

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

AMERICAN LEISURE HOLDINGS INC
Form 10KSB
May 21, 2004

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

FORM 10-KSB

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

OR

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

FOR THE TRANSITION PERIOD FROM _____ to _____.

COMMISSION FILE NUMBER 333-48312

AMERICAN LEISURE HOLDINGS, INC. formerly FreewillPC.com
(Exact name of registrant as specified in its charter)

Nevada
(State or Other Jurisdiction of
Incorporation or Organization)

75-2877111
(I.R.S. Employer
Identification Number.)

Park 80 Plaza East
Saddlebrook, New Jersey 07663
(Address of principal executive offices) (ZIP code)

(201) 226-2060
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act: Common Stock

Check whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days.

YES NO

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 the 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.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b2 of the Act). Yes No .

The Registrant had \$3,327,483 in gross revenues for the year ended December 31,

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

2003.

The aggregate market value of the Registrant's voting stock that was held by non-affiliates of the Registrant on May 10, 2004 was \$5,825,981 based on the average bid and asked price of the Registrant's common stock on such date as reported on the Over the Counter Bulletin Board.

As of May 10, 2004, there were 7,767,974 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

AMERICAN LEISURE HOLDINGS, INC.
INDEX TO ANNUAL REPORT ON FORM 10-K

PART I

- Item 1. Description of Business.....
- Item 2. Description of Property.....
- Item 3. Legal Proceedings.....
- Item 4. Submission of Matters to a Vote of Security Holders.....

PART II

- Item 5. Market for Common Equity and Related Stockholder Matters
and Issuer Purchases of Equity Securities.....
- Item 6. Management's Discussion and Analysis of Financial Condition
and Results of Operations.....
- Item 6A. Quantitative and Qualitative Disclosures About Market Risk.....
- Item 7. Financial Statements and supplementary data.....
- Item 8. Changes in and Disagreements with Accountants on Accounting
and Financial Disclosure.....

PART III

- Item 9. Directors, Executive Officers, Promoters and Control Persons;
Compliance with Section 16(a) of the Exchange Act.....
- Item 10. Executive Compensation.....
- Item 11. Security Ownership of Certain Beneficial Owners and
Management.....
- Item 12. Certain Relationships and Related Transactions.....
- Item 13. Controls and Procedures.....
- Item 14. Exhibits and Reports on Form 8-K.....
- SIGNATURES.....
- Financial Statements

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

PART I

FORWARD-LOOKING STATEMENTS

Forward-looking statements in our public filings or other public statements are subject to known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements were based on various factors and were derived utilizing numerous important assumptions and other important factors that could cause actual results to differ materially from those in the forward-looking statements. Forward-looking statements include the information concerning our future financial performance, business strategy, projected plans and objectives. Statements preceded by, followed by or that otherwise include the words "believes", "expects", "anticipates", "intends", "projects", "estimates", "plans", "may increase", "may fluctuate" and similar expressions or future or conditional verbs such as "will", "should", "would", "may" and "could" are generally forward-looking in nature and not historical facts. You should understand that the following important factors and assumptions could affect our future results and could cause actual results to differ materially from those expressed in such forward-looking statements:

Terrorist attacks, such as the September 11, 2001 terrorist attacks on New York City and Washington, D.C., other attacks, acts of war or measures taken by governments in response thereto may negatively affect the travel industry, our financial results and could also result in a disruption in our business; The effect of economic or political conditions or any outbreak or escalation of hostilities on the economy on a national, regional or international basis and the impact thereof on our businesses; The effects of a decline in the volume or value of U.S. existing home sales, due to adverse economic changes or otherwise, on our real estate related businesses; The accounting for effects of changes in current interest rates, Our ability to develop and implement operational, technological and financial systems to manage growing operations and to achieve enhanced earnings or effect cost savings; Competition in our existing and potential future lines of business and the financial resources of, and products available to, competitors; Failure to reduce quickly our substantial technology costs and other overhead costs in response to a reduction in revenue, particularly in our computer reservations business; Our failure to provide fully integrated disaster recovery technology solutions in the event of a disaster; Our ability to integrate and operate successfully acquired and merged businesses; Our ability to obtain financing on acceptable terms to finance our growth strategy and to operate within the limitations imposed by financing arrangements and to maintain our credit ratings; Competitive and pricing pressures in the travel industry, filing of bankruptcy by or the loss of business of any of our significant customers, Changes in laws and regulations, including changes in accounting standards, global distribution services rules, telemarketing and timeshare sales regulations, state and federal tax laws and privacy policy regulation.

