

Edgar Filing: AMERICAN BUSINESS CORP - Form 10QSB

AMERICAN BUSINESS CORP  
Form 10QSB  
June 15, 2007

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, 2007
- 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

-----  
Check whether the Registrant (1) 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 12b-2 of the Exchange Act). Yes (X) No ( )

Check whether the Registrant filed all documents and reports required to be filed by Section 12, 13, or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes ( ) No (X)

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, 2007

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Transitional Small Business Disclosure Format (Check one): Yes [ ] No [X].

AMERICAN BUSINESS CORPORATION  
FORM 10-QSB - QUARTER ENDED MARCH 31, 2007  
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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The unaudited condensed balance sheet of the Registrant as of March 31, 2007, the audited balance sheet at December 31, 2006, and the unaudited condensed statements of operations, stockholders' deficit, and cash flows for the three month periods ended March 31, 2007 and 2006 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.

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AMERICAN BUSINESS CORPORATION  
 CONDENSED BALANCE SHEETS

107:  
 108:

|                      | March 31, 2007<br>[unaudited] | December 31,<br>2006 |
|----------------------|-------------------------------|----------------------|
|                      | -----                         | -----                |
| 112:                 |                               |                      |
|                      | Assets                        |                      |
| Current assets       |                               |                      |
| Cash                 | \$ 962                        | \$ 1,263             |
|                      | -----                         | -----                |
| Total current assets | 962                           | 1,263                |
| Equipment, net       | 4,554                         | 6,831                |
|                      | -----                         | -----                |
| Total assets         | \$ 5,516                      | \$ 8,094             |
|                      | =====                         | =====                |

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Liabilities and Stockholders' Deficit

|  |              |              |
|--|--------------|--------------|
| Current liabilities  |              |              |
| Accrued expenses   | \$ 139,376   | \$ 139,376   |
| Accrued interest   | 5,524,506    | 5,306,379    |
| Due to related parties   | 4,789,117    | 4,685,333    |
| Notes payable in default   | 6,311,460    | 6,311,460    |
| Redeemable Series B,D and E Preferred Stock, including accrued premium and penalties of \$11,647,802 and 11,254,052 in 2007 and 2006, respectively | 16,897,802   | 16,504,052   |
| Estimated liabilities for claims and litigation  | 1,874,845    | 1,874,845    |
| Total current liabilities  | 35,537,106   | 34,821,445   |
| Stockholders' deficit  |              |              |
| Preferred stock, no par value; 10,000,000 shares authorized, 545,250 shares of Series A through E issued and outstanding in 2007 and 2006          | 135,076      | 135,076      |
| Common stock, par value \$.001 per share; 500,000,000 shares authorized, 69,870,517 shares issued and outstanding in 2007 and 2006                 | 69,870       | 69,870       |
| Additional paid-in capital   | 14,872,987   | 14,872,987   |
| Accumulated deficit  | (50,609,523) | (49,891,284) |
| Total stockholders' deficit  | (35,531,590) | (34,813,351) |
| Total liabilities and stockholders' deficit  | \$ 5,516     | \$ 8,094     |

See notes to condensed financial statements.

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AMERICAN BUSINESS CORPORATION  
CONDENSED STATEMENTS OF OPERATIONS  
[Unaudited]

|                               | Three Months Ended<br>March 31, |         |
|-------------------------------|---------------------------------|---------|
|                               | 2007                            | 2006    |
| Revenues                      | \$ --                           | \$ --   |
| Operating Expenses:           |                                 |         |
| Administrative expenses       | 69,583                          | 70,314  |
| Depreciation and amortization | 2,277                           | 1,138   |
| Interest expense              | 646,379                         | 644,384 |
| Total operating expenses      | 718,239                         | 715,836 |

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|  |       |            |       |            |
|--|-------|------------|-------|------------|
| Net loss   | \$    | (718,239)  | \$    | (715,836)  |
|  | ===== |            | ===== |            |
| Net loss per common share -<br>basic and fully-diluted                               | \$    | (0.01)     | \$    | (0.01)     |
|  | ===== |            | ===== |            |
| Weighted average number of common<br>shares outstanding - basic and<br>fully-diluted |       | 69,870,517 |       | 69,870,517 |
|  | ===== |            | ===== |            |

See notes to condensed financial statements.

