 31, 2006 and March 31, 2005 (unaudited).....	6
Notes to Condensed Financial Statements.....	7
Item 2. Management's Discussion and Analysis.....	9
Item 3. Controls and Procedures.....	11

PART II - OTHER INFORMATION

Item 6. Exhibits.....	11
-----------------------	----

SIGNATURES

SIGNATURES.....	11
EXHIBITS.....	12-13

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The unaudited condensed balance sheet of the Registrant as of March 31, 2006, the audited balance sheet at December 31, 2005, and the unaudited condensed statements of operations, stockholders' deficit, and cash flows for the three month periods ended March 31, 2006 and March 31, 2005 follow. The unaudited condensed financial statements reflect all adjustments that are, in the opinion of management, necessary to a fair statement of the results for the interim periods presented.

2

AMERICAN BUSINESS CORPORATION CONDENSED BALANCE SHEETS

	March 31, 2006 [unaudited]	December 31, 2005
	-----	-----
Assets		
Current assets -		
Cash	\$ 649	\$ 649
	-----	-----
Total current assets	649	649
Equipment, net	14,801	15,939

Edgar Filing: AMERICAN BUSINESS CORP - Form 10QSB

Total assets	\$ 15,450	\$ 16,588
	=====	=====
Liabilities and Stockholders' Deficit		
Current liabilities		
Accrued expenses	\$ 139,376	\$ 425,564
Accrued interest	4,651,998	4,433,871
Due to related parties	4,314,492	4,211,671
Notes payable in default	6,311,460	6,311,460
Redeemable Series B,D and E Preferred		
Stock, inclusive of accrued premium		
and penalties of \$10,072,802 and		
\$9,679,052 in 2006 and 2005,		
respectively	15,322,802	14,929,052
Estimated liability for claims and		
litigation	1,874,845	1,588,657
	-----	-----
Total current liabilities	32,614,973	31,900,275
	-----	-----
Stockholders' deficit		
Preferred stock, no par value; 10,000,000		
shares authorized, 545,250 shares of		
Series A through E issued and		
outstanding in 2006 and 2005	135,076	135,076
Common stock, par value \$.001 per share;		
500,000,000 shares authorized, 69,870,517		
shares issued and outstanding in 2006		
and 2005	69,870	69,870
Additional paid-in capital	14,872,987	14,872,987
Accumulated deficit	(47,677,456)	(46,961,620)
	-----	-----
Total stockholders' deficit	(32,599,523)	(31,883,687)
	-----	-----
Total liabilities and		
stockholders' deficit	\$ 15,450	\$ 16,588
	=====	=====

See notes to condensed financial statements.

3

AMERICAN BUSINESS CORPORATION
CONDENSED STATEMENTS OF OPERATIONS
[Unaudited]

	Three Months Ended March 31,	

	2006	2005 RESTATE
	-----	-----
Revenues	\$ --	\$ --
Operating Expenses:		
Administrative expenses	70,314	81,993
Depreciation and amortization	1,138	1,138
Interest expense	644,384	642,505
	-----	-----
Total operating expenses	715,836	725,636

Edgar Filing: AMERICAN BUSINESS CORP - Form 10QSB

Net loss	----- \$ (715,836) ----- =====	----- \$ (725,636) ----- =====
Net loss per common share - basic and fully-diluted	----- \$ (0.01) ----- =====	----- \$ (0.01) ----- =====
Wighted average number of common shares outstanding - basic and fully-diluted	----- 69,870,517 ----- =====	----- 69,870,517 ----- =====

See notes to condensed financial statements.

4

AMERICAN BUSINESS CORPORATION CONDENSED STATEMENT OF STOCKHOLDERS' DEFICIT

	Preferred Stock Series A - E		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholder Deficit
	Shares	Amount	Shares	Amount			
	-----	-----	-----	-----	-----	-----	-----
Balance, December 31, 2005	545,250	\$135,076	69,870,512	\$ 69,870	\$ 14,872,987	\$ (46,961,620)	\$ (31,883,68)
(unaudited)							
Net loss - three months ended March 31, 2006	-	-	-	-	-	(715,836)	(715,83)
Balance, March 31, 2006	545,250	\$135,076	69,870,512	\$ 69,870	\$ 14,872,987	\$ (47,677,456)	\$ (32,599,52)
	=====	=====	=====	=====	=====	=====	=====

See notes to condensed financial statements.