Other factors and assumptions not identified above were also involved in the derivation of these forward-looking statements, and the failure of such other assumptions to be realized as well as other factors may also cause actual results to differ materially from those projected. Most of these factors are difficult to predict accurately and are generally beyond our control. Readers are cautioned not to place undue reliance on these forward-looking statements.

You should consider the areas of risk described above in connection with any forward-looking statements that may be made by us and our businesses in general. Except for our ongoing obligations to disclose material information under the

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events unless required by law. For any forward-looking statements contained in any document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

3

MARKET AND INDUSTRY DATA

Market and industry data used throughout this Annual Report were obtained from our internal surveys, industry publications, unpublished industry data and estimates, discussions with industry sources and currently available information. The sources for this data include, without limitation, various industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy and completeness of such information. We have not independently verified such market data. Similarly, our internal surveys, while believed by us to be reliable have not been verified by any independent sources. Accordingly, no assurance can be given that any such data will prove to be accurate.

ITEM 1 DESCRIPTION OF BUSINESS

References in this report to "we" and "our" are to American Leisure Holdings, Inc. (hereinafter referred to as "AMLH" and its wholly-owned and majority owned subsidiaries, American Leisure Corporation, American Leisure, Inc., American Professional Management Group, Inc., Sunstone Golf Resort, Inc., American Leisure Marketing & Technology, Inc., American Travel & Marketing Group, Inc., American Leisure Homes, Inc., Florida Golf Group, Inc., I-Drive Limos Inc., Orlando Holidays, Inc., Welcome to Orlando, Inc., Pool Homes, Inc., Pool Homes Managers, Inc., Leisureshare International Ltd, Leisureshare International Espanola S.A. American Travel Club, Inc. American Access Telecommunications Corporation, American Switching Technologies, Inc., Club Turistico Latinoamericano, Inc. Affinity Travel Club, Inc., Affinity Travel, Inc., Luxshares, Inc. American Sterling Motorcoaches, Inc. HTS Holdings, Inc and Hickory Travel Systems, Inc., which collectively may also be referred to herein as the "Company".

We were incorporated in Nevada on June 13, 2000 and operated the website <http://www.freewillpc.com>. We were a web-based retailer of built-to-order personal computers and brand name related peripherals, software, accessories and networking products. We also offered computer consulting and design, which enabled us to sell more built to order systems. Our primary target customers were individual end users (IEU), home based business (HBB) owners, and small business owners (SBO). Through an interactive web site, customers had the ability to browse the products offered by Freewill PC and order. We offered a broad selection of products targeted for business/home use at competitive prices. That business proved to be too competitive for our resources.

On June 14, 2002, we entered into a Merger Agreement with American Leisure Corporation (formerly known as American Leisure Holdings, Inc.) and its subsidiaries (American Leisure, Inc., American Professional Management Group, Inc., Sunstone Golf Resort, Inc. and Leisureshare International Ltd.) and as consideration, issued 4,819,665 shares of common stock and 880,000 shares of Series A Preferred Stock. Also, in connection with the Registrant's acquisition of American Leisure Corporation, Vyrtext Limited a UK company, which had acquired 3,830,000 shares of Common Stock of the Registrant, surrendered 3,791,700 shares

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

of Common Stock, as required under the terms of the acquisition of American Leisure Corporation. Though FWC was the legal surviving entity, the merger was treated as a purchase business acquisition of FWC by the acquirers (a reverse merger) and a re-capitalization of American Leisure. American Leisure is the accounting acquirer and the results of its operations carry over. Accordingly, the operations of Freewill are not carried over and are adjusted to \$0. On July 9, 2002, FWC changed its name to American Leisure Holdings, Inc.

The Company has been re-designed and structured to own, control and direct a series of companies in the travel and tourism industries so that it can achieve significant vertical and horizontal integration in the sourcing of, and the delivery of, corporate and vacation travel services. Our mission is to:

4

- o own and operate vacation hotel/resort properties,
- o build large travel club membership bases through various travel club programs,
- o build a large membership base for our vacation and travel clubs, and
- o promote our vacation resort assets and sell travel services and vacation ownership to those club members and other corporate and vacation travelers.