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AMERICAN BUSINESS CORPORATION  
CONDENSED STATEMENT OF STOCKHOLDERS' DEFICIT

|  | Preferred Stock<br>Series A - E |           | Common Stock |           | Additional<br>Paid-in<br>Capital | Accumulated<br>Deficit | Total<br>Stockholder<br>Deficit |
|--|---------------------------------|-----------|--------------|-----------|----------------------------------|------------------------|---------------------------------|
|  | Shares                          | Amount    | Shares       | Amount    |                                  |                        |                                 |
|  | -----                           | -----     | -----        | -----     | -----                            | -----                  | -----                           |
| Balance,<br>December<br>31, 2006                   | 545,250                         | \$135,076 | 69,870,517   | \$ 69,870 | \$14,872,987                     | \$(49,891,284)         | \$(34,813,351)                  |
| (unaudited)  |                                 |           |              |           |                                  |                        |                                 |
| Net loss - three<br>months ended<br>March 31, 2007 | -                               | -         | -            | -         | -                                | (718,239)              | (718,239)                       |
|  | -----                           | -----     | -----        | -----     | -----                            | -----                  | -----                           |
| Balance,<br>March 31, 2007                         | 545,250                         | \$135,076 | 69,870,517   | \$ 69,870 | \$14,872,987                     | \$(50,609,523)         | \$(35,531,590)                  |
|  | =====                           | =====     | =====        | =====     | =====                            | =====                  | =====                           |

See notes to condensed financial statements.

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AMERICAN BUSINESS CORPORATION  
CONDENSED STATEMENTS OF CASH FLOWS  
[Unaudited]

|  |                                 |      |
|--|---------------------------------|------|
|  | Three Months Ended<br>March 31, |      |
|  | -----                           |      |
|  | 2007                            | 2006 |

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|  |              |              |
|--|--------------|--------------|
|  | -----        | -----        |
| Cash flows from operating activities -     |              |              |
| Net loss                                   | \$ (718,239) | \$ (715,836) |
| Adjustments to reconcile net loss to       |              |              |
| net cash used by operating activities      |              |              |
| Depreciation and amortization expense      | 2,277        | 1,138        |
| Increase (decrease) in accrued expenses    | -            | (286,188)    |
| Increase (decrease) in estimated liability |              |              |
| for claims and litigation                  | -            | 286,188      |
| Increase in accrued interest               | 218,127      | 218,127      |
| Increase in accrued penalties and premium  |              |              |
| on redeemable Preferred Stock              | 393,750      | 393,750      |
|  | -----        | -----        |
| Net cash used by operating activities      | (104,085)    | (102,821)    |
|  | -----        | -----        |
| Cash flows from financing activities       |              |              |
| Net proceeds from related parties          | 103,784      | 102,821      |
|  | -----        | -----        |
| Net cash provided by financing activities  | 103,784      | 102,821      |
|  | -----        | -----        |
| Net change in cash                         | (301)        | -            |
| Cash at beginning of period                | 1,263        | 649          |
|  | -----        | -----        |
| Cash at end of period                      | \$ 962       | \$ 649       |
|  | =====        | =====        |

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES

None.

See notes to condensed financial statements.

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AMERICAN BUSINESS CORPORATION  
NOTES TO CONDENSED 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, 2007, and 2006 are not necessarily indicative of the results that may be expected for the years ended December 31, 2007, and 2006. It is suggested that these interim financial statements be read in conjunction with the audited financial

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statements and notes thereto of the Registrant included in its Form 10-KSB for the period ended December 31, 2006.

### Note 2 - Estimates

In preparing the enclosed condensed financial statements in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Article 10 of Regulation S-X, management must make estimates and assumptions. These estimates and assumptions affect the amounts reported for assets, liabilities, revenues and expenses, as well as affecting the disclosures provided. Future results could differ from the current estimates.

### Note 3 - 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 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 March 31, 2007 is \$2,334,649, which may be converted into common stock at the rate of \$0.01 per share. If Midwest converted that note into its common share equivalent at March 31, 2007, Midwest's ownership of the Company would increase to 83.3%.

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In connection with its ongoing support of the Registrant's efforts to reorganize, Midwest has advanced an aggregate of \$4,789,117 to fund its activities through and including the end of this fiscal quarter. At March 31, 2007, the indebtedness to Midwest was as follows:

|                             |             |
|-----------------------------|-------------|
| 6% Secured Convertible Note | \$2,334,649 |
| Working capital advances    | 2,454,468   |
|                             | -----       |
|                             | \$4,789,117 |
|                             | =====       |

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 7 and 8).

### Note 4 - 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 5 - Income Taxes (Benefits)

At December 31, 2006, the Registrant had available approximately \$37,600,000 of net operating loss carry-forwards, which expire between December 31, 2008 and December 31, 2022, that may be used to reduce future taxable income. Federal income tax regulations require the Company's continued compliance with change in control and other guidelines which, if not met, may

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significantly reduce the Company's ability to utilize its loss carry-forward.