5

AMERICAN BUSINESS CORPORATION STATEMENTS OF CASH FLOWS [Unaudited]

Three Months Ended
March 31,

2005
2006 RESTATED

Edgar Filing: AMERICAN BUSINESS CORP - Form 10QSB

Cash flows from operating activities -		
Net loss	\$ (715,836)	\$ (725,636)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization expense	1,138	1,138
Changes in operating assets and liabilities		
Accrued expenses	(286,188)	35,000
Estimated liability for claims and litigation	286,188	--
Accrued interest	218,127	248,755
Accrued premium and penalties on Redeemable Preferred Stock	393,750	393,750
Net cash used in operating activities	(102,821)	(46,993)
Cash flows from financing activities		
Net proceeds from related parties	102,821	55,000
Net cash provided by financing activities	102,821	55,000
Net change in cash	--	8,007
Cash at beginning of period	649	6,845
Cash at end of period	\$ 649	\$ 14,852

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES

None.

See notes to condensed financial statements.

6

AMERICAN BUSINESS CORPORATION NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Basis of presentation

The interim financial statements included herein are presented in accordance with accounting principles generally accepted in the United States of America and have been prepared by the Registrant, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Registrant believes that the disclosures are adequate to make the information presented not misleading.

These statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for fair presentation of the information contained therein. The Registrant's operating results for the three months ended March 31, 2006, and 2005 are not necessarily indicative of the results that may be or were expected for the years ended December 31, 2006, and 2005. It is suggested that these interim financial statements be read in conjunction with the audited financial statements and notes thereto of

Edgar Filing: AMERICAN BUSINESS CORP - Form 10QSB

the Registrant included in its Form 10-KSB for the period ended December 31, 2005

Note 2 - Restatement

During 2005, the Company's management determined that previously reported financial position and results of operations were materially misstated as a result of an accounting error attributable to the failure, since March 2002, to accrue interest, penalties and redemption premium on the Company's defaulted notes payable and Series B, D and E Preferred Stock. Management has analyzed and corrected the Company's internal financial reporting system. The following is a summary of the affect of this restatement on the three months ended March 31, 2005:

Three Months Ended March 31, 2005	As Previously Reported	Net Effect of Restatement	As Restated
	-----	-----	-----
Interest expense	\$ 30,628	611,877	642,505
Net loss	(113,759)	(611,877)	(725,636)
Net loss per share:			
basic and fully diluted	(0.00)	(0.01)	(0.01)
	-----	-----	-----

Note 2 - Related Party Transactions

As previously reported, and by virtue of beneficial ownership of: (i) 11,689,729 shares of the Company's common stock, (ii) 900,000 common shares issuable upon conversion of

7

outstanding shares of Series A Convertible preferred stock, and (iii) 45,000,000 common share voting equivalents attributable to outstanding shares of Series C preferred stock, or 49.7% of the Registrant's total capitalization, the Registrant may be deemed to be controlled by Midwest Merger Management, LLC, a Kentucky limited liability company and its affiliates ("Midwest").

In addition to the foregoing interest, effective December 31, 2005, Midwest acquired the 6% Secured Convertible Note formerly owned by Brentwood Capital Corp. The amount including accrued interest due under the note at December 31, 2005 is \$2,199,669.80, which may be converted into common stock at the rate of \$0.01 per share. If Midwest converted that note into its common shares at December 31, 2005, Midwest's ownership of the Company would increase to 82.6%.

In connection with its ongoing support of the Registrant's efforts to reorganize, Midwest has advanced it an aggregate of \$4,314,492 to fund its activities through and including the end of this fiscal quarter. At March 31, 2006, the aggregate indebtedness to Midwest was as follows:

6% Secured Convertible Note	\$2,199,670
Working capital advances	2,114,822

	\$4,314,492
	=====

The Registrant intends to settle its aggregate obligations to Midwest in the course of its planned reorganization with a profitable privately owned business (see Note 6 and 7).