Principal Operating Companies:-

Sunstone Golf Resort, Inc. ("SGR")

SGR is currently in the final planning stage as a 971-unit vacation destination resort in Orlando, Florida. Development is scheduled to commence with horizontal construction during the summer of 2004 and vertical construction on all pre-sales in the autumn of 2004 with the first vacation investment properties estimated to be delivered in the summer of 2005. It was expected that the horizontal construction finance and resort amenities would be funded via a Community Development District Bond placement. Due to the re-rating of these bonds in December 2003, the development of the project was delayed until the summer of 2004 when SGR expects to have obtained conventional construction financing. SGR expects to sell the CDD Bonds when the vacation homes have been sold to third party buyers with a view to recovering the monies it will have expended for the horizontal infrastructure and resort amenities. AMLH intends to provide development guarantees and financing support for the development of the resort so that it will become one of many fine vacation destinations to be owned by AMLH. SGR is now being marketed as "Tierra Del Sol Resort". As at May 10, 2004 SGR has executed sales contracts for 285 properties in the total amount of pre-sales of \$80,101,871. On May 10, 2004 SGR changed its name to Tierra Del Sol Resort, Inc.

SGR has entered into an agreement with Town Center Commercial Group, LLC for the Sale and Purchase of 40 acres of Sunstone's property comprising "Cita Del Sol" for the amount of \$7,000,000. The closing is conditional upon SGR releasing this property from its mortgage with Grand Bank & Trust of Florida. Of the \$7,000,000 sales price, \$3,000,000 will be paid in cash and the balance of the purchase consideration will be paid via the transfer of \$4,000,000 of the existing mortgages on the property due to Arvimex, Inc. and Raster Investments, Inc.

American Travel & Marketing Group, Inc. ("ATMG")

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

We believe that ATMG will generate significant travel business through the creation of clubs comprised of affinity-based travelers. ATMG has developed a travel club system and travel incentive strategy that creates and fulfills the travel and incentive needs of corporations, organizations and associations with significant member bases. We believe that ATMG is poised to secure a significant market share of the affinity-travel marketing segment. As the proprietor and manager of clubs it creates, ATMG anticipates substantial revenue from annual membership fees and commissions earned on the sale of travel services once the infrastructure has been finalized to communicate and sell to its affinity-based club databases. The value added to ATMG programs by being a part of the AMLH family includes the sales opportunities to the corporate clients of HTS Holdings, Inc. (HTS), the fulfillment capacity of the bulk buying power of HTS and the hotel/resort assets to be provided by AMLH through its resort division.

Once the infrastructure has been finalized in conjunction with American Leisure Marketing & Technology, Inc., to communicate and sell to its affinity-based club databases, we anticipate that ATMG will derive substantial revenue from annual membership fees and commissions earned from the sale of packaged travel services.

During 2003, the Company expended funds to develop the infrastructure for the above listed programs.

5

American Leisure Marketing & Technology, Inc. ("ALMT")

In January 2003, ALMT acquired the assets of a sophisticated, state of the art communications center from a south Florida bank, Stanford Financial Capital Markets Group. The communications center facilities are up to date, with all technology linked to the Internet. This allows the Customer Service representative to respond to the individual consumer with accuracy, speed and knowledge, thus providing the consumer with relevant and immediate information that is current at all times. This technological capacity will allow American Leisure Marketing & Technology, Inc. to market the products and services of HTS, and ATMG, as well as for third parties, in a cost effective, all encompassing way. This resource will be offered to the 3,000 HTS affiliated travel agencies, providing an unsurpassed service to the hundreds of major HTS corporate clients, in real time telephony and web based applications via VOIP technology.

ALMT began its marketing and sales in the Summer of 2003. The initial marketing efforts were the sales of tours for various resorts and other tour operators. The Company experienced revenues from these efforts, but experienced significant weaknesses in its senior management. The management was not strong enough to generate sufficient revenues to cover its overhead costs. The management resigned in February 2004. The Company is currently setting a new direction for its sales effort from the call center and expects to initiate this by the end of the second quarter in 2004.

Hickory Travel Systems, Inc. ("HTSI")

In July 2002, the Company entered into a option to acquire a controlling interest of HTS Holdings, Inc. (HTS), the parent to, among other companies, Hickory Travel Services, Inc. which will focus on the fulfillment of all of our companies' travel needs. On October 1, 2003, the Company acquired the majority interest in HTS and is currently beginning the integration of its various travel and marketing programs into the HTS system.

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

HTS brings to AMLH its network/consortium of approximately 160 well-established travel agency members, comprised of over 3,000 seasoned travel agency locations worldwide. As a group of members, they have amassed approximately \$17 billion in travel bookings per year over the past several years. HTS will focus on the fulfillment of all of the AMLH group companies travel needs. AMLH intends to take advantage of its 24-hour reservation services, international rate desk, discount hotel programs, preferred supplier discount and commission enhancement programs, marketing services, training, consultation, professional services (legal and financial), automation and an information exchange and make significant improvements to the operating methods of HTS for the benefit of itself and HTS's member base.

