US SECURITIES & EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-QSB

(X) Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended September 30, 2002.

( ) Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from to .

Commission File Number 0-24185

CENTRAL AMERICAN EQUITIES CORP.

Florida	65-0636168
(State or other jurisdiction of incorporated or organization)	(IRS Employer Identification Number)

Hotel Alta, Alto de las Palomas
Santa Ana, Costa Rica
(Mailing: POB 718/1260 Plaza Colonial, Escazu, Costa Rica)
(Address of Principal Executive Offices)

+011 (506) 282-4160
(Registrant's telephone number, including area code)

Securities registered under Section 12(b) of the Exchange Act:

None

Securities registered under Section 12(g) of the Exchange Act:

Class A Common Stock, $.001 Par Value

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding twelve (12) months (or for such shorter period that registrant was required to file such reports), and (2) has been subject to such filing requirements for the past ninety (90) days. YES ( ) NO (X).

The number of shares outstanding of each of the issuer's classes of common equity:

14,739,268 Shares Class A Common Stock, $.001 par value
(Number of shares outstanding of each of the Registrant's classes of common stock.)

Transitional Small Business disclosure format (check one)
YES [X] NO [ ]

DOCUMENTS INCORPORATED BY REFERENCE
Annual Report on Form 10-KSB of Registrant for year ended December 31, 1998, 1999, 2000, 2001.

PART I: FINANCIAL INFORMATION

ITEM 1. FINANCIAL INFORMATION

Central American Equities Corp. (the "Company" or "CAE") is a US hospitality company, based in Santa Ana, Costa Rica and incorporated in the State of Florida. The Company owns and operates hotels, restaurants, and real property in Costa Rica. All CAE activities are related to the Company's hotels in Costa Rica, and, as such, are reported as one operating segment (per FASB Statement No. 131). Financial statements follow.

CENTRAL AMERICAN EQUITIES CORP. AND SUBSIDIARIES

Consolidated Balance Sheet

Assets

	Sept.30, 2002	December 31, 2001
Current assets		
Cash and cash equivalents	$ 103,039	$ 28,495
Account receivable	71,219	94,004
Account receivable from sale of asset	5,790	755,000
Inventory	22,019	18,920
Prepaid expenses	1,687	4,268
	203,755	900,687
Buildings and equipment, Net of depreciation	6,507,643	5,060,113
Other assets		
Long-Term Assets	0	1,261,007
Other Assets	0	0
	0	1,261,007
Total assets	$ 6,711,398	$ 7,221,807

Liability and Stockholders' Equity

	Sept.30, 2002	December 31, 2001
Current liabilities		
Accounts payable	$ 226,255	$ 308,682
Accrued expenses	290,631	320,281
	516,886	628,963
Other liabilities		
Long term debt	490,676	529,676
Due to officers	138,700	293,135
	629,376	822,811
Stockholders' equity		
Common stock – $.001 par value; 20,000,000 Authorized, 14,739,268 issued and outstanding	14,739	14,739
Preferred stock - $.001 par value; 1,000,000 shares authorized, 0 issued and outstanding	-	-
Additional paid-in capital	10,149,816	10,149,816
Unrealized gain on foreign exchange	66,044	55,929
Retained deficit	(4,665,464)	(4,450,451)
	5,565,135	5,770,033
Total liabilities and stockholders' equity	$ 6,711,398	$ 7,221,807

See Notes to Consolidated Financial Statements

CENTRAL AMERICAN EQUITIES CORP. AND SUBSIDIARIES
Consolidated Statements of Operations
Unaudited

	For the Nine Months Ended September 30, 2002	2001	For the Three Months Ended September 30, 2002	2001
Revenues	$ 751,314	$ 883,499	182,418	$ 216,637
Cost of services	228,476	444,953	57,015	137,115
Gross profit	522,838	438,546	125,403	79,522
Operations				
General and administrative	618,150	477,286	223,419	136,921
Depreciation	111,273	101,951	38,545	33,500
	729,423	579,237	261,964	170,421
Other expense (income)				
Interest expense	57,505	92,131	13,680	30,418
Forgiveness of debt	(49,660)	0	(49,660)	0
Loss on foreign exchange	581	-	513	-
	8,427	92,131	(35,467)	30,418
Total Expenses	966,326	1,116,161	283,512	337,954
Net Income (loss)	(215,013)	(232,662)	(101,094)	(121,317)
Net Loss per Share	$ (.01)	$ (.02)	$ (.01)	$ (.01)
Weighted average share of common stock outstanding	14,739,268	14,739,268	14,739,268	14,739,268