Edgar Filing: AMERICAN BUSINESS CORP - Form 10QSB

Note 3 - Per Share Results

The common share equivalents associated with the Registrant's issued and outstanding convertible notes and Preferred Stock were not included in computing per share results as their effects were anti-dilutive.

Note 4 - Income Taxes (Benefits)

At December 31, 2005, the Registrant had available approximately \$34,700,000 of net operating loss carry-forwards, which expire between December 31, 2008 and December 31, 2021, that may be used to reduce future taxable income.

Note 5 - Series B, D and E Preferred Stock

Pursuant to the provisions of their respective indentures, the Series B, D and E Preferred Stock are entitled to receive a redemption premium of 12% annually. The provisions of the Series B, D and E Preferred Stock also allow the holders to redeem their shares upon the occurrence of certain events including the Registrant's inability to issue free trading common stock to such holders because the shares have not been registered under the Securities Act. During such periods of non-compliance, the Series B, D and E Preferred indentures entitle their holders to specified penalties. As the effectiveness of a registration statement under the Securities Act is outside of Registrant's control, the Series B, D and E

8

Preferred Stock, together with accrued premium and penalties, have been classified on the Registrant's balance sheet at December 31, 2005 and March 31, 2006, as a liability.

Note 6 - Going Concern

The Registrant's condensed consolidated financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

As shown in the accompanying financial statements, the Registrant had negative working capital at March 31, 2006, of \$(32,614,324). In addition, the Registrant has incurred an accumulated deficit of \$(47,677,456) through March 31, 2006. The Registrant is dependent upon the efforts of Midwest to fund its continued survival. The Registrant's ability to continue to receive this level of support from Midwest is uncertain. The condensed consolidated financial statements do not include any adjustments that might be necessary if the Registrant is unable to continue as a going concern (see Note 7).

Note 7 - Subsequent Event

On August 29, 2006 the Company reported on Form 8-K that it had been served, on August 28, 2006, with notice that three of its creditors filed an Involuntary Petition for relief under Chapter 7 of the U.S. Bankruptcy Code in the United States Court for the Western District of Kentucky in Louisville, KY on August 23, 2006 (Case Number 06-32184). The Company has 20 days from the date of service to examine the veracity of the claims of the three petitioners, of which one is Midwest, and respond to the Petition before the Bankruptcy Court.

Edgar Filing: AMERICAN BUSINESS CORP - Form 10QSB

On September 18, 2006 we responded to the Petition acknowledging that we are indebted to the Petitioners. However, the Company has been paying its creditors as agreed or is seeking an agreeable basis for payment with the remaining creditors. To that extent, the Company has requested the Bankruptcy Court supervision sought by the Petitioners be pursuant to Chapter 11 instead of Chapter 7 of the Bankruptcy Code. We plan to vigorously defend our plans to combine with a profitable, privately owned business and have no reason to believe that Midwest's participation in the involuntary petition precludes its continued support of our efforts.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion contains forward-looking statements regarding the Registrant, its business, prospects and results of operations that are subject to certain risks and uncertainties posed by many factors and events that could cause the Registrant's actual business, prospects and results of operations to differ materially from those that may be anticipated by such forward-looking statements. Factors that may affect such forward-looking statements include, without limitation, the Registrant's ability to resolve the affairs of its creditors and other investors; or to locate and thereafter negotiate and consummate a business combination with a profitable privately owned company.

When used in this discussion, words such as "believes," "anticipates," "expects," "intends," and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. The Registrant undertakes no obligation to revise any forward-looking statements in order to reflect events or circumstances that may subsequently arise. Readers are urged to carefully review and consider the various disclosures made by us in

9

this report and other reports filed with the SEC that attempt to advise interested parties of the risks and factors that may affect the Registrant's business.

Three Months Ended March 31, 2006 and 2005:

Revenue - As a direct result of the Registrant's inability to continue its failing freight transportation services beyond November 2000, the Registrant had no revenues during the three months ended March 31, 2006 ("3M6") or the three months ended March 31, 2005 ("3M5"). The Registrant continues working through the restructure of its debt and the mitigation of outstanding claims and litigation.