Strategy

Our business model is based on four basic premises:

Club Creation and Administration

We intend to promote and service both travel clubs and vacation clubs to derive membership dues revenue, travel commissions revenue and prospects for conversion of travel club members to vacation club members. To enhance membership benefits, we intend to affiliate with vacation exchange programs and provide finance to its members.

Vacation Resort Real Estate.

In addition to our current vacation resort asset Tierra Del Sol Resort, we intend in the future to purchase additional vacation resort assets, particularly in the Caribbean and Florida resort areas where the demand for vacation property is strong the majority of the year.

6

Such resorts assets will likely include the following:

- o Resort properties suitable for conversion, for use for vacation club ownership, such as suites, one bedroom and two bedroom units;
- o Resort properties with contiguous vacant land suitable for further expansion;
- o Resort properties that have consistently sustained at least break-even occupancy;
- o Developable land suitable for hotel, vacation resort and/or vacation club development in prime locations with room for a substantial amenity packages; and
- o Locations that have appeal throughout the year rather than limited "seasonal" attraction.

Vacation Ownership.

We intend in the future to market vacation assets and vacation club memberships to the general public. The membership bases of our vacation and travel clubs and guests staying at our resort assets will likely provide an ongoing source of prospects for our vacation assets and vacation club membership sales. Revenues from the sale of vacation assets and vacation club memberships is expected to be

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

a substantial component in our ability to capitalize the front end of developments and the equity requirement for resort acquisitions.

Travel Services.

We intend to capitalize on the travel requirements of servicing the travel clubs and vacation clubs to garner significant group purchasing, branding and third party branding power. By actively focusing on the demand side coupled with having the structure to fulfill the travel requirements both at our resort assets and at other venues, we will seek to obtain seamless vertical and horizontal integration of services such that the traveler's entire range of needs can be fulfilled or provided by us.

In May, 2004, we acquired an option to acquire a controlling stake in Around The World Travel, Inc dba "Traveleaders" as part of the Company's new growth strategy to acquire travel distribution companies and expand its affiliates travel network within the AMLH's business model for an integrated distribution channel whilst continuing our web based and e-commerce solutions development. The option provides for rights that are tantamount to the control over the operations of the company. The Company is continuing its due diligence on the operations of Traveleaders and expects to acquire the asset base of this company or acquire control of its stock during the summer of 2004. The company draws the reader's attention to its 8K filings concerning the acquisition of the senior debt of Traveleaders. The assets acquired were in the form of senior, secured notes owed by Around The World Travel, Inc., a Florida Corporation, ("AWT") in the amount of \$22,600,000.00. AMLH acquired the assets from GCD Acquisition Corp. ("GCD") of Coral Gables, Florida for \$1,700,000, which was paid via the issuance of 340,000 common restricted shares at \$5 a share in AMLH. In addition, AMLH gave the seller various indemnities and agreed to assume the seller's liability for, among other things, the responsibilities of GCD to service the purchase money financing for the assets as defined in a certain promissory note dated February 23, 2004 wherein the Maker is a Florida corporation known as Around The World Travel, Inc. and the Payee is CNG Hotels, Ltd. in the amount of \$5,000,000 that carries an interest rate of the 3 month LIBOR + 1% per annum. This note is to be serviced on an interest only basis every six months in arrears, until it reaches final maturity in February, 2009. On April 1, 2004 we acquired 1,093,666 shares of Traveleaders Preferred stock and issued 24,101 shares of our new Series E Preferred Stock, such designation is disclosed in our 8K filing.

Dependence on One or a Few Major Customers.

We will not be dependent on any one major customer. In the main, our customers will either be individuals ordering from our web sites, calling our call centers or Corporations requiring our corporate travel services.

7

Additional information.

We have made various public announcements to date. In addition, we don't intend to spend funds in the field of research and development; no money has been spent or is contemplated to be spent on customer sponsored research activities relating to the development of new products, services or techniques; and we don't anticipate spending funds on the improvement of existing products, services or techniques.

Competition

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

The AMLH group of companies will compete with other wholesale and retail suppliers of travel packages and providers of travel and vacation clubs and leisure services. There are other companies in the industry that are much larger and have greater financial resources. The Company will compete for airline tickets through its expertise and marketing in the sectors that the airlines wish to promote and its ability to sell tickets in a lower profile manner. The Company will be viewed by its vendors based on annual performance. The Company will also compete by bundling its products in attractively priced tour packages.