See Notes to Consolidated Financial Statements

CENTRAL AMERICAN EQUITIES CORP. AND SUBSIDIARIES
Statements of Cash Flow
For the Nine Months Ended September 30,
Unaudited

	2002	2001
Cash flows from operating activities:		
Net Income (Loss)	$ (215,013)	$ (232,662)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Unrealized Gain on Foreign Exchange	10,115	(17,141)
Depreciation and amortization	111,273	101,792
Decrease (increase) in:		
Accounts receivable	771,994	(41,028)
Inventory	(3,099)	(4,539)
Prepaid expense and other	2,581	13,924
(Decrease) increase in:		
Accounts payable	(82,427)	(6,744) *
Accrued expenses	(29,650)	183,082
Net cash provided by operating activities:	565,775	(3,317)
Cash flows from investing activities:		
Capital expenditures	(297,797)	
Net cash used in investing activities	(297,797)	
Cash flows from financing activities:		
Proceeds from loans	(38,999)	
Proceeds from loans from officers	(154,435)	
Proceeds from issuance of common stock	0	
Proceeds from additional paid-in capital	0	
Net cash provided by financing activities:	(193,434)	
Net increase (decrease) in cash	74,545	(1,653)
Cash – beginning of period	28,495	15,901
Cash – end of period	$ 103,039	$ 14,248

Note: (*) Cash flow changes for accounts payable in 2001 have been adjusted for a non-cash change of $54,668. This amount was payable in salary owed to the CEO of the Company and eliminated by the passage of title for Sunset Reef. See Notes to Consolidated Financial Statements.

See Notes to Consolidated Financial Statements

Supplemental Disclosure of Cash Flow Information:

Interest paid	$ 57,505	$ 92,131
Income taxes paid	$ -	$ -

See Notes to Consolidated Financial Statements

Note 1 - Summary of Accounting Policies

Nature of Business

Central American Equities Corp. and Subsidiaries (the "Company") was incorporated under the laws of the State of Florida on January 23, 1996. The Company provides an integrated eco-vacation experience in Costa Rica, and is in the business of owning and operating hotels and real property in Costa Rica.

In December of 1996, the Company entered into an agreement for the exchange of common stock ("Exchange Agreement") with Cal Tico, L.P., Ecolodge Partners, L.P. and Marine Lodge Partners, L.P. (Partnership). Pursuant to the exchange agreement, the company issued 7,756,885 and 3,099,392 shares of common stock to limited partners and the general partners, respectively, of the partnerships. In exchange for the shares, the partnership transferred all of their interests (i.e. 100% of the outstanding common stock) in the following Costa Rican corporations: Hoteleria Cal Tico, S.A.; Bandirma, S.A.; Sociedad Protectora De La Fuana y Flora Marintima De Mal Pais, S.F.; Ecoprojecto San Luis, S.A. and Confluencia, S.A.

Cal Tico, L.P. was a California limited partnership that was formed in July 1992 to raise $2 million to purchase the land and construct Hotel Alta. Cal Tico, L.P. owns 100% of the stock in Hoteleria Cal Tico, S.A., a Costa Rican corporation. Hoteleria Cal Tico, S.A, owns the land and buildings at Hotel Alta.

Ecolodge Partners, L.P. was formed in July 1993 to raise a total of $1.3 million in a private placement offering to purchase the land and construct the Ecolodge San Luis and Biological Station. Ecolodge Partners was a California limited partnership that owned all of the stock in Ecoproyecto San Luis, S.A. and Confluencia San Luis, S.A., the two Costa Rican companies that own the Ecolodge land and buildings.

Marine Lodge Partners L.P. was formed in March 1995 to raise $1 million for the purchase and renovation of the Sunset Reef. MarineLodge Partners was a California limited partnership. Marine Lodge Partners owned 100% of the stock in Bandirma, S.A. Bandirma owns: a) 90% of the Sociedad Protectora De La Fauna y Flora Maritima de Mal Pais S.A., a Costa Rican corporation which owns the land and buildings at Sunset Reef, and b) 100% of Muxia, S.A. which owns 100% of the land and buildings at Playa Carmen.

