AMERICAN ASSET MANAGEMENT CORP
Form 10KSB
April 15, 2005

United States
Securities and Exchange Commission
Washington, D.C. 20549
FORM 10-KSB

(X) ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2004
-OR-
( ) TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ____________ to _____________

Commission File Number: 0-19154

AMERICAN ASSET MANAGEMENT CORPORATION
(Name of small business issuer in its charter)

NEW JERSEY	22-2902677
(State or other jurisdiction of) incorporation or organization)	(IRS Employer Identification No.)

1280 ROUTE 46 WEST, PARSIPPANY, NEW JERSEY	07054
(Address of principal executive offices)	(Zip Code)

Issuer's telephone number, including area code: (973) 299-8713

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act:
NO PAR VALUE COMMON STOCK
(Title of Class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such report(s), and (2) has been subject to such filing requirements for the past 90 days. Yes __ No _X_

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will 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-KSB or any amendment to this Form 10-KSB. (X)

For the year ended December 31, 2004, the issuer's revenues were $359,196. As of March 31, 2005 the aggregate market value of the issuer's common stock held by non-affiliates computed by reference to the average bid and asked prices of such stock, was $105,478.

As of March 24, 2005 the issuer has 1,316,989 shares of its no par value Common Stock issued and 1,316,989 shares outstanding.

Documents incorporated by reference: None

Transitional Small Business Disclosure Format: Yes ___ No _X_

10KSB REPORT

PART I

ITEM 1. DESCRIPTION OF BUSINESS

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: Certain statements and discussions contained in this report are not based on historical facts and contain forward looking statements that involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Such factors include, but are not limited to, those relating to competition, the ability of the Company to successfully market new mortgage products and services, the economic conditions in the markets served by the Company, the possibility of increased interest rates which would adversely affect the real estate market, the ability to hire and retain key personnel, and other risks detailed in this report and in the Company's other filings with the Securities and Exchange Commission. The words believe, expect, intend, anticipate and plan and similar expressions identify forward looking statements, readers are cautioned not to place undue reliance on these forward looking statements, which speak only as of the date the statement was made.

GENERAL

American Asset Management Corporation (the Company), conducts its business through its wholly-owned subsidiary, Capital Financial Corp. (Capital), a licensed mortgage banking company in New Jersey. Unless otherwise indicated, all references to the Company in this report includes the Company and its subsidiaries.

The Company was incorporated in the State of New Jersey on July 1, 1988.

CERTAIN BUSINESS DEVELOPMENTS DURING 2002, 2003 AND 2004

Between December 2001 and December 2002, the Company sold an aggregate of $235,000 of its 10% Cumulative Convertible Participating Preferred Stock to one of its directors and two non-affiliated accredited investors.

During 2004, the Company secured financing in the form of notes payable from related parties in the amount of $320,000.

BUSINESS - CAPITAL FINANCIAL CORP.

The Company, through Capital, is primarily engaged in mortgage banking activities which involves the origination and sale of residential first mortgage loans collateralized by one to four family homes. The Company's service area is the State of New Jersey and to date, its revenues have primarily consisted of loan origination fees and interest received on mortgage loans. Capital acts either as a "banker" or as a "banker acting as a broker". When acting as a banker, Capital closes loans in its own name. When acting as a broker, Capital does not make mortgage loans or close loans in its own name, but receives compensation at closing from the borrower for assisting in obtaining a mortgage from a third party investor (purchaser of the mortgage) and/or from the investor for referring the loan to such investor.

Capital originates mortgage loans through direct solicitation of borrowers by its own sales force, through media advertising in its service area and through referrals from mortgage bankers, credit unions, real estate brokers, accountants and attorneys. Borrowers submit loan applications which are processed by the Company's loan processors who conduct credit checks, arrange for the property to be appraised and submit fully processed loan application packages to potential investors for final approval and commitment. After an investor commits to purchase the loan from Capital, the Company either uses its own funds, its warehouse line of credit as discussed below, to fund and close the loan or has the loan funded by the investor. The loan documentation is then prepared and the loan is closed in Capital's name at which time, if the loan has been funded by the investor the loan is simultaneously assigned to the investor. When Capital closes a loan using its own funds, or its warehouse line of credit, the loan is delivered to the investor after the loan is closed.

The Company generally sells its loans on a loan-by-loan basis to mortgage investors, which are usually savings banks. The Company estimates that approximately 90% of its loan applications typically close within 60 days from the date of application. During 2003, the Company sold loans to 6 different investors two of which accounted for 94% of total revenues. During 2004, the Company sold loans to 8 different investors, three of which accounted for 60% of total volume. The Company believes that there are numerous other investors to which the Company could readily sell its loans if, for any reason, it was unable to sell its loans to the above investors. As of March 24, 2005, the Company had agreements with approximately 12 investors, to which the Company may sell its loans or refer applications to.

As of December 31, 2004, the Company had a $7,000,000 warehouse line of credit from a mortgage warehouse lender which provided the Company with a facility to borrow funds secured by originated residential mortgage loans which were temporarily warehoused and then sold. The warehouse line of credit, which expired on March 31, 2005, was secured by the personal guarantee of the Company's President. On March 31, 2005 the Company renewed its agreement until June 30, 2005. However, the lender lowered the amount to $4,000,000 at the request of the Company. The Company believes that the amount of this new credit line will be sufficient to meet the Companys mortgage warehouse needs at present.

The Company will borrow under its warehouse line of credit only against takeout commitments issued by qualified investors who have pre-approved the loans and committed to purchase the closed loan from the Company. By using the warehouse funds instead of "table funding", (funding provided by the investor who purchases the loan from the Company), the Company has generally been able to receive more favorable pricing from its investors which the Company believes has made it more competitive in the market place. The warehouse line has also allowed the Company to sell loans to investors which do not table fund and only purchase closed loans from its correspondents, i.e. Capital.

The interest rate currently being charged to the Company on borrowed warehouse funds outstanding is variable between 3/4% and 1 1/2% over the prime lending rate as quoted by the Wall Street Journal. As of March 31, 2005, the Company had outstanding borrowings of $198,000 under the line of credit.

On August 9, 2000 the Company was notified by U.S. Department of Housing and Urban Development ("HUD") that its approval with the agency as a non-supervised lender was upgraded to what is commonly referred to as Full Eagle status. This approval allows the Company to act in the capacity of a mortgage banker rather than a mortgage broker to underwrite and close loans in its own name and HUD will insure these loans without prior approval from the Company's sponsoring investors, as previously

required. This approval also allows the Company to expand its wholesale product line to include third party origination of FHA loans through this new delegated underwriting privilege. Additionally, this approval allows the Company to be potentially more competitive in the market place with these types of loans. The Company did not file the financial statements of Capital with HUD by the required due date of March 31, 2005. HUD allows for a 30 day extension of time after an approved lender first receives written notice of a filing delinquency to come into compliance when an annual report is not filed on time. The Company expects to fill its annual report with HUD before April 22, 2005.

During 2004 the Company experienced a decrease in mortgage refinancings. However, as a result of actions taken by Capital since 1994 to implement other methods of securing purchase loan originations, including those discussed below, the Company, to a certain extent, has lessened its prior dependence on mortgage refinancings. Nevertheless, the Company believes that a significant increase in mortgage rates would adversely affect its ability to close both the number of home purchase loans and refinance loans, which would have an adverse effect on the Companys financial position.

Since 2000 the Company had primarily focused its efforts in the wholesale area of mortgage origination and since January 2002 to complement its wholesale business, utilizes its own retail sales force of loan originators. The Company decided during the fourth quarter of 2003 to increase its own retail sales force as part of the Companys efforts to increase its flow of business.

In October 2003, the Company was notified by its primary institutional mortgage banker which it sold loans to that the institution would no longer purchase loans on properties in New Jersey as a direct result of a new New Jersey State law which went into effect on November 27, 2003. The law, called The New Jersey Home Ownership Security Act of 2002 covers most of the residential loans originated in the state and deals primarily with lender fees and lender liability including secondary market lenders. The Company, as well as other mortgage banking companies who do business in New Jersey, had been notified during October and November of 2003 by numerous institutional purchasers of mortgage loans originated in New Jersey, that the language contained in the new law was unacceptable to them in its original form.