The outsourced management solutions provider industry is highly fragmented and competitive. Some competitors in this industry are providing integrated Internet services with their current service offerings. Our competitors range from small firms catering to specialized programs and/or short-term projects to large independent companies. We will also compete with the in-house operations of existing clients and potential clients. The principal competitive factors in this industry are quality of service, range of product offerings, flexibility and speed of implementing customized solutions to meet the clients' needs, capacity, industry specific experience, technological expertise and price.

Our state of the art call center technology and management experience in both the travel and telecommunications industries is intended to set us apart from our competition.

Proprietary Rights and Licenses

We will register or apply to register our trademarks when we believe registration is warranted, and important, to our ongoing business operations. We have registered and own the Internet domain names which we are currently using in the operation of our business which are:

americanleisureholdings.com
americanleisureinc.com
americanleisureholdingsinc.com
americanleisure.net
americanleisurehomes.com
americantravelandmarketing.com
americantravelclub.co.uk
americantravelclub.net
americantravelmarketing.com
americanleisuremarketing.com
americantravelmarketinggroup.com
americanlesiuretravel.com
americanleisuretravel.net
americanlesiureresorts.com
americanleisurevacations.com
americanleisurecruises.com
americanlesiurehotels.com
americanleisureholidays.com
affinitytravelclub.com
affinity-travel.com
affinitytravel.com
clubtouristicola.com
ladolcevitoclub.com
enjoyyourtour.com
almt.info
almt.biz
Sunstonegolfresort.com
Tierradelsolresort.com
Tierradelsolresorts.com
eleisureleaders.com
ecruiseleaders.com
evacuationleaders.com

We currently do not have any United States patents.

Although we believe that our intellectual property rights do not infringe upon the proprietary rights of third parties, there can be no assurances that third parties will not assert infringement claims against us.

Government Regulations

The Vacation Ownership, Travel and Real Estate industries are subject to extensive and complex regulation. The Company is or will be subject to compliance with various federal, state, and local environmental, zoning, consumer protection and other statutes and regulations regarding the acquisition, subdivision and sale of real estate and Vacation Ownership Interests and various aspects of its future financing operations. On a federal level, the Federal Trade Commission has taken an active regulatory role through the Federal Trade Commission Act, which prohibits unfair or deceptive acts or competition in interstate commerce. In addition to the laws applicable to the Company's customer financing and other operations discussed below, the Company is or may be subject to the Fair Housing Act and various other federal statutes and regulations. In addition, there can be no assurance that in the future, Vacation Ownership Interests will not be deemed to be securities subject to regulation as such, which could have a material adverse effect on the Company. The Company believes that it is in compliance in all-material respects with applicable regulations. However, no assurance can be given that the cost of complying with applicable laws and regulations will not be significant or that the Company is in fact in compliance with all applicable laws. Any failure to comply with current or future applicable laws or regulations could have a material adverse effect on the Company.

Tele-service sales practices are regulated at both the federal and state level. The Telephone Consumer Protection Act, which was enacted in 1991, authorized and directed the Federal Communications Commission (the "FCC") to enact rules to regulate the telemarketing industry. In December of 1992, the FCC enacted rules, which place restrictions on the methods and timing of telemarketing sales calls. The Federal Telemarketing Consumer Fraud and Abuse Act of 1994 (the "TCFAA") authorizes the Federal Trade Commission (the "FTC") to issue regulations designed to prevent deceptive and abusive telemarketing acts and practices. The FTC issued its Telemarketing Sales Rule (the "Sales Rule"), which went into effect in January 1996. This Sales Rule applies to most direct tele-service and telemarketing calls and certain operator tele-service telemarketing calls and generally prohibits a variety of deceptive, unfair or abusive practices in telemarketing sales. The FTC has initiated administrative rule making proceedings to review and possibly remove the Sales Rule. We cannot predict whether any modifications will be made to the Sales Rule, and if so, what impact such revisions would have on our business, results of operations or financial condition.

In addition to federal legislation and regulation, there are numerous state statutes and regulations governing telemarketing activities. For example, states such as Alaska, Florida, Georgia and New York have passed binding "do not call" lists, for which consumers can sign-up and prevent unwanted solicitation. Many states such as Alabama, Michigan, New York and Texas have adopted day and time call limits more restrictive than those imposed by the FTC.