Basis of Consolidation

The consolidated financial statements include the consolidated accounts of Central American Equities Corp. and its subsidiaries. Hoteleria Cal Tico, S.A., Bandirma, S.A., Sociedad Protectora De La Fuana y Flora Marintima De Mal Pais, S.F., Ecoprojecto San Luis, S.A. and Confluencia, S.A. are held 100% by the Company. All intercompany transactions and accounts have been eliminated in consolidation.

Cash and Cash Equivalents

For purposes of the statement of cash flows all certificates of deposits with maturities of 90 days or less, were deemed to be cash equivalents.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is computed provided using the straight-line method over the estimated useful lives of five for equipment, seven years for furniture and fixtures and forty years for buildings and improvements.

Repairs and maintenance costs are expensed as incurred while additions and betterments are capitalized. The cost and related accumulated depreciation of assets sold or retired are eliminated from the accounts and any gain or losses are reflected in earnings.

Note 1 - Summary of Accounting Policies (continued)

Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect 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.

Adoption of Statement of Accounting Standard No. 123

In 1997, the Company adopted Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). SFAS 123 encourages, but does not require companies to record at fair value compensation cost for stock-based compensation plans. The Company has chosen to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the amount an employee must pay to acquire the stock. The difference between the fair value method of SFAS-123 and APB 25 is immaterial.

Adoption of Statement of Position 98-5

In April 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-5, Reporting the Costs of Start-Up Activities, which requires that costs related to start-up activities be expensed as incurred. Prior to 1998, the Company capitalized its organization costs. The Company adopted the provisions of the SOP in its financial statements for the year ended December 31, 1998. The effect of adoption of SOP 98-5 was to record a charge for the cumulative effect of an accounting change of $235,605 ($.02 per share), to expense costs that had been previously capitalized prior to 1998.

Adoption of Statement of Accounting Standard No. 128

In February 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 128, "Earnings per Share" (SFAS 128). SFAS 128 changes the standards for computing and presenting earnings per share (EPS) and supersedes Accounting Principles Board Opinion No. 15, "Earnings per Share." SFAS 128 replaces the presentation of primary EPS with a presentation of basic EPS. It also requires dual presentation of basic and diluted EPS on the face of the income statement for all entities with complex capital structures and requires a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation. SFAS 128 is effective for financial statements issued for periods ending after December 15, 1997, including interim periods. This Statement requires restatement of all prior period EPS data presented.

As it relates to the Company, the principal differences between the provisions of SFAS 128 and previous authoritative pronouncements are the exclusion of common stock equivalents in the determination of Basic Earnings Per Share and the market price at which common stock equivalents are calculated in the determination of Diluted Earnings Per Share.

Basic earnings per common share is computed using the weighted average number of shares of common stock outstanding for the period. Diluted earnings per common share is computed using the weighted average number of shares of common stock and dilutive common equivalent shares related to stock options and warrants outstanding during the period.

Note 1 - Summary of Accounting Policies (continued)

The adoption of SFAS 128 had no effect on previously reported loss per share amounts for the year ended December 31, 1997. For the years ended December 31, 1999 and 1998, primary loss per share was the same as basic loss per share and fully diluted loss per share was the same as diluted loss per share. A net loss was reported in 1998 and 1997, and accordingly, in those years the denominator was equal to the weighted average outstanding shares with no consideration for outstanding options and warrants to purchase shares of the Company's common stock, because to do so would have been anti-dilutive. Stock options for the purchase of 357,500 shares at December 31, 1998 were not included in loss per share calculations, because to do so would have been anti-dilutive.

Revenue Recognition

The Company records revenue at the point of service and maintains its corporate records for both financial statement and tax return purposes on the accrual method of accounting.

Foreign Exchange

Assets and liabilities of the Company, which are denominated in foreign currencies, are translated at exchange rates prevailing at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates throughout the year. The unrealized translation gains and loses are accumulated in a separate component of stockholders' equity. Translation exchange gains and losses are reflected in net earnings.

Fair Value of Financial Instruments

The carrying amount of the Company's financial instruments, which principally include cash, note receivable, accounts payable and accrued expenses, approximates fair value due to the relatively short maturity of such instruments.

The fair value of the Company's debt instruments is based on the amount of future cash flows associated with each instrument discounted using the Company's borrowing rate. At December 31, 2001 and 2000, respectively, the carrying value of all financial instruments was not materially different from fair value.