Expenses and Income Taxes - Operating expenses for 3M6 were \$715,836 compared to \$725,636 (Restated) for 3M5. This level of expenses is consistent with the Registrant's strategy of redirecting its focus toward becoming a candidate to acquire or merge with a profitable, privately-held business operation. Accordingly, the Registrant's recurring administrative expenses include: (i) accrued interest on its defaulted notes and accrued premium and penalties on its Series B, D and E preferred stock, (ii) professional fees (legal and accounting) and management fees associated with the resolution of the Registrant's affairs with its former creditors and investors, maintenance of reporting requirements and good standing, (iii) ancillary expenses, and

Edgar Filing: AMERICAN BUSINESS CORP - Form 10QSB

(iv) minimum franchise taxes.

Net Loss - As a result of the foregoing, the Registrant experienced a net loss of \$(715,836) for 3M6 compared to a net loss of \$(725,636) for 3M5 (Restated). When related to the weighted average number of common shares outstanding during each period, per share results were a net loss of \$(0.01) for both periods.

Liquidity and Capital Resources

The Registrant does not have any capital resources. Consistent with the inability to continue its failed freight transportation services business beyond November 2000, and its subsequent disposition of its remaining interest in that operation in connection with funding the GE Credit Corp. settlement in September 2002, the Registrant's principal activity has been centered in resolving the claims of its former creditors so it may seek a new business combination. In this connection, Midwest has agreed to provide Registrant with reasonable legal, accounting and administrative resources to resolve its affairs and conduct its search for a business combination candidate.

Accordingly, the Registrant is entirely dependent upon: (i) Midwest providing the Registrant with certain advisory services in connection with the resolution of its affairs on favorable terms; (ii) the willingness of Midwest to provide the Registrant with certain office and administrative facilities and to fund virtually all of the Registrant's settlements with its creditors; and (iii) the Registrant's successful implementation of a business combination with a profitable operating company. There can be no assurances that Midwest will be successful in resolving all or substantially all of Registrant's affairs, that it will fund any further settlements, or that the combined efforts of Midwest and the Registrant will lead to a successful business combination.

10

Nonetheless, Midwest has advanced the Registrant \$4,314,492 at March 31, 2006, \$102,821 of which evidences its continued support during 3M6.

Item 3. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

The Registrant maintains controls and procedures designed to ensure that information required to be disclosed in the reports that the Registrant files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Based upon their evaluation of those controls and procedures performed as of the end of the period covered by this report, the Chief Executive and Chief Financial officers of the Registrant concluded that the Registrant's disclosure controls and procedures were effective as more further described in Rule 13a-15(c) of the Securities Exchange Act of 1934.

(b) Changes in Internal Controls

The Registrant made no significant changes in its internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation of those controls by the Chief Executive and Chief Financial officers.

Edgar Filing: AMERICAN BUSINESS CORP - Form 10QSB

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS

31.1 - Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 - Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

American Business Corporation

By: /s/ Anthony R. Russo

Chief Executive Officer, and Director

By: /s/ Anthony R. Russo

Chief Financial Officer

Dated: September 20, 2006

11

EXHIBIT 31.1

AMERICAN BUSINESS CORPORATION

CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Anthony R. Russo, the Registrant's Chief Executive and Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of American Business Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this quarterly report; and
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and have:

Edgar Filing: AMERICAN BUSINESS CORP - Form 10QSB

a) Designed and recently commenced the implementation of such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this quarterly report is being prepared; and

b) Evaluated the increasing effectiveness of the Registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation.

Dated: September 20, 2006

/s/ Anthony R. Russo

Chief Executive Officer
and Chief Financial Officer

12

EXHIBIT 32.1

AMERICAN BUSINESS CORPORATION

CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of American Business Corporation on Form 10-QSB for the quarterly period ended March 31, 2006, as filed with the Securities and Exchange Commission on September 20, 2006 (the "Report"), the undersigned, in the capacities and on the dates indicated below, hereby certifies pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2003, that:

(1) The Report fully complies with requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of American Business Corporation.

Date: September 20, 2006

/s/ Anthony R. Russo

Chief Executive Officer
and Chief Financial Officer

13