The law was amended by the NJ State Legislature during the September 2004 to clarify certain provisions of the law that primarily pertain to subsequent lender liability. The language of the amended law became satisfactory to the Companys primary fixed rate mortgage investor and on September 13, 2004 the Company was notified by the investor that it would resume the purchase of New Jersey closed loans originated by the Company. Accordingly, during November 2004 the investor resumed the purchase of New Jersey mortgage loans from the Company.

During the first quarter of 2004, the Company instituted strict pricing guidelines and commission structures to its retail sales force that should alleviate some of the major retail profitability risks the Company experienced in the past, although there is no assurance the Company will be successful with its retail sales force. As of March 31, 2005 the Company has 6 experienced mortgage loan officers and is aggressively recruiting additional experienced sales personnel. It believes that by having a larger amount of experienced sales people it has a better chance of originating a sufficient amount of mortgage loans necessary to become profitable. There can be no assurance that the Company will be successful in recruiting additional sales personnel or that its production goals will be met to become profitable.

In addition to having a steady flow of loans from its own retail source, the Company has a goal of selling pools of mortgages, also referred to as bulk sales, to institutional and other investors rather than one mortgage loan at a time sales as it presently conducts its business. The Company believes it can negotiate greater revenues per mortgage sold by this pooling method. The Company believes there are numerous entities that it may make bulk sales to. Further, the Company believes, though there can be no assurance, that through pooling it can increase its retail sales force, wholesale customers and overall business volume, as a result of being able to offer more competitive rates and higher compensation to its origination sources while still increasing its net revenues per loan on a percentage basis.

There can be no assurance the Company will be successful in its relationships with wholesale correspondents and retail loan originators as it faces intense competition from the other lenders it competes with for this business, many of which have greater resources and experience than the Company.

During the fourth quarter of 2003 the Company contracted to purchase borrower inquiry leads from a national internet source that provides potential borrowers with 4 mortgage rate quotes from lenders who compete with each other for the borrowers mortgage. The Company also began accepting credit cards from borrowers for payment of application and commitment fees in the first quarter of 2004.

In March 2004, the Company modified its website to include sub-prime credit loans on a brokered basis to borrowers with impaired credit and has increased its Internet exposure to potential borrowers by linking its website to a sub-prime lender showcase of a national provider of consumer loan statistics. The Company continues to be encouraged with this source of loan originations and the results of its Internet marketing.

During the fiscal year ending December 31, 2004, the Company continued marketing its services to the public through the Internet using its website home page linked to a major website belonging to a national provider of mortgage loans and other financial statistics. The national provider's website provides the public with the Company's lending programs and interest rates on a daily basis, in addition to the rates of other lenders that the Company competes with. As a result of its marketing through the Internet, the Company has received numerous inquiries which have resulted in mortgage loan applications and closings from persons seeking mortgage financing.

To date, the number of domestic mortgages originated over the Internet, relative to the total mortgage origination market, while small, is still growing. Industry wide in 2002, only a small percentage of total mortgage originations were generated via the Internet and in 2003 and 2004, the Company saw an increase in Internet generated business as compared with earlier years. However, according to certain mortgage banking industry sources, by end of the year 2005 the Internet could comprise 25% to 30% of total mortgage originations. The Company's marketing strategy is to supplement its current retail personal relationship based origination business with marketing conducted over the Internet. There can be no assurance that the Company will be successful in the future in using the Internet as a source of mortgage loan applications.

SEASONALITY

The mortgage banking industry and the sale of new homes and building lots is generally subject to seasonal trends which reflect the pattern of new home construction and resales of existing homes. These sales typically peak during the spring and summer seasons and decline to lower levels in the late fall and winter seasons.

COMPETITION

The market for mortgage based financing is highly competitive. The Company competes with numerous entities, primarily savings institutions, commercial banks, insurance companies and other mortgage bankers, many of which have more experience in mortgage based loans and have substantially greater financial and other resources than the Company. Competitive factors include the ability to offer competitive interest rates, various types of loan programs and services provided.

GOVERNMENT REGULATION AND ENVIRONMENTAL LAWS

The Company's mortgage origination activities are subject to a variety of Federal regulations, including but not limited to, the Equal Credit Opportunity Act, Federal Truth-In-Lending Act and the Real Estate Settlement Procedures Act and the regulations promulgated thereunder which prohibit discrimination and require the disclosure of certain basic information to applicants concerning credit terms and settlement costs. Additionally, pursuant to the regulations adopted by the State of New Jersey, the state has the right to conduct financial and regulatory audits of loans under its jurisdiction and to determine compliance with state disclosure requirements and usury laws. If the Company decides to expand its operations into other states, it is anticipated that it will have to obtain the necessary permits and/or licenses before it can commence operations in such states. There can be no assurance that the Company will be able to obtain such permits and/or licenses in any additional state which the Company may plan to operate.

EMPLOYEES

As of March 31, 2005, the Company had 9 employees, of whom 1 was employed as executives or in administrative positions, 1 was employed in the closing of mortgage loans and other clerical positions, 1 was an underwriter of mortgage loans, and 6 were commission sales personnel. None of the Company's employees are covered by collective bargaining agreements and the Company believes that its relations with its employees are satisfactory.

ITEM 2. DESCRIPTION OF PROPERTY

The Company's executive offices consist of 2,250 square feet of offices in a building located in Parsippany, New Jersey and the offices are occupied pursuant to a 36 month lease which commenced on January 1, 2003 at a rental of $3,660 per month. The lease also provides the Company with a 2 year term renewal option at a monthly rental of $3,880 per month.

ITEM 3. LEGAL PROCEEDINGS

On March 25, 1999, a derivative action on behalf of two New Jersey Limited liability companies (the "LLC's") was commenced against certain defendants, including the Company, its President, the Company's wholly-owned subsidiaries (collectively, the "Company Defendants"), and one of the Company's former directors, Theodore P. Rica, Jr. ("Rica") in the Chancery Division of the Superior Court of New Jersey, Union County. The plaintiffs allege that Rica and certain defendants other than the Company Defendants ("non-Company defendants"), misappropriated assets and opportunities of the LLC's for their own use, engaged in self-dealing with respect to the LLC's, breached the operating agreements of the LLC's, and converted and embezzled assets and funds of the LLC's.

The Company Defendants are alleged to have aided and abetted Rica in converting the assets of the LLC's by accepting loans and payments from the LLC's and Rica and repaying the loans to Rica in the form of cash and Company stock.

The plaintiffs seek declaratory and injunctive relief against the Company Defendants; an accounting of (i) all shares of Company stock purchased by Rica and certain non-Company defendants and (ii) all payments to or from the Company and Rica and certain non-Company defendants; imposition of a lien or equitable trust in favor of the LLC's on shares of Company stock issued in the names of Rica and certain non-Company defendants; and certain unspecified compensatory and punitive damages, attorneys' fees and costs.

In April 1999, the Court granted a preliminary injunction, which, among other things, enjoins the Company Defendants from allowing the transfer of any Company stock held in the name of Rica and certain other non-Company defendants and directs the Company Defendants to provide an accounting of all such stock. The Company, while denying any wrongdoing, did not oppose plaintiffs' application, as it did not adversely impact the Company.

The case is scheduled for a June 2005 trial. The plaintiffs demanded a payment of $588,000 from the Company and related defendants and have currently reduced their demand to $300,000. There is no settlement offer currently pending from the Company. The Company denies any wrongdoing and believes that the claims against the Company are without merit and that it has meritorious defenses and intends to defend the action vigorously. However, at this time, the Company cannot predict their ultimate liability, if any that might result from this action.

On May 18, 1999, Rica submitted to the Company his resignation from the Company's Board of Directors.

ITEM 4. SUBMISSION OF MATTER TO A VOTE OF SECURITY HOLDERS

The Company did not submit any matters to a vote of its security holders during the fourth quarter of the year ended December 31, 2004.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock is traded in the over-the-counter market and since December 8, 1994, has been quoted on the OTC Bulletin Board of the NASD under the symbol "AAMC".

The following table sets forth, for the periods indicated, the range of the high and low bid prices for the Company's Common Stock as reported by the OTC Bulletin Board. OTC Bulletin Board prices reflect inter-dealer quotations, which do not reflect mark-ups, mark-downs or commissions and may not represent actual transactions.