Income Taxes

The Company has net operating loss carryovers of approximately $4.45 million as of December 31, 2001, expiring in the years 2012 through 2021. However, based upon present Internal Revenue regulations governing the utilization of net operating loss carryovers where the corporation has issued substantial additional stock, most of this loss carryover may not be available to the Company.

The Company adopted Statement of Financial Accounting Standards (SFAS) No. 109, Accounting for Income Taxes, effective July 1993. SFAS No.109 requires the establishment of a deferred tax asset for all deductible temporary differences and operating loss carry-forwards. Because of the uncertainties discussed in Note 2, however, any deferred tax asset established for utilization of the Company's tax loss carry-forwards would correspondingly require a valuation allowance of the same amount pursuant to SFAS No. 109. Accordingly, no deferred tax asset is reflected in these financial statements.

Note 2 - Going Concern

The Company incurred a net loss of approximately $215,000 during the first three quarters of the year ended December 31, 2002.

Note 2 - Going Concern (continued)

The Company has received additional financing through the sale of a non-performing asset, continues to control expenses, and evaluates the ongoing performance of the Company's assets. The ability of the Company to continue as a going concern is dependent on the success of application and techniques. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Note 3 - Notes Payable

As of September 30, 2002, the Company had $442,376 outstanding against a $500,000 line of credit with Banco BCT. The loan includes a term of 70 months; an annual interest rate of prime plus 3.75%, and monthly principal payments that vary with the high and low occupancy periods of Hotel Alta. Monthly principal payments vary from $3,000 to $9,000. The note is collateralized by property of the Company.

Included in notes payable at September 30, 2002 is a note payable to shareholder, dated July 21, 2000, of $48,300.

Note 4 - Due to Officers

Notes payable as of September 30, 2002 are as follows:

Note payable to shareholder dated November 30, 2000 with no set terms for prepayment	$132,700
Note payable to shareholder dated July 15, 2000 with interest at 6% with no set terms for prepayment	6,000
Total Due to Officers	$138,700

Note 5 - Commitments

The Company has a month-to-month lease for 1 acre of property. Minimum rentals in the year ending December 31, 2002 are $18,000

Note 6 - Business Combination

On December 6, 1996 the Company entered into an agreement for the exchange of common stock ("Exchange Agreement") with Cal Tico, L.P., Ecolodge Partners, L.P. and Marine Lodge Partners, L.P. ("Partnership"). Pursuant to the exchange agreement, the Company issued 7,756,885 and 3,099,392 shares of common stock to the limited partners and the general partners, respectively, of the partnerships. In exchange for the shares, the partnership transferred all of their interests (i.e. 100% of the outstanding common stock) in the following Costa Rican corporations: Hotelera Cal Tico, S.A.; Bandirma, S.A.; Sociedad Protectora De La Fuana y Flora Marintima De Mal Pais, S.F.; Ecoprojecto San Luis, S.A. and Confluencia, S.A. The acquisition has been accounted for as a purchase transaction and, accordingly, the fair value of the Company's stock that was issued was allocated to assets and liabilities based on the estimated fair value as of the acquisition date.

Note 7 –- Sale of Ecolodge San Luis & Biological Station

In December 2001, the Company sold the Ecolodge San Luis property, all related assets, structures, and the hotel business and its operating licenses to Corporacion Negro y Rojo de San Luis S.A., a Costa Rica corporation owned by the University of Georgia. Milton and Diana Lieberman, former employees of Central American Equities, represented the University of Georgia in this transaction.

Total consideration for the sale was $895,000 dollars including previously received option payments. The loss on the sale of the asset (net price less net book value) was approximately $265,000. The price is based upon the value of assets and the ongoing business. The Company initially financed the purchase of the asset under the following terms: a) a 10% interest rate (13% if payments are delinquent), b) a varying payment schedule to be completed within one year of sale, and c) a $3,000 (increasing to $4,500) monthly rental fee for the Ecolodge San Luis hotel business to be paid until payments for the business were completed. Initial receipts from the purchase were used to pay all Ecolodge San Luis liabilities including all severance-related payments to employees. Following non-payment of principal in February 2002, in May 2002, the Company renegotiated the sale with officials of the University of Georgia Real Estate Foundation. The Company forgave interest and rental payments in exchange for immediate payment of all outstanding principal. The details on the transaction are as follows:

Note receivable		
	Sale price	$ 895,000
	Liquidation & liabilities	30,000
		865,000
	Cash payments received	110,000
		$ 755,000
	Net sale price	$ 865,000
	Legal and transfer	20,000
		$ 845,000
Net book value		
	Land	$ 305,422
	Structures & equipment	927,815
	Accumulated depreciation	(122,871)
	Net book value	$ 1,110,366
Net price		
	Gross price	$ 895,000
	Cost of sale	50,000
	Net price	845,000
	Net book value	1,110,366
	Loss on sale of asset	$ (265,366)

Note 8 –- Exercise of Option to Re-purchase Sunset Reef

On January 5, 2001, the title for Sunset Reef Marine Hotel had passed to Rosenmiller and Caggiano because of the Company's inability to pay debts to these officers. At such date the Company entered into an agreement with the option to purchase Sunset Reef Marine Hotel for $271,000 (the amount of the debt less interest). Using funds available from the sale of Ecolodge San Luis, in June 2002, the Company exercised its option and repurchased Sunset Reef.

ITEM 2. MANAGEMENT DISCUSSION AND ANALYSIS

The following is management's discussion and analysis of significant factors that affected the Company's financial position and operations during the nine month period ended September 30, 2002.

Overview

Central American Equities Corp. (the "Company" or "CAE") is a US hospitality company, based in Santa Ana, Costa Rica and incorporated in the State of Florida on January 23, 1996. The Company specializes in providing high-quality food and lodging in Costa Rica. The Company is in the business of owning and operating boutique hotels, restaurants and real property in Costa Rica. All CAE activities are related to the Company’s hotels in Costa Rica, and, as such, are reported as one operating segment (per FASB Statement No. 131).

CAE includes among its assets in Costa Rica two hotels: Hotel Alta in Santa Ana (a suburb of the capital city of San Jose), and Hotel Sunset Reef Marine Lodge on the Pacific Ocean in Mal Pais adjacent to the protected Cabo Blanco Reserve (See Notes from the financial statements). CAE also owns La Luz Restaurant (located in Hotel Alta), Restaurant Playa Carmen (on the beach near Sunset Reef), and a reservation, travel planning and marketing operation located within Hotel Alta. The Company has approximately 58 full-time, part-time, and contract employees.

All Company facilities, except for Restaurant Playa Carmen, were open and operating by the beginning of 1998 (the first full year of operations). During the nine-month period ended September 30, 2002, the Company operated the 100-seat restaurant at Playa Carmen (in prior years it had been rented).

Results of Operations

The first nine months of 2002 represented a time of continuing difficulty for the Company. A slowing of the American economy (more than 75% of tourists and business travelers to the Company’s hotels come from the United States), and a decline in travel related to the terrorist events of September 2001 affected occupancy at the Company’s hotels during this period.

Even though demand for hotel rooms declined, supply increased. During the last two years, more than 275 new business-class hotel rooms and more than 40 new restaurants have opened within a few miles of Hotel Alta and Restaurante La Luz. Six hotels and nine restaurants have opened near Sunset Reef. Price competition has become a way of life: large hotel chains (e.g., Marriott, Courtyard, Comfort), offering exceptionally low rates since 9/11 have made it difficult for Hotel Alta to sustain its $155 rack rate.

Occupancy for the first nine months of 2002 at Hotel Alta declined about 16% from about 49% in 2001 to 41% in 2002 (in the third quarter occupancy declined from 47% to 29%). Occupancy at Sunset Reef was flat at about 25% (13% in the third quarter).

<u>Comparison of Operations for the 9-Month Periods Ended September 30, 2002 and 2001</u>

The following is management's discussion and analysis of significant differences in the Company's financial position and operations (see Financial Statements). Note that revenues and expenditures for 2002, when compared to 2001, do not include Ecolodge San Luis activity. The Company sold Ecolodge San Luis in December 2001.

The nine-month period reported in this 10-QSB encompasses part of the traditional low season when travel to Costa Rica declines markedly (May-June and September-October). This year the Company has been additionally challenged by lower travel demand brought on by the terrorist attacks of September 11 and the recession in the United States.

During the nine-month period ended September 30, 2002, total sales revenue was about $751,000, a decrease of about 15% from the same period in 2001. During the nine-month period ended September 30, 2001, total operational expense (cost of services and operational costs) was about $847,000. This represents a decline in expenses of approximately $75,000 or 8% from the same period in 2001. During this period, the Company lost approximately $95,000 before depreciation of about $111,000 and interest costs of about $58,000. The net loss, including depreciation, interest, and debt forgiveness was about $215,000. During the same period in 2001, the Company's net loss was approximately $233,000.