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

Other pending state legislation would prohibit telemarketers from blocking their identities on consumers' telephone caller identification equipment, prohibit telemarketing calls during the hours of 5 pm to 7 pm, and impose civil penalties for telemarketers that violate the "do not call" lists.

Increased use of predictive dialers has also led to public requests for government restriction. Predictive dialers can hang up on a recipient if the sales representative is not available and often result in a lag between the point when the recipient answers the call and the sales representative first makes verbal contact. In addition, the efficiency of the predictive dialer has led to an increase in the number of calls that sales representatives place to peoples' homes, increasing the desire for relief from some consumers.

Recently, the Kansas legislature passed a law requiring call center agents to first make verbal contact within five seconds of a recipient answering the call when a predictive dialer is used. If no one answers the call, the recipient's voice mail must receive a prerecorded message stating the caller's name and company, without any promotional content.

The industries we will serve may also be subject to varying degrees of government regulation. Generally, in these instances, we will rely on our clients and their advisors to develop and provide us with the scripts for each campaign. We will require our clients to indemnify us against claims and expenses arising with respect to the scripts provided by our clients.

We will comply with federal and state regulations by comparing all lists to "do not call" lists. We believe we are compliance in all material respects with all federal and state telemarketing regulations. There can be no assurances, however, that our practices and methods would not be subject to regulatory challenge.

In recent years, state regulators have increased legislation and enforcement regarding telemarketing operations including requiring the adherence to state "do not call" lists. In addition, the Federal Trade Commission has implemented national "do not call" legislation. The Company believes that its exposure to adverse impacts from this heightened telemarketing legislation and enforcement will be mitigated in some instances by the use of "permission marketing" techniques, whereby prospective purchasers have directly or indirectly granted the Company permission to contact them in the future, and through marketing agreements with various clubs and membership databases. The Company has implemented procedures which it believes will help ensure that individuals who have formally requested to their state regulators that they be placed on a "do not call" list are not contacted through its in-house telemarketing operations, although there can be no assurances that such procedures are 100% effective in ensuring regulatory compliance. There can be no assurances that the Company will be able to efficiently or effectively market to prospective purchasers through its telemarketing operations in the future or that the Company will be able to develop alternative sources of prospective purchasers of its vacation ownership products at acceptable costs.

Employees

As of December 31, 2003, we had seventy five employees including the President, and no leased service representatives. Our employee costs are categorized as payroll. We believe that our relations with our employees are good. None of our employees are represented by a labor union or collective bargaining agreement, and we have never experienced a work stoppage.

L. William Chiles (Chairman and CEO) is one of the travel industry's most

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

successful and innovative executives, serving as President & CEO of Hickory Travel Systems since 1989. In addition, Mr. Chiles is Chairman of The Board of First Travel Management and Chairman of the GlobalStar Supervisory Board of Directors. He also sits on advisory boards for the Airline Reporting Corp. (ARC) and the American Society of Travel Agents (ASTA).

Malcolm J. Wright (President and COO) was formerly a partner at Kingston Smith, a prominent London-based accounting firm, from 1977-1988. He served as Chairman and Managing Dir. of Zurich Group, a London stock exchange company, from 1988-1989. For a number of years, Mr. Wright worked as the driving force behind the AMLH business model and bringing together the companies that were rolled up to create American Leisure Holdings, Inc.

10

Risk Factors

The travel industry is significantly affected by general economic conditions. Because a substantial portion of business and personal airline travel is discretionary, the industry tends to experience adverse financial results during general economic downturns. Economic and competitive conditions since deregulation of the airline industry in 1978 have contributed to a number of bankruptcies and liquidations among airlines. A worsening of current economic conditions, or an extended period of recession nationally or regionally could have a material adverse effect on operations. The Company does not have any control over general economic conditions.

Risks Relating to AMLH Common Stock

AMLH's common stock price could and has fluctuated significantly, and shareholders may be unable to resell their shares at a profit.

The trading prices for small capitalization companies often fluctuate significantly. Market prices and trading volume for stocks of these types of companies have been volatile. If revenue or earnings are less than expected for any quarter, the market price of AMLH's common stock could significantly decline, even if the decline in consolidated revenue or earnings is not reflective of any long-term problems with AMLH's business.

Active trading markets for AMLH's common stock may not develop.

While the listing of AMLH's common stock was a condition to the closing of the merger arrangement, an active and liquid trading market for AMLH's common stock may not develop or be sustained in the future. In addition, AMLH cannot predict the price at which AMLH's common stock will trade.

AMLH has and may issue preferred stock that may adversely affect the rights of holders of common stock.