2004 PRICES FOR THE QUARTER ENDED

	March 31		June 30		Sept. 30		Dec. 31	
	High	Low	High	Low	High	Low	High	Low
Common Stock	0.55	0.40	0.40	0.40	0.74	0.22	0.30	0.22

2003 PRICES FOR THE QUARTER ENDED

	March 31		June 30		Sept. 30		Dec. 31	
	High	Low	High	Low	High	Low	High	Low
Common Stock	0.45	0.40	0.55	0.40	0.40	0.40	0.40	0.40

HOLDERS

The number of record holders of the Company's Common Stock was approximately 125 as of March 22, 2005. The Company believes that, in addition, there are in excess of 300 beneficial owners of its Common Stock whose shares are held in street name.

DIVIDENDS

To date, the Company has not paid any cash dividends on its Common Stock. The payment of dividends, if any, in the future is within the discretion of The Board of Directors and will depend upon the Companys earnings and will also be subject to the rights of any holders of stock, such as the Companys Cumulative Convertible Participating Preferred Stock, and any other preferred stock that may be issued that have preference of payment of dividends over holders of Common Stock. The Companys Board does not intend to declare any dividends on the Common Stock in the foreseeable future, but instead intends to retain all earnings, if any, for use in the Company's business operations.

See Item 11 for a certain information concerning the Companys equity compensation plans as of December 31, 2004.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

CRITICAL ACCOUNTING POLICIES

Estimates and assumptions are required in the determination of mortgage loans held for sale. Some of these judgments can be subjective and complex, and, consequently, actual results may differ from these estimates. For any individual estimates or assumptions made by the Company, there may be other reasonable estimates or assumptions. The Company believes, however, that given facts and circumstances, it is unlikely that applying any such other reasonable judgment would cause a material adverse effect on the Companys consolidated results of operations, financial position or cash flows for the periods represented in this section. The Companys most critical accounting policy is described below.

MORTGAGE LOANS HELD FOR SALE - Mortgage loans held for sale represent mortgage loans originated and held pending sale to interim and permanent investors. The mortgages are carried at the lower of cost or market. The Company generally sells whole loans without servicing rights retained. Gains or losses on such sales are recognized at the time legal title transfers to the investor based upon the difference between the sales proceeds from the final investor and the basis of the loan sold, adjusted for net deferred loan fees and certain direct costs and selling costs. The Company defers net loan origination fees as components of mortgage loans held for sale on the balance sheet. Such costs are not amortized and are recognized into income as a component of the gain or loss upon sale.

YEAR ENDED DECEMBER 31, 2004 COMPARED TO THE YEAR ENDED DECEMBER 31, 2003

Total revenues for the year ended December 31, 2004 were $359,196 compared to $1,144,228 for the year ended December 31, 2003, a decrease of $785,032 or approximately 68.6%. The decrease is attributable to a high turnover of retail sales personnel, increased interest rates and a change in New Jersey law that adversely affected the Companys ability to sell loans during most of 2004 which resulted in a significantly lower amount of closed loans during 2004, and absence of land sales during 2004 as compared to $175,000 in land sales during the year ended December 31, 2003. Capital, the Companys wholly owned mortgage banking subsidiary, had a decrease of $659,735 or approximately 90.2% in net gains from sales of mortgages. This was off set in part by origination fees of $249,131 that were derived from broker revenue. In addition there was a decrease in mortgage interest income from Capital of $199,428 or approximately 83.8% from $237,899 during 2003 to $38,471 during the year ended December 31, 2004. The reason interest income declined was a result of a greater amount of loans being brokered than closed using the Company mortgage warehouse where the Company received interest on the mortgage while it is awaiting sale to an investor. The decrease in mortgage related originations was the result of a decrease in amount of $41,748,501, or approximately 61.9%, to $25,687,146 in total loan closings for the year ended December 31, 2004 from $67,435,647 in closings for 2003 and a decrease in the number of closings by 212 to 109 or an approximately 66.1% decrease for 2004 from 321 mortgage closings during 2003. The Company experienced these declines in its business due to its primary fixed rate investor ceasing the purchase of all loans in New Jersey until late in the fourth quarter of 2004 due to the effects of a New Jersey law described below and the high turnover of the Companys retail sales force throughout the year and increased interest rates which adversely affected mortgage refinancing. The decrease in mortgage interest income was a direct result of a lesser amount of mortgage loans held for sale to institutions and other investors, and to a lesser extent the Company holding a smaller number of second mortgages in its warehouse facility which carry higher interest rates and generate greater rates of interest to the Company than first mortgages.

For the year ended December 31, 2004, Capital closed 109 residential mortgage loans in the principal amount of approximately $25,687,146 compared to 321 loans in the principal amount of approximately $67,435,647 in the prior year, a decrease in number of 212 or approximately 66.1% and a decrease in amount of $41,748,501 or approximately 61.9%. At December 31, 2004, the Company had approximately 10 mortgage loan applications in process in the amount of approximately $2,562,250 compared to approximately 20 mortgage loan applications in process in the approximate amount of $4,938,959 at December 31, 2003, a decrease in number of 10 or approximately 50.0% and a decrease in dollar amount of approximately $2,376,709 or 48.2%.

The decrease in amount of loans was due to the Companys primary investor of fixed rate loans suspending all business activity in New Jersey during the fourth quarter of 2003 and not resuming the purchase of mortgage loans in New Jersey until late in the fourth quarter of 2004, as a direct result of a new, New Jersey law which took effect in November 2003 and was not amended until late November 2004. Of the 10 loans in process as of December 31, 2004, 8 loans in the approximate amount of $2,042,250, or 79.7% were brokered retail originations and 2 loans in the approximate amount of $520,000 or 20.3% were originated by the Company's retail sales personnel and are to be closed using the Companys warehouse credit line. As of March 24, 2005, the Company has 13 mortgage loan applications in process in the approximate amount of $3,760,000. Of the 13 loans in process as of March 31, 2005, all 13 were originated by the Companys retail sales personnel or from the Companys executive staff.

Total operating expenses for the year ended December 31, 2004 were $782,654, a decrease of $436,797 or 35.8% from the $1,219,451 incurred in the prior year. The $436,797 decrease in operating expenses was the result of an absence of land development costs for the year ended December 31, 2004 compared to $186,765 in land development costs in the prior year, a decrease in interest expense of $218,337 or approximately 82.3% to $46,911 from $265,248 in the prior year due to interest charged on a lesser amount of closed loans and borrowed funds, a decrease of $77,212 or approximately 20.0% in employee compensation and commissions to $308,634 from $385,846 in the prior year, and a decrease in other expenses of $30,432 or 8.01% to $344,609 from $375,041 in the prior year, and an $82,500 net loss on derivative instruments compared to a net loss of $6,551 in the prior year. Other expenses are primarily attributable to legal and accounting fees, associated warehouse and loan processing fees, and rent. Expressed as a percentage of revenues, operating expenses increased to approximately 217.9% in 2004 from 106.6% in 2003, reflecting an increase in expenses and a decrease in revenues discussed above.

Due to the foregoing, the Company incurred a net loss of $423,458 for 2004 compared to a net loss of $75,223 for 2003 and, after payment and accrual of preferred stock dividends of $23,500 in 2004 and $23,500 in 2003, a loss attributable to common stockholders of $446,958, or a

$0.34 loss per basic and diluted share, for the year ended December 31, 2004 compared to a loss of $98,723, or $.08 per basic and diluted share for the year ended December 31, 2003.

The Company had a deferred tax asset at December 31, 2004, arising from federal and state net operating loss ("NOL") carryforwards of approximately $4,088,000 and $3,205,000 respectively. The NOL carryforwards expire between 2005 and 2022. A valuation allowance has been recorded in the amount of $1,582,247 at December 31, 2004, due to the uncertainty of future utilization of the Company's NOL carryforwards.

No provision for income taxes was made in 2004 and 2003 due to net operating losses.