During the nine-month period ended September 30, total assets for the Company declined by approximately $510,000. After achieving the expected revenues from the sale of the Ecolodge, the Company exercised its option to repurchase Sunset Reef in the second quarter of 2002. Continuing to use revenue from the sale of Sunset Reef, the Company paid off a shareholder and reduced its debt by about $150,000 (the note payable of $149,660 to an officer of the Company was renegotiated: the officer forgave $49,660 of the debt and the Company paid $100,000 to clear the debt in full). The Company also paid in its entirety a substantial tax (social security) debt and the resulting interests and penalties (which had not previously been calculated on the Company's balance sheet).

Future Company Directions

Management took several steps to strengthen the Company during the first nine months of 2002. It continued to reduce expenditures and began merger negotiations with a regional airline. To date these discussions have not produced any merger plans to present to shareholders.

The Company also hired a new Vice President of Marketing and Sales and changed the composition of the marketing and sales staff giving greater focus to the business traveler. Faced with declining growth in tourism and overall weakness among Costa Rican travel wholesalers the Company also altered its marketing focus. CAE redesigned its web-page (www.thealtahotel.com) and began a web-marketing campaign including search-engine positioning and strategic placement of click-through advertisements.

Convinced that the business traveler is a key component of Hotel Alta's year-round growth, to successfully attract the business traveler, the Company began to invest in new infrastructure. By December of 2002, the Company had installed high-speed, satellite-based internet in the hotel rooms and the hotel's business center. The Company also introduced internet telephony that, by December 2002 would allow the Company to reduce its international telephone bill. To our knowledge, Hotel Alta was the only hotel in Costa Rica with high-speed internet access in the rooms.

There was a time several years ago when La Luz was in a small group of elite restaurants in Costa Rica. It still is, but restaurant options have expanded dramatically. To increase patronage and remain "fresh", La Luz improved and augmented its menu, added a Sunday brunch, and inaugurated a Thursday jazz night.

Liquidity and Capital Resources

Through September 30, 2002, operations had resulted in losses and the Company has limited cash liquidity and capital resources.

The Company has had limited, albeit improving, cash liquidity and capital resources. To the extent that the funds generated by revenues are insufficient to fund CAE's activities, it will be necessary to raise additional funds. In the short-term the Company will continue to seek loans from banks and other sources.

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Actions in Costa Rican Labor Court

At this time there are actions against Central American Equities in the Costa Rican Labor Court that have been brought by former employees who had been dismissed by the Company due to poor performance or insubordination. These employees dispute the reason for their dismissal and, as such, claim they are entitled to additional monetary compensation. The Company considers these actions to be routine litigation that is incidental to the business (as defined under Reg. §228.103). It is anticipated that any contingent liability stemming from these claims would be immaterial to the Company. See Item 5 for potential litigation subsequent to the due date for this filing.

ITEM 2. CHANGES IN SECURITIES

The Company did not sell or issue any securities of any kind during the three-month period that ended on September 30, 2002. See Item 5 below for securities sold subsequent to the due date for this filing.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

The Company did not default upon any securities of any kind during the three-month period that ended on September 30, 2002.

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

The Company submitted no matter to a vote of its security holders during the three-month period ended September 30, 2002.

ITEM 5. OTHER INFORMATION

At a board meeting in September 27, 2002, the board voted to "accept with regret" Paul King's resignation from the board of directors.

ITEM 5A. INFORMATION SUBSEQUENT TO SEPTEMBER 30, 2002

The following information occurred subsequent to the due date of this filing and is not covered in the financial statements of this filing.

Changes in Registrant's Certifying Accountant

At a board of directors meeting held on August 28, 2003 of which a quorum was present, the Board of Directors of Central American Equities accepted the resignation of Pinkham and Pinkham as its Certified Accountant for the fiscal years ended December 31, 1999, December 31, 2000 and December 31, 2001.

During the past three years, Pinkham and Pinkham was the principal accountant for Central American Equities Corp. At no time did Pinkham and Pinkham's financial statements contain an adverse opinion or disclaimer of opinion or was modified as to uncertainty, audit scope, or accounting principles. Nor were there any disagreements with Pinkham and Pinkham on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

On August 28, 2003, Central American Equities engaged Clyde Bailey, P.C. Certified Public Accountants as the principal accountant for the Company. Central American Equities has authorized Pinkham and Pinkham to respond fully to the inquiries of the successor accountant.