AMLH's Articles of Incorporation authorize its Board of Directors to issue "blank check" preferred stock, the relative rights, powers, preferences, limitations, and restrictions of which may be fixed or altered from time to time by the Board of Directors or the majority of the preferred stockholders. Accordingly, the Board of Directors may, without shareholder approval, issue preferred stock with dividend, liquidation, conversion, voting, or other rights that could adversely affect the voting power and other rights of the holders of common stock. The preferred stock could be utilized, under certain circumstances, as a method of discouraging, delaying, or preventing a change in ownership and management of the company that shareholders might not consider to

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

be in their best interests.

No dividends on AMLH's common stock have been declared.

Dividends will not be paid unless and until the Board of Directors declares them. Holders of AMLH's common stock have no authority to compel the board to declare dividends.

Because of the significant number of shares owned by directors, officers and principal shareholders, other shareholders may not be able to significantly influence the management of AMLH.

AMLH's directors, officers, and principal shareholders beneficially own a substantial portion of AMLH's outstanding common and preferred stock. As a result, these persons have a significant influence on the affairs and management of AMLH, as well as all matters requiring shareholder approval, including election and removal of members of the board of directors, transactions with directors, officers or affiliated entities, the sale or merger of AMLH, and changes in dividend policy. This concentration of ownership and control could have the effect of delaying, deferring, or preventing a change in ownership and management of AMLH, even when a change would be in the best interest of other shareholders.

11

Risks Relating to the Travel Business

Adverse changes or interruptions in relationships with travel suppliers, distribution partners and other third party service providers could reduce revenue.

If AMLH companies are unable to maintain or expand their relationships with travel suppliers, including airline, hotel, cruise, tour and car rental suppliers, its ability to offer and expand travel service offerings or lower-priced travel inventory could be significantly reduced. Travel suppliers may not make their services and products available to AMLH group companies on satisfactory terms, or at all. They may choose to provide their products and services only to competitors of AMLH. In addition, these travel suppliers may not continue to sell services and products through global distribution systems on terms satisfactory to AMLH. Any discontinuance or deterioration in the services provided by third parties, such as global distribution systems providers, could prevent customers from accessing or purchasing particular travel services through AMLH.

The contracts of AMLH group companies with travel suppliers are generally renewed on an annual basis and, in some cases, can be canceled at will by the supplier. If these suppliers cancel or do not renew the contracts, AMLH would not have the range or volume of services it will require to meet demand and its future revenue would decline.

A decline in commission rates or the elimination of commissions by travel suppliers would also reduce revenues.

We expect that a substantial portion of AMLH's revenue will come from the commissions paid by travel suppliers, such as hotel chains, and cruise companies, for bookings made through its online travel services. Consistent with industry practices, these travel suppliers are not obligated to pay any specified commission rates for bookings made through it or to pay commissions at all. Over the last several years, travel suppliers have reduced commission rates

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

substantially. Future reductions, if any, in commission rates that are not offset by lower operating costs from our Internet platforms could have a material adverse effect on the operations of AMLH.

Failure to maintain relationships with traditional travel agents could adversely affect AMLH's business.

HTS has historically received, and expects to continue in the foreseeable future to receive, a significant portion of their revenue through relationships with traditional travel agents. Maintenance of good relations with these travel agents depends in large part on continued offerings of travel services in demand, and good levels of service and availability. If HTS does not maintain good relations with its travel agents, these agents could terminate their memberships and use of its products.

Declines or disruptions in the travel industry could significantly reduce AMLH's revenue.

Potential declines or disruptions in the travel industry include:

- price escalation in the airline industry or other travel-related industries;
- airline or other travel related strikes;
- political instability, war and hostilities;
- bad weather;
- fuel price escalation;
- increased occurrence of travel-related accidents; and
- economic downturns and recessions.

12

AMLH has only recently focused their businesses on the travel sector and their recent business experience in unrelated industries might not carry over into the business of being an Internet-based provider for travel services.

Other Risk Factors

The companies may not identify or complete acquisitions in a timely manner, on a cost-effective basis or at all. In the event of any future acquisitions, the companies could:

- issue additional stock that would further dilute current shareholders' percentage ownership;
- incur debt;
- assume unknown or contingent liabilities; or
- experience negative effects on reported operating results from acquisition-related charges and amortization of acquired technology, goodwill and other intangibles.