LIQUIDITY AND CAPITAL RESOURCES

From 2002 through 2004 the Company continued to take actions that it believes are necessary to improve future operating results. Such actions included, but were not limited to, moving its offices to Parsippany, New

Jersey during April 2002 and expanding its space within the same building in January 2003 which has enabled the Company to reduce the cost of rent as compared to the expired lease costs in its former office lease that expired in 2002, added additional outside sources of mortgage loans from wholesale accounts such as other mortgage bankers and brokers. During December 2002, the Company's warehouse line was increased from $6,000,000 to $8,000,000 and during January 2003, the warehouse credit line was increased to $9,000,000, and again during April 2003 increased to $10,000,000 as the Company's mortgage closings had increased to require a greater credit line available to fund its monthly mortgage closing obligations. As of March 31, 2004, the Company allowed the $10,000,000 warehouse credit line to expire. On March 11, 2004 the Company was approved and commenced utilizing a new $7,000,000 warehouse credit line with a different commercial lending institution. The terms of this new credit line provide the Company with lower interest rate and fees charged than with the previous credit line. The Company has renewed this credit line effective April 1, 2005 and it expires June 30, 2005. The Company has requested that the line be reduced to $4,000,000 as the present $7,000,000 line has been under utilized and the Company wishes to avoid paying the non-use fees. The Company believes that it could increase the line to $7,000,000 again should its business warrant an increase.

The Companys capital resources during the year ended December 31, 2004, have primarily been derived from revenues generated by its mortgage banking operations. The Company's cash position decreased in 2004 primarily as a result of a loss from operations of $423,458. The loss from operations was partially offset by an increase of $93,682 in accounts payable and accrued expenses and a $309,495 increase in notes payable.

On December 31, 2004, the Company had a working capital deficiency of $262,627 compared to positive working capital of $179,718 on December 31, 2003.

As of December 31, 2004, the Company had cash and cash equivalents of $308,387 compared to $345,947 at December 31, 2003, a decrease of $37,560 or approximately 10.8%. The decrease was primarily attributable to net cash used in investing activities of $103,260 and net cash used in operating activities of $217,420. These decreases were partially offset by the net cash provided by financing activities of $290,620.

Net cash used in operating activities was the result of a net loss of $423,458, and a decrease in the warehouse finance facility of $456,905. These amounts were partially offset by an addback for a derivative loss of $82,500, an increase in prepaid expenses and other current assets of $6,113 and a decrease in mortgage loans held for sale of $469,493 and an absence of land development costs as compared to $163,590 of such assets during 2003, depreciation and amortization of $3,655, and an increase in accounts payable, accrued expenses and other current liabilities of $93,682 and non-cash interest expense of $7,500.

Net cash used in investing activities during the year ended December 31, 2004 were an increase in other assets of $958, cash used in purchase of derivative instrument of $104,218, which was offset by the absence of purchases of property and equipment and an absence of proceeds from derivative instrument.

Net cash used in financing activities during the year ended December 31, 2004 were $18,005 of payments on notes payable and $18,875 in preferred stock dividends paid and $320,000 of proceeds from issuance of notes payable.

The Company incurred a loss of approximately $423,000 during the year ended December 31, 2004. Also, as of December 31, 2004, the Company had its current liabilities exceeding current assets by approximately $262,627. These matters caused the Companys auditors to add an explanatory paragraph in Their auditors report which raises substantial doubt about the Companys ability to continue as a going concern.

Managements plans include raising additional proceeds from debt transactions with related parties to fund operations and to increase revenue and cut expenses to reduce the loss from operations. However, there can be no assurances that the Company will be successful in this regard or will be able to eliminate both its working capital deficit and its operating losses. The accompanying consolidated financial statements do not contain any adjustment which may be required as a result of this uncertainty.

EFFECTS OF RECENT ACCOUNTING PRONOUNCEMENTS

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities, which amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 149 requires that contracts with comparable characteristics be accounted for similarly and clarifies under what circumstances a contract with an initial net investment meets the characteristics of a derivative and when a derivative contains a financing component. SFAS No. 149 also amends the definition of an underlying to conform it to language used in FIN No. 45, Guarantors Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of

Indebtedness of Others. SFAS No. 149 was effective for contracts entered into or modified after June 30, 2003, with certain exceptions. The adoption of SFAS No. 149 did not have a impact on the Companys historical financial position or results of operations.

In March, 2004 the Securities and Exchange Commission issued Staff Accounting Bulletin No.105- Application of Accounting Principles to Loan Commitments. The staff accounting bulletin summarizes the view of the SEC staff regarding the application of generally accepted accounting principles to loan commitments accounted for as derivative instruments. The bulletin indicates that loan commitments should be accounted for as derivative instruments and measured at fair value. The staff also indicated a Company should disclose it accounting policy for loan commitments pursuant to APB Opinion no. 22 Disclosure of Accounting Policies. The staff also indicates that they would expect all loan commitments accounted for as derivatives and entered into after March 31, 2004 to apply the accounting described in this bulletin. This interpretation by the SEC staff did not have a material effect on the Companys consolidated results of operations and financial condition.

ITEM 7. FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

Item 8A. Controls and Procedures.

An evaluation was carried out under the supervision and with the participation of the Company's management, including the Chief Executive Officer (CEO) who also serves as the Companys Chief Financial Officer (CFO), of the effectiveness of the Company's disclosure controls and procedures as of December 31, 2004. Based on that evaluation, the CEO/CFO has concluded that 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 Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. During the quarter ended December 31, 2004, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Item 8B. Other Information

During March 2004 the Company borrowed a total amount of $100,000 in demand notes at an annual interest rate of 10% from two directors of the Company, Bernard Gitlow and Russell Frayko, in the amount of $50,000 each.

During the quarter ended September 30, 2004, the Company borrowed an additional $25,000 from a board member in the form of a demand note bearing interest at 10% per annum.

During December 2004 the Company borrowed $125,000 for one year at a variable rate of interest indexed to the Prime Rate from one of its directors, Bernard Gitlow. As of March 31, 2005 the rate was 6.5% per annum. Additionally, the Company borrowed $20,000 and $50,000 from the Companys President and a relative of the Companys President respectively, through the issuance of demand notes at 10% per annum.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS OF THE REGISTRANT; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

The Company's executive officers and directors are as follows:

NAME	AGE	POSITION WITH THE COMPANY
Richard G. Gagliardi	58	Chairman of the Board, President, Chief Executive Officer and Chief Financial Officer
Bernard Gitlow	78	Director
Russell D. Frayko	42	Director

RICHARD G. GAGLIARDI has been Chairman, President, Chief Executive Officer and Chief Financial Officer of the Company since its inception on July 1, 1988.Mr. Gagliardi was employed as a Registered Representative at the investment banking firm of L. C. Wegard & Co., Inc. ("Wegard") from October 1989 to September 1991, and served as a Vice President of Wegard from October 1989 to July 1991.

BERNARD GITLOW has been a director of the Company since June 1993. He has been Executive Vice President of Victor Kramer, Co., Inc. a consulting company in the laundry and linen supply industry since August 1990. Since January 1988, Mr. Gitlow has also served as a consultant to the linen supply, laundry, and dry cleaning industry.

RUSSELL FRAYKO has been a director of the Company since June 2002.

He has been employed as President of Joint Venture Antiques since 1983, a company in the antique and modern furniture restoration and sales business. Mr. Frayko is also President of Joint Venture Promotions, an affiliate company involved in the promotion of furniture and antique dealer trade shows.

Directors are elected to serve until the next annual meeting of shareholders or until their respective successors are elected and qualified.

The executive officers of the Company are elected by the Company's Board of Directors. Each executive officer will hold office until his successor is duly elected and qualified, until his resignation or until he shall be removed in the manner provided by in the Company's By-Laws.

The Company has an Audit Committee of the Board of Directors, which supervises the audit and financial procedures of the Company. The members of the Audit Committee are Messrs. Gitlow (Chairman) and Frayko, each of whom is an independent director as defined under the rules of the NASD. The Companys Audit Committee does not have a member that qualifies as a financial expert under the federal securities laws. Each of the members of the Audit Committee have been active in the business community and have broad and diverse backgrounds, and financial experience. The Company believes that the current members of the Audit Committee are able to fully and faithfully perform the functions of the Audit Committee and that the Company does not need to install a financial expert on the Audit Committee.

Compliance with Section 16(a) of the Securities Exchange Act

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers and directors, and persons who own more than 10 percent of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission (SEC). Officers, directors, and greater than 10 percent stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

To the Companys knowledge, based solely on a review of the copies of such reports furnished to the Company, all reports under Section 16(a) required to be filed by its officers, directors and greater than ten-percent beneficial owners were timely filed.

Code of Business Conduct and Ethics

The Company has not adopted a code of ethics that applies to its principal executive officer, principal financial officer, principal accounting office (controller) and persons performing similar functions.