Changes in Securities

During the fourth quarter of 2003, the Company raised cash by selling securities that were not registered under the Securities Act of 1933, as amended (the "Securities Act"), or any state securities laws. The sale of the securities was intended to be exempt from registration under the Securities Act, by virtue of Section 4(2) of Regulation D.

The Company successfully sold 3,360,000 shares of Common Stock and 1 million shares of Class "A" convertible preferred stock. In total, the Company raised $178,200 net of costs from the sale of stock. The average price per share was $0.05. The shares were sold entirely to current Company stockholders.

The proceeds of these sales, less any deductions for transactional fees including, but not limited to, commissions, accounting fees, legal fees, and printing costs was used for debt reduction (including reduction of a tax liability) and working capital. The Company paid a director of the Company (Talley) $19,800 (10% of gross proceeds) in commission on the sale of the stock.

The Class "A" convertible preferred stock has the following provisions: a) the option to transfer the shares into common stock on a one-for-one basis, b) the same voting rights as common stock, and c) the same liquidation preferences as common stock.

During December 2003, the Company also exchanged 240,000 shares of Common Stock for $12,000 debt owed to a director (Rosenmiller). The debt was exchanged for shares at a price of $0.05 per share.

The Company has also issued as compensation (subsequent to the due date of this report) additional shares of Common Stock to Michael Caggiano, the Company President and CEO. In the fourth quarter of 2002, the Company issued 700,000 shares of Common stock to Mr. Caggiano. In the fourth quarter of 2003 the Company issued an additional 700,000 shares of Common Stock to Caggiano. In addition, at a meeting of the board of directors, during the fourth quarter of 2002, the board granted options to Mr. Caggiano as follows: 100,000 shares @ $0.10; 100,000 shares @ $0.15; and 100,000 shares @ $0.20. Recognizing that significant past salary was due and payable, the board collateralized full compensation due with a company asset: the Playa Carmen (Tropicana) property in Mal Pais.

As of December 31, 2003 the Company had 19,739,268 shares of Common Stock issued and outstanding and one million shares of Preferred Stock issued and outstanding.

Potential Legal Proceedings Concerning a Tax Liability

As of November 2002, Hotel Alta owed Tributacion (the Costa Rican taxing authority) approximately $230,000 in unpaid sales taxes. These taxes have been listed on the balance sheet as an accrued expense. The Costa Rica government offered to all companies in Costa Rica amnesty from interest and penalties for back taxes paid by April 30, 2003. Prior to April 30, 2003, CAE, unable to pay these taxes in cash, proposed that the debt be resolved with the exchange of property worth an equivalent value (part of the parcel in Playa Carmen where Restaurante Playa Carmen is located).

As of January 15, 2004 the Company was preparing to bring suit against the Costa Rican sales tax authority for not accepting this offer of property in exchange for an outstanding tax liability. The refusal of the offer denied the opportunity for the Company to successfully meet the tax amnesty deadline. Believing it has been denied due process and equal treatment under Costa Rican law, management currently plans to pursue the case vigorously if a negotiated settlement is not achieved. It is difficult to evaluate the likelihood of an unfavorable outcome in this case but we estimate it to be at or below 50%. If an unfavorable outcome results, the Company could be liable for interest and penalties of approximately $150,000. The tax liability as of June 30, 2002 (less interest and penalties) has been accounted for in the financial statements of this filing.

ITEM 6. EXHIBITS AND REPORTS

Exhibits and reports filed herewith: none.

VERIFICATION SIGNATURES

In accordance with Section 12 of the Securities and Exchange Act of 1934, the registrant caused this registration to be signed on its behalf by the undersigned, thereunto duly authorized.

CENTRAL AMERICAN EQUITIES CORP.

BY: Michael N. Caggiano, President/CEO

MICHAEL N. CAGGIANO, President/CEO

CENTRAL AMERICAN EQUITIES CORP.

BY: Richard Wm. Talley, Director

RICHARD WM, TALLEY, DIRECTOR

CENTRAL AMERICAN EQUITIES CORP.

BY: W. F. O. Rosenmiller, Director

W. F.O. ROSENMILLER, DIRECTOR