### Note 6 - 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 Stock 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 Preferred Stock, together with accrued premium and penalties, have been classified on the Registrant's balance sheet at March 31, 2007 and December 31, 2006, as a liability.

### Note 7 - Going Concern

The Registrant's condensed 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.

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As shown in the accompanying financial statements, the Registrant had negative working capital at March 31, 2007, of \$(35,536,144). In addition, the Registrant has incurred an accumulated deficit of \$(50,609,523) through March 31, 2007. 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 financial statements do not include any adjustments that might be necessary if the Registrant is unable to continue as a going concern (see Note 6 and 8).

### Note 8 - Bankruptcy Proceedings

On August 28, 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.

On September 18, 2006, we responded to the Petition acknowledging that we were indebted to the Petitioners. However, the Company has been paying its creditors as agreed or is seeking an agreeable basis for payment with remaining creditors. To that extent, the Company has requested the Bankruptcy Court supervision sought by Petitioners be pursuant to Chapter 11 instead of Chapter 7 of the Bankruptcy Code. On October 30, 2006, the Bankruptcy Court approved our request.

We have developed a plan of reorganization that will be offered to our creditors during the three months ended June 30, 2007, which supports our mission to identify and combine with a profitable, privately owned business. The Company continues to have no reason to believe that Midwest's participation in the involuntary petition precludes its continued support of our efforts.

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### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

#### Plan of Operation

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 of 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 while it conducts its search for a business combination candidate.

In connection with resolving its affairs, the Company has quantified its remaining liability for claims and litigation arising from its failed transportation business to approximate \$1,874,845 at March 31, 2007. The adequacy of this liability is reviewed quarterly by management. As a result of the Company's pending bankruptcy proceedings, any remaining claims will be dealt with in an orderly fashion under court supervision (see Note 8).

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#### Off-Balance Sheet Arrangements

During the three months ended March 31, 2007, we had no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

#### Forward Looking Statements

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 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.

Discussion and Analysis of the Three Months Ended March 31, 2007 and 2006:

Revenue - As a direct result of the Registrant's inability to continue its



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failing freight transportation services beyond November 2000, the Registrant had no revenues during either the three months ended March 31, 2007 ("3M7") or the three months ended March 31, 2006 ("3M6"). The Registrant continues working through the resolution of its outstanding indebtedness, claims and litigation.

Expenses and Income Taxes - Operating expenses for 3M7 were \$718,239 compared to \$715,836 for 3M6. 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

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relating to its Series B, D and E preferred stock, (ii) professional fees (legal and accounting) and management fees associated with resolution of the Registrant's affairs with its former creditors and investors, maintenance of reporting requirements and good standing, (iii) ancillary expenses, and (iv) minimum franchise taxes.

Net Loss - As a result of the foregoing, the Registrant experienced a net loss of \$(718,239) for 3M7 compared to a net loss of \$(715,836) for 3M6. 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 is entirely dependent upon: (i) Midwest providing it with certain advisory services in connection with resolution of its affairs; (ii) Midwest's willingness to provide the Registrant with certain office and administrative facilities and to fund virtually all its settlements with 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 Midwest will fund any further settlements, or that the combined efforts of Midwest and the Registrant will lead to a successful business combination.

Nonetheless, Midwest has advanced the Registrant \$4,789,117 through March 31, 2007, of which \$103,784 (inclusive of \$34,502 accrued interest during 3M7) evidences its continued support during the current period.

### Item 3. Controls and Procedures

#### (a) Evaluation of Disclosure Controls and Procedures

-----  
The Company's Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) or 15d-15(e)) as of March 31, 2007, as required by paragraph (b) of Exchange Act Rules 13a-15 or 15d-15. Based upon this evaluation, the CEO and CFO has concluded that as of March 31, 2007, the Company's disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms and that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to its management, including its principal financial officers, or persons

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performing similar functions, as appropriate to allow timely decisions regarding required disclosures.

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(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 officer.

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  
Chief Financial Officer

Dated: June 15, 2007

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EXHIBIT 31.1

AMERICAN BUSINESS CORPORATION

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

I, Anthony R. Russo certify that:

1. I have reviewed this quarterly report on Form 10-QSB of American Business Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

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3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed 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 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; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: June 15, 2007

/s/ Anthony R. Russo  
-----  
Chief Executive Officer  
and Chief Financial Officer

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EXHIBIT 32.1

AMERICAN BUSINESS CORPORATION

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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, 2007, as filed with the Securities and Exchange Commission on June 15, 2007 (the "Report"), the undersigned, in the capacities and on the date indicated below, hereby certifies pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with 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: June 15, 2007

/s/ Anthony R. Russo

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Chief Executive Officer  
and Chief Financial Officer