In light of the fact that the Company's Chief Executive Officer acts as the Company's principal executive, accounting and financial officer and the relatively small number of persons employed by the Company, the Company did not previously adopt a formal written Code of Business Conduct and Ethics but is in the process of developing a comprehensive Code of Business Conduct and Ethics to cover all of its employees. Copies of the Company's Code of Business Conduct and Ethics, which is expected to be adopted during 2005 can be obtained, when available, upon written request, addressed to:

American Asset Management Corporation
1280 Route 46 West
Parsippany, New Jersey 07054
Attention: Chief Executive Officer

ITEM 10. EXECUTIVE COMPENSATION

The following table sets forth for the periods presented the compensation paid by the Company and its subsidiaries for services rendered during the fiscal year ended December 31, 2004 to the Company's Chief Executive Officer (the named executive). No other executive officer of the Company received an annual salary, bonus or other compensation in excess of $100,000 for the fiscal year ended December 31, 2004.

SUMMARY COMPENSATION TABLE

	ANNUAL COMPENSATION		LONG-TERM COMPENSATION
Name and Principal Position	Year	Salary	Other Annual Compensation
Richard G. Gagliardi	2004	$121,154(3)	$12,225(2)
Chairman of the Board,	2003	139,970	12,225(2)
President, Chief	2002	110,000	11,225(2)
Executive Officer and			
Chief Financial Officer			

(1) The 2004 salary of Mr. Gagliardi was $150,000. As of December 24, 2004 the Company owed Mr. Gagliardi approximately $28,846 in salary. This amount has been forgiven by Mr. Gagliardi as of December 31, 2004.

(2) Represents the approximate reimbursement cost of an automobile leased and insured by Mr. Gagliardi for business purposes. Also includes a 2% contribution aggregating approximately $2,680 during 2003 and $2,000 during 2002 in the Simple IRA retirement plan established in June 1998 by Capital for all employees.

OPTION GRANTS IN THE LAST FISCAL YEAR AND FISCAL YEAR END OPTION VALUES

No options were granted to the named executive during fiscal 2004.

The following table sets forth information concerning the number of options owned by the named executive and the value of any in-the-money unexercised options owned by the named executive as of December 31, 2004. No options were exercised by the named executive during the year ended December 31, 2004 and no options were owned by the named executive at December 31, 2004:

AGGREGATED OPTION EXERCISES AND YEAR-END OPTION VALUES

	Number of Securities Underlying Unexercised Options/SARs at 12/31/2004		Value of Unexercised In-The-Money Options/SARs at 12/31/2004	
	Exercisable	Unexercisable	Exercisable	Unexercisable
Richard G. Gagliardi	0	0	$0	$0

COMPENSATION OF DIRECTORS

Directors of the Company receive $200 for each regular meeting they attend and $400 for attending an annual meeting. During 2004 the Company paid a total of $800 in director fees for Board of Director meeting attendance. There were no options granted to directors during the year ended December 31, 2004.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information as of March 31, 2005 based on information obtained from the persons named below, with respect to the beneficial ownership of shares of Common Stock by (i) each person known by the Company to be the beneficial owner of more than five percent of the outstanding shares of Common Stock, (ii) the named executive, (iii) each of the Company's directors and (iv) all directors and executive officers as a group:

NAME AND ADDRESS OF BENEFICIAL OWNER	AMOUNT AND NATURE BENEFICIAL OWNERSHIP (2)	PERCENTAGE OF OUTSTANDING SHARES OWNED
Richard G. Gagliardi(1)	503,490 (1)	38.2%
Bernard Gitlow	180,751 (1)(5)	13.7%
Nathan Low	149,000 (1)(3)	11.3%
Sunrise Foundation Trust	68,000 (1)(4)	5.1%
Brian Gonnelli	68,000 (1)	5.1%
Russell Frayko	61,301 (6)(7)	4.7%
All directors and executive officers as a group (three persons)	745,542 (5),(6),(7)	56.7%

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(1) The address of Mr. Gagliardi is 1280 Route 46 West, Parsippany, New Jersey 07054. The address of Mr. Low and Sunrise Foundation Trust is 135 E. 57th Street, New York, NY 10022. The address of Mr. Gonnelli is 22 Kathryn Drive, Whippany, NJ 07981. The address of Mr. Gitlow is 1280 Route 46 West, Parsippany, NJ 07054.

(2) Unless otherwise noted, the Company believes that all persons named in the table have sole voting and investment power with respect to all shares of Common Stock beneficially owned by them.

(3) According to a joint Schedule 13D filed with the Securities and Exchange Commission represents (i) 31,000 shares of Common Stock owned by Mr. Low (ii)

68,000 shares of Common Stock owned by the Sunrise Foundation Trust, of which Mr. Low is a trustee and (iii) 50,000 shares of Common Stock owned by the Nathan Low Individual Retirement Account f/b/o Low.

(4) According to a joint Schedule 13D filed with the Securities and Exchange Commission these shares are also beneficially owned by Nathan Low as Reflected in footnote 3 (iii) above.

(5) Includes 175,000 shares of Common Stock issuable upon conversion of 150,000 shares of the Companys 10% Series A Cumulative Convertible Participating Preferred Stock and 25,000 shares of the Company 10% Series B, Cumulative Convertible Participating Preferred Stock.

(6) Includes 26,301 shares of Common Stock owned by Mr. Fraykos family.

(7) Includes 10,000 shares of Common Stock issuable upon conversion of 10,000 shares of the Companys 10% Series A Cumulative Convertible Participating Preferred Stock.

EQUITY COMPENSATION PLAN

The following table provides certain information with respect to all of the Companys equity compensation plans in effect as of December 31, 2004:

Plan Category:	Number of Securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted Average exercise price of outstanding options, warrants and rights (b)	Number of Securities remaining available for issuance under compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation Plans approved by security holders:	0	$0.00	0
Equity compensation Plans not approved by Security holders:	0	$0.00	0
Total	0	$0.00	0

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During March 2004 the Company borrowed a total amount of $100,000 in demand notes at an annual interest rate of 10% from two directors of the Company, Bernard Gitlow and Russell Frayko, in the amount of $50,000 each.

During the quarter ended September 30, 2004, the Company borrowed an additional $25,000 from a board member in the form of a demand note bearing interest at 10% per annum.

During December 2004 the Company borrowed $125,000 for one year at a variable rate of interest indexed to the Prime Rate from one of its directors, Bernard Gitlow. As of March 31, 2005 the rate was 6.5% per annum. Additionally, the Company borrowed $20,000 and $50,000 from the Companys President and a relative of the Companys President respectively, through the issuance of demand notes at 10% per annum.

ITEM 13. EXHIBITS

(a) EXHIBITS

*3.1(a) Certificate of Incorporation as Amended
**3.1(b) Amendment to Certificate of Incorporation filed February 1995
***3.1(c) Amendment to Certificate of Incorporation filed January 1998
***3.1(d) Amendment to Certificate of Incorporation filed December 2001
***3.1(e) Amendment to Certificate of Incorporation filed December 2002
*3.2 By-Laws
***10.1 Executive Office Lease
21 Subsidiaries of the Company
31.1 Certification of the Principal Executive Officer and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1 Certification of Principal Executive Officer and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1 Warehouse Credit Line Extension
99.2 Demand Notes From Officer and Directors

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* Incorporated by reference to the corresponding exhibits in the Company's Registration Statement of Form S-1 (SEC File No. 33-34145).

** Incorporated by reference to the corresponding exhibit in the Company's Form 10-KSB for the year ended December 31, 1994.90

*** Incorporated by reference to the corresponding exhibit in the Companys Form 10-KSB for the year ended December 31, 2002.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Independent Auditor Fees

Fees for professional services provided by the Companys independent auditors, WithumSmith + Brown, P.C., for the years ended December 31, 2004 and 2003 are as follows:

	2004	2003
Audit Fees	$62,500	$46,000
Audit-related fees	$ 1,500	$ 1,500
Tax fees	-0-	-0-

All other fees	-0-	-0-
Totals	$64,000	$47,500

Audit Fees

Audit fees consist of fees relative to the audit of the Companys year-end financial statements and review of the Companys quarterly reports on Form 10-QSB.

Audit Related Fees

Audit Related Fees consists of the Companys agreed upon procedures engagement relating to the Companys HUD filing for the years ended December 31, 2004 and 2003.

Audit Committee Pre-Approval Policy

It is the policy of the Companys audit committee to approve all engagements of the Companys independent auditors to render audit or non-audit services prior to the initiation of such services.

SIGNATURES

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

AMERICAN ASSET MANAGEMENT CORPORATION
(Registrant)

/S/_Richard G. Gagliardi________
04/15/05 Richard G. Gagliardi
Date President

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

	/S/_Richard G. Gagliardi________
04/15/05	Richard G. Gagliardi
Date	President
	(Principal Executive, Financial and Accounting Officer)
	(Signature)
04/15/05	/S/_Bernard Gitlow______________
Date	Bernard Gitlow
	Director
	(Signature)
04/15/05	/S/_Russell Frayko______________
Date	Russell Frayko
	Director
	(Signature)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders,
American Asset Management Corporation and Subsidiaries:

We have audited the accompanying consolidated balance sheets of American Asset Management Corporation and Subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for the years then ended. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of American Asset Management Corporation and Subsidiaries as of December 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully discussed in Note 1 to the financial statements, the Company has suffered significant losses in 2004 and 2003 and has a working capital deficiency of $262,627 and a stockholders deficit of $200,137 as of December 31, 2004. These conditions raise substantial doubt about the Companys ability to continue as going concern. Managements plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that may result from the outcome of this uncertainty.

/s/ WithumSmith+Brown, P.C.

New Brunswick, New Jersey
February 25, 2005, except for Note 12 as to which the date is April 1, 2005

AMERICAN ASSET MANAGEMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2004 AND 2003

	2004	2003
ASSETS		
Current Assets:		
Cash	$ 308,387	$ 345,947
Mortgage loans held for sale	360,400	829,893
Prepaid expenses and other current assets	8,174	14,287
Total Current Assets	676,961	1,190,127
Property and Equipment, Net	4,524	8,179

Other Assets	57,966	58,924
TOTAL ASSETS	$ 739,451	$1,257,230
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)		
Current Liabilities:		
Warehouse line of credit	$ 356,796	$ 813,701
Derivative instrument	--	21,718
Accounts payable, accrued expenses and other current liabilities	255,292	156,985
Notes payable	--	18,005
Notes payable related parties	327,500	--
Total Current Liabilities	939,588	1,010,409
Stockholders Equity (Deficit):		
Series A Cumulative Convertible Participating Preferred stock, no par value (liquidation preference $210,000); 600,000 shares authorized, 210,000 shares issued and outstanding	205,000	205,000
Series B Cumulative Convertible Participating Preferred stock, no par value; (liquidation Preference $25,000); 300,000 shares authorized, 25,000 shares issued and outstanding	25,000	25,000
Common stock, no par value; 10,000,000 shares authorized; 1,316,989 shares issued and outstanding	3,852,825	3,852,825
Additional paid-in capital	171,998	171,998
Accumulated deficit	(4,454,960)	(4,008,002)
Total Stockholders Equity (Deficit)	(200,137)	246,821
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)	$ 739,451	$1,257,230

The Notes to Consolidated Financial Statements are an integral part of these statements.

AMERICAN ASSET MANAGEMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
Revenues:		
Net gain from sale of mortgages	$ 71,594	$ 731,329
Broker revenue	249,131	--
Interest income	38,471	237,899
Land sales	--	175,000
Total Revenues	359,196	1,144,228

Expenses:		
Employee compensation and commissions	308,634	385,846
Other expenses	344,609	375,041
Land and development costs	--	186,765
Losses on derivative instruments, net	82,500	6,551
Interest expense	46,911	265,248
Total Expenses	782,654	1,219,451
Net Loss	(423,458)	(75,223)
Dividends on Preferred Stock	23,500	23,500
Net Loss Attributable to Common Stockholders	$ (446,958)	$ (98,723)
Net Loss Per Common Share:		
Basic	$(0.34)	$(0.08)
Diluted	$(0.34)	$(0.08)
Weighted Average Number of Shares of Common Stock Outstanding:		
Basic	1,316,989	1,301,225
Diluted	1,316,989	1,301,225

The Notes to Consolidated Financial Statements are an integral part of these statements.

AMERICAN ASSET MANAGEMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	Series A Preferred Stock Shares	Series A Preferred Stock Amount	Series B Preferred Stock Shares	Series B Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Treasury Stock Shares	Treasury Stock Amount	Total
Balance, January 1, 2003	210,000	$205,000	25,000	$25,000	1,316,989	$3,852,825	$231,207	$(3,909,279)	(21,019)	$(71,145)	$333,608

Sale of Treasury Stock
-- -- -- -- -- -- (59,209) --

21,019 71,145 11,936

Preferred Stock Dividends
-- -- -- -- -- -- -- (23,500)

-- -- (23,500)

Net Loss
-- -- -- -- -- -- -- (75,223)

-- -- (75,223)

Balance, December 31, 2003
210,000 205,000 25,000 25,000 1,316,989 3,852,825 171,998 (4,008,002)

-- -- 246,821

Preferred Stock Dividends
-- -- -- -- -- -- -- (23,500)

-- -- (23,500)

Net Loss
-- -- -- -- -- -- -- (423,458)

-- -- (423,458)

Balance, December 31, 2004
210,000 $205,000 25,000 $25,000 1,316,989 $3,852,825 $171,998 $(4,454,960)

-- $ -- $(200,137)

The Notes to Consolidated Financial Statements are an integral part of these statements.

AMERICAN ASSET MANAGEMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
Cash Flows From Operating Activities:		
Net loss	$ (423,458)	$ (75,223)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation	3,655	2,795
Non-cash interest expense	7,500	--
Losses on derivative instrument	82,500	6,551
Changes in:		
Mortgage loans held for sale	469,493	3,939,621
Prepaid expenses and other current assets	6,113	(8,900)
Land and development costs	--	163,590

Warehouse line of credit	(456,905)	(3,837,600)
Accounts payable, accrued expenses and other current liabilities	93,682	(23,060)
Net Cash Provided by(Used in)Operating Activities	(217,420)	167,774
Cash Flows From Investing Activities:		
Purchases of property and equipment	-	(8,796)
Purchases of derivative instrument	(104,218)	--
Proceeds from derivative instrument	--	15,167
Decrease (increase) in other assets	958	(40,680)
Net Cash Used In Investing Activities	(103,260)	(34,309)
Cash Flows From Financing Activities:		
Payments on notes payable	(18,005)	(141,068)
Proceeds from issuance of notes payable related parties	320,000	--
Payment of preferred stock dividends	(18,875)	(22,875)
Net Cash Provided by(Used In) Financing Activities	283,120	(163,943)
Net Decrease In Cash	(37,560)	(30,478)
Cash at Beginning of Year	345,947	376,425
Cash at End of Year	$308,387	345,947
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Interest	$ 46,911	$ 275,176
Income taxes	$ --	$ 10,133
Supplemental Schedule of Non-Cash Investing and Financing Activities:		
Sale of treasury stock resulting in reduction of note payable	$ --	$ 11,936
Accrued preferred stock dividends	$ 10,500	$ 5,875

The Notes to Consolidated Financial Statements are an integral part of these statements.

AMERICAN ASSET MANAGEMENT CORPORATION AND SUBSIDIARIES- NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

Note 1 - Significant Accounting Policies:

Nature of Business Operations

American Asset Management Corporation (the Company) through its wholly owned subsidiary, Capital Financial Corp. (CFC) is engaged in originating and selling loans secured primarily by first mortgages on one-to-four family residential properties. CFC is a licensed mortgage banker in the State of New Jersey. CFC also acts as mortgage broker, in that CFC does not make mortgage loans or close loans in its own name, but receives compensation at closing from the borrower for assisting in obtaining a mortgage from a third part investor (purchase of the mortgage) and/or from the investor for referring the loan to such investor.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Going Concern Uncertainty

The Company has incurred operating losses over the past two years in the amount of approximately $498,681. During the year ended December 31, 2004 the Company incurred a net loss $423,458 and used $217,420 of cash to fund operating activities. As of December 31, 2004, the Company had a working capital deficiency $262,627 and a stockholders deficit of $200,137. These conditions raised substantial doubt about the Companys ability to continue as a going concern. Managements plans include raising additional cash in the form of related party loans payable and increased revenue to generate profitable operations. However, there can be no assurances that management will be successful in this regard. The accompanying consolidated financial

statements do not include any adjustments that might be necessary should the Company be unable to continue as going concern.

Geographic and Customer Concentration and Significant Risks

The Company's mortgage banking activities are primarily concentrated in the New Jersey market.

The Company's origination and premium fees are derived from loan sales to various investors. During 2004, the Company sold loans to eight different investors, three of which accounted for 60 percent of total volume. During 2003, the Company sold loans to six different investors, two of which accounted for 94 percent of total volume.

The Company receives certain of its funds for mortgage banking activities from one mortgage warehouse lending facility (see Note 7).

Use of Estimates

In preparing financial statements in conformity with accounting principals generally accepted in the United States of America, management makes estimates and assumptions in determining the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are computed by using the straight-line method over the estimated useful lives of three to five years for computer equipment, furniture and fixtures and office

equipment and over the life of the lease for leasehold improvements. Repairs and maintenance expenditures are expensed as incurred. Expenditures for betterments and major renewals are capitalized and, therefore, are included in property and equipment.

Reclassifications

During 2004, the Company completed a review of its operating statement classifications and determined that changes were required to conform its presentation to industry and accounting standards. The following represents the effects of these changes on the Companys previously reported 2003 operating statement:

Operating Statement Caption	As Previously Reported	As Adjusted
Mortgage Origination Fees	$1,561,396	$-
Net Gain from Sale of		

Mortgages	$-	$731,329
Interest Income	$408,521	$237,899
Application and Loan Commitment Fees	$204,792	$-
Employee Compensation	$363,516	$385,846
Commissions	$1,081,834	$-
Other Expenses	$521,018	$375,041

There was no effect on the Companys loss for 2003 as a result of the above reclassifications. The Company also made certain reclassifications to its December 31, 2003 consolidated balance sheet. However, these reclassifications were immaterial.

Derivative Instruments
The Company had purchased in 2003, derivative instruments to stabilize its risk associated with market fluctuations in interest rates. Such derivative instruments do not constitute an effective hedging strategy in accordance with generally accepted accounting principles and therefore these purchases are treated as speculative investments. The fair market value of the derivative instruments are marked to market at each reporting date on the Companys balance sheet and all unrealized gains and losses are recognized in earnings currently. The unrealized loss on the Companys freestanding derivative contract was $21,718 as of December 31, 2003. There were no open derivative contracts at December 31, 2004.

Mortgage Loans Held for Sale
Mortgage loans held for sale represent mortgage loans originated and held pending sale to interim or permanent investors. The mortgages are carried at the lower of cost or market as determined by outstanding commitments from investors or current investor yield requirements calculated on the aggregate loan basis. The Company defers net loan origination fees as a component of mortgage loans held for sale on the balance sheet.

Revenue and Cost Recognition

Net Gain from Sale of Mortgages
The Company records gain on sale of mortgages in accordance with SFAS No. 140, which provides accounting and reporting standards for transfers and servicing of financial assets and extinguishments of liabilities. This statement also provides standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings. The Company does not engage in servicing mortgages held for sale.

Gains or losses resulting from sales of mortgage loans are recognized at the date of settlement and are based on the difference between the selling price and the carrying value of the related loans sold. Nonrefundable fees and direct costs associated with the origination of mortgage loans are deferred and recognized when the loans are sold. Loan sales are accounted for as sales when control of the loans is surrendered.

Interest Recognition
Interest income is accrued as earned. Loans are placed on a nonaccrual status when any portion of the principal or interest is 90 days past due or earlier when concern exists as to the collectibility of principal or interest. The Company had no loans on nonaccrual status at December 31, 2004 and 2003. Loans return to accrual status when principal and interest become current and are anticipated to be fully collectible.Interest expense is recorded on outstanding borrowings on the Companys warehouse line of credit based on the lines effective interest rate.

Broker Revenue
In 2004, the Company began generating revenue by acting as a broker of sub-

prime credit quality loans. The Company does not fund these loans from their warehouse line, and therefore, does not sell them to investors. The Company recognizes revenue from these loans when it receives its broker fee, which is typically when the loan closes.

Concentration of Credit Risk
The Company maintains cash balances, at times, with financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation. Management monitors the soundness of these institutions and considers the Companys risk negligible.

Net Loss Per Common Share
Net loss per share is computed by dividing net loss attributable to common stockholders by the weighted number of common shares outstanding. Diluted loss per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. Basic and diluted net loss per common share for 2004 and 2003 are the same because the effect of the preferred stock conversions would be anti-dilutive.

Income Taxes
Deferred income tax assets and liabilities are computed for differences between financial statement and tax basis of assets and liabilities that will

result in future taxable or deductible amounts, based on the enacted tax laws and rates to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. The primary deferred tax items are net operating loss carryforwards. All deferred tax assets are fully reserved for because it is more likely than not that the benefit will not be realized.

Effects of Recent Accounting Pronouncements
In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities, which amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 149 requires that contracts with comparable characteristics be accounted for similarly and clarifies under what circumstances a contract with an initial net investment meets the characteristics of a derivative and when a derivative contains a financing component. SFAS No. 149 also amends the definition of an underlying to conform it to language used in FIN No. 45, Guarantors Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. SFAS No. 149 was effective for contracts entered into or modified after June 30, 2003, with certain exceptions. The adoption of SFAS No. 149 did not have a impact on the Companys historical financial position or results of operations.

In March 2004, the Securities and Exchange Commission issued Staff Accounting Bulletin No.105 - Application of Accounting Principles to Loan Commitments. The staff accounting bulletin summarizes the view of the SEC staff regarding the application of generally accepted accounting principles to loan commitments accounted for as derivative instruments. The bulletin indicates that loan commitments should be accounted for as derivative instruments and measured at fair value. The staff also indicated a Company should disclose its accounting policy for loan commitments pursuant to APB Opinion no. 22 Disclosure of Accounting Policies. The staff also indicates that they would expect all loan commitments accounted for as derivatives and entered into after March 31, 2004 to apply the accounting described in this bulletin.

The interpretation by the SEC staff did not have a material effect on the Companys consolidated results of operations and financial condition.

Note 2 - Fair Value of Financial Instruments:

The fair value of the Companys mortgage loans held for sale, warehouse line of credit, notes payable and derivative instrument approximate carrying value as of December 31, 2004 and 2003 due to the short term maturity of these items.

Note 3 - Property and Equipment:
Property and equipment at December 31 consist of:

	2004	2003
Computer equipment	$ 79,529	$ 79,529
Furniture and fixtures	19,291	19,291
Office equipment	46,080	46,080
Leasehold improvements	2,240	2,240
	147,140	147,140
Less: Accumulated depreciation and amortization	142,616	138,961
Property and Equipment, Net	$4,524	$8,179

Depreciation and amortization expense was $3,655 and $2,795 for the years ended December 31, 2004 and 2003, respectively.

Note 4 - Retirement Plan:
The Company maintains a SIMPLE individual retirement account plan under section 408(p) of the Internal Revenue Code whereby eligible employees are permitted salary reduction contributions. The Company may make nonelective contributions equal to 2 percent of compensation for the calendar year to the SIMPLE IRA of each eligible employee. For the years ended December 31, 2004 and 2003, the Company contributed $130 and $3,450 to employee retirement plans.

Note 5 - Accounts Payable, Accrued Expenses and Other Current Liabilities:
Accounts payable, accrued expenses and other current liabilities consist of the following at December 31:

	2004	2003
Accounts payable	$ 60,792	$102,646
Legal and accounting fees	130,629	16,613
Accrued expenses and other current liabilities	53,371	31,851
Preferred stock dividends	10,500	5,875
Total	$255,292	$156,985

The Companys Chairman has forgiven $28,846 of salary owed to him for services provided during 2004. This reduced his annual compensation from $150,000 to $121,154.

Note 6 - Notes Payable:
Notes payable consists of the following at December 31:

	2004	2003
Note payable (face amount $8,750 as of December 31, 2003) - imputed interest at 7.5 percent per annum, personally guaranteed by the Companys President, final payment made September 2004	$ --	$ 18,500
Related party notes payable, unsecured, interest at various fixed and variable rates per annum, payable on demand	327,500	--

Related party notes payable consist of the following at December 31, 2004:

Notes payable to Chairman of the Board	$ 20,000
Notes payable to relative of Chairman	50,000
Notes payable to other Board Members	250,000
Accrued interest payable	7,500
Total	$327,500

Interest expense on the related party notes payable amounted to $7,500 for the year ended December 31, 2004.

Note 7 - Warehouse Line of Credit:
The Company has a warehouse line of credit of $7,000,000 with a financial institution, which was scheduled to expire on March 31, 2005 (see Note 12). This line bears various interest rates from prime plus 3/4 to prime plus 1 1/2 percent, based on the type of loan written. The prime rate at December 31, 2004 was 5.25 percent. Funds from this line of credit are used for short-term financing of mortgage loans held for sale, and are secured by residential mortgage loans and a personal guarantee of the Companys President. The investor pays the line of credit at the time of the closing. As of December 31, 2004, two loans, amounting to $360,400 had yet to be delivered to investors, resulting in a warehouse loan payable of $356,796. As of December 31, 2003, three loans, amounting to $829,893, had yet to be delivered to investors, resulting in a warehouse loan payable of $813,701.

The Company is required to maintain several financial covenants including: 1) maintaining a minimum adjusted net worth of $550,000 and 2) not exceeding a maximum leverage ratio of 20 to 1. The Company did not meet the minimum adjusted net worth requirement as of March 11, 2004 (the inception date of the agreement) and December 31, 2004. The bank has informed the Company in writing that they will not consider a net worth deficiency as an event of default under the line of credit.

Note 8 - Income Taxes:
There was no provision for income taxes for the years ended December 31, 2004 and 2003, due to the losses generated in each year. All deferred tax assets are fully reserved for because it is more likely than not that the deferred tax asset will not be realized.

Deferred income taxes, consisting primarily of net operating loss carryforwards, are summarized as follows at December 31:

	2004	2003
Deferred Income Tax Asset	$1,582,247	$1,418,202
Valuation Allowance	(1,582,247)	(1,418,202)
Net Deferred Income Tax Asset	--	--
Deferred Income Tax Liability	--	--
Net Deferred Income Tax Liability	$ --	$ --

The Company has federal net operating loss carryforwards available to offset future taxable income of approximately $4,088,000 at December 31, 2004, which expire in 2006 through 2018, and state net operating loss carryforwards of approximately $3,205,000 which expire in 2006 through 2011. The use of New Jersey net operating loss carryforwards is partially suspended until 2005.

For the years ended December 31, 2004 and 2003, the Companys effective tax rate differs from the federal statutory rate principally due to net operating losses and other temporary differences for which no benefit was or has been recorded.

Note 9 - Stockholders Equity:

The Company has also authorized the issuance of 600,000 shares of Series A Cumulative Convertible Participating Preferred Stock with no par value. The holder is entitled to annual dividends of $.10 per preferred share, accruing from the date of original issue and payable in cash on a quarterly basis at a rate of $.025 per preferred share. Preferred shares rank senior to the common stock with respect to dividends and liquidating distributions or any future capital stock that ranks junior to the preferred shares. Each preferred share may be converted by the holders thereof, at any time, into one share of common stock of the Company at a conversion price equal to $1.00, subject to certain adjustments, which include: payment of stock dividends on common stock, common stock splits, or combinations affecting the common stock and recapitalizations, mergers or reorganizations. Preferred stock holders have no voting rights, except where required by law or upon conversion to common stock.

The Company authorized the issuance of 300,000 shares of Series B Cumulative Convertible Participating Preferred Stock with no par value. The holder is entitled to annual dividends of $.10 per preferred share, accruing from the date of original issuance and payable in cash on a quarterly basis at a rate of $.025 per preferred share. Series B Preferred shares rank senior to the common stock and are on parity with the Series A Preferred Stock with respect to dividends and liquidating distributions or any future capital stock that ranks junior to the preferred shares. Each preferred share may be converted by the holders thereof, at any time, into one share of common stock of the Company at a conversion price equal to $1.00, subject to certain adjustments, which include: payment of stock dividends on common stock, common stock splits, or combinations affecting the common stock and recapitalizations, mergers or reorganizations. Preferred stock holders have no voting rights, except where required by law or upon conversion to common stock.

Cumulative unpaid declared dividends on all preferred stock totaled $10,500 and $5,875 as of December 31, 2004 and 2003, respectively.

In August 2001, the Company issued a note payable (See Note 6) to purchase 21,019 shares of its outstanding common stock as part of a settlement. In 2003, the treasury stock was sold by a state government and the proceeds were remitted directly to the noteholder to reduce the balance of the note payable.

Note 10 - Commitments and Contingent Liabilities:
Operating Leases
The Company has entered into various operating lease agreements for office space and office equipment. The leases expire periodically through December 2006.

The future minimum rental commitments under non-cancelable operating leases are as follows:

Year	Amount
2005	$54,111
2006	6,528
Thereafter	--
Total	$60,639

Rental costs under operating leases included in other expenses amounted to

$56,382 and $56,646 for the years ended December 31, 2004 and 2003, respectively.

Pending Litigation

On March 25, 1999, the Company, its President, and the Companys wholly owned subsidiaries Capital Financial Corp. and American Asset Development Corporation (the Company Defendants) and one of the Companys former directors together with other individuals were named in an action filed in the Superior Court of New Jersey, Chancery Division by two New Jersey limited liability companies (the LLCs). The plaintiffs allege the Companys former director and other defendants other than the Company Defendants (Other Defendants) misappropriated assets and opportunities of the LLCs for their own use, engaged in self-dealing with respect to the LLCs, breached the operating agreements of the LLCs and converted and embezzled assets and funds of the LLCs. The Company Defendants are alleged to have aided and abetted the Companys former director in converting the assets of the LLCs by accepting loans and payments from the LLCs and the Companys former director and repaying loans to the Companys former director in the form of cash and Company stock.

The LLCs seek declaratory and injunctive relief against the Company Defendants; an accounting of (1) all shares of Company stock purchased by the Companys former director and Other Defendants and (2) all payments to or from the Company and the Companys former director and Other Defendants; imposition of a lien or equitable trust in favor of the LLCs on shares of the Companys stock issued to the Companys former director and Other Defendants; and certain unspecified compensatory and punitive damages, attorneys fees and costs.

Pending Litigation

In April 1999, the Court granted a preliminary injunction, which among other things, enjoins the Companys Defendants from allowing the transfer of any Company stock held in the name of the Companys former director and Other Defendants and directs the Company Defendants to provide an accounting of all such stock. The case is scheduled for a June 2005 trial. The plaintiffs had previously demanded a payment of $588,000 from the Company and related Defendants and have currently reduced their demand to $300,000. There is no settlement offer currently pending from the Company.

The Company denies any wrongdoing and believes that the claims against the Company Defendants are without merit, and that it has meritorious defenses and intends to defend the action vigorously. However, at this time the Company cannot predict their ultimate liability, if any, that may result from this action.

Minimum Net Capital Requirements
CFC is a HUD non-supervised mortgagee, and as such is required to maintain certain levels of minimum net worth and is subject to certain report filing requirements. CFC was in compliance with the minimum net worth requirement as of December 31, 2004. The Company did not file the financial statements of CFC with HUD by the required due date of March 31, 2005.

Note 11 - Stock Based Compensation:
The Company adopted a 1992 Stock Option Plan, whereby the Company may grant incentive and new qualified options to eligible participants that vest upon grant date. The plan provided for the issuance of options with terms of not more than ten years. The plan included a provision whereby stock options granted by the Company may not exceed 100,000 shares of common stock, and accordingly has reserved 100,000 shares for this purpose. The plan was terminated on May 22, 2002. All outstanding options that had been granted

under this plan expired in 2003.

Note 12 - Subsequent Event
On April 1, 2005, the Company renewed its existing warehouse line of credit at substantially the same terms, except the amount available under the line was reduced to $4,000,000. This line has an expiration date of June 30, 2005. The line contains various financial covenants including the maintenance of a minimum adjusted net worth of $250,000 and a maximum permitted debt to adjusted net worth ratio of 20 to 1.

Exhibit No. 21

SUBSIDIARIES OF THE COMPANY

NAME	JURISDICTION OF INCORPORATION
American Asset Development Corporation	New Jersey
Capital Financial Corp.	New Jersey