These transactions involve numerous risks that could harm operating results and

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

cause the companies' stock prices to decline, including:

- potential loss of key employees of acquired organizations;
- problems integrating the acquired business, including its information systems and personnel;
- unanticipated costs that may harm operating results;
- diversion of management's attention from business concerns;
- adverse effects on existing business relationships with customers; and
- risks associated with entering an industry in which the companies have no or limited prior experience.

Any of these risks could harm the businesses and operating results.

- attract additional travel suppliers and consumers to its services;
- maintain and enhance its brand;
- expand its service offerings;
- operate, expand and develop its operations and systems efficiently;
- maintain adequate control of its expenses;
- raise additional capital;
- attract and retain qualified personnel;
- respond to technological changes; and

Other Risks Relating to the Business of AMLH

AMLH may not be able to obtain additional capital on reasonable terms, or at all, to fund cash acquisitions, and this inability may prevent AMLH from taking advantage of opportunities, hurt its business and negatively impact its shareholders.

AMLH has historically made most of its acquisitions using all preferred shares or a combination of preferred and common shares. AMLH does not at this time have any commitments to make acquisitions for cash. Nevertheless, acquisitions may be undertaken that require cash capital to consummate. If adequate funds are not available on reasonable terms, or at all, AMLH may be unable to take advantage of future opportunities to make additional acquisitions for cash. AMLH believes that it currently has sufficient capital resources to satisfy on-going cash requirements for its operations, and material commitments, however if capital requirements vary from those currently planned, or start up losses are greater than expected, additional financing will be required. If additional funds are raised through the issuance of debt or equity securities, the percentage ownership of existing shareholders may be diluted, the securities issued may have rights and preferences senior to those of shareholders, and the terms of the securities may impose restrictions on operations.

If AMLH does not manage its growth effectively, the quality of its services may suffer.

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

AMLH plans to grow rapidly and will be subject to related risks, including capacity constraints and pressure on its management, internal systems and controls. The ability of AMLH to manage its growth effectively requires it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of AMLH to manage this growth would have a material adverse effect on its business, operations and prospects.

Because AMLH depends on key personnel, their loss could harm its business.

AMLH's key personnel are: Malcolm Wright and Bill Chiles. AMLH may not be able to retain the services of these key personnel. These key personnel would be difficult to replace. AMLH does not carry any insurance covering the loss of any of these key personnel.

Recent Developments - Summary

- o Reverse Merger on June 14, 2002 with American Leisure Corporation, Inc.
- o Acquisition of \$250,000 of call center equipment in July 2002
- o Acquisition of \$2,850,000 of call center equipment in January 2003
- o Acquisition of Panther Access in February 2003 and cancellation of the acquisition agreement in May 2003.
- o Refinancing of Sunstone's land in March 2003 for \$6,000,000.
- o In July 2002, the Company entered into a option to acquire a controlling interest of HTS Holdings, Inc. (HTS), the parent to, among other companies, Hickory Travel Services, Inc. which will focus on the fulfillment of all of our companies' travel needs. On October 1, 2003, the Company acquired the majority interest in HTS and is currently beginning the integration of its various travel and marketing programs into the HTS' system.
- o In November 2003, SGR entered into an agreement with Town Center Commercial Group, LLC for the Sale and Purchase of 40 acres of Sunstone's property comprising "Cita Del Sol" for the amount of \$7,000,000. The closing is conditional upon SGR releasing this property from its mortgage with Grand Bank & Trust. Of the \$7,000,000 sales price, \$3,000,000 will be paid in cash and the balance of the purchase consideration will be paid via the transfer of \$4,000,000 of the existing mortgages due to Arvimex, Inc. and Raster investments, Inc.
- o In November 2003, the Company entered into an agreement to sell the stock it held in American Vacation Resorts, Inc. for \$800,000. This transaction closed on April 27, 2004.
- o In March 2004 we acquired a \$6,000,000 credit facility from Stanford Venture Capital Holdings, Inc.
- o In March 2004 we acquired approximately \$23,000,000 of senior debt in Traveleaders for \$1,700,000 and gave the seller various indemnities and agreed to assume the seller's liability for, among other things, its responsibilities to service a purchase money financing for the assets as defined in a certain promissory note

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

dated February 23, 2004 wherein the Maker is a Florida corporation known as Around The World Travel, Inc. and the Payee is CNG Hotels, Ltd. in the amount of \$5,000,000 that carries an interest rate of the 3 month LIBOR + 1% per annum. As consideration for the purchase we issued 340,000 restricted Common Shares of the Company.

- o In April 2004 we acquired 1,093,666 shares of Traveleaders Preferred stock and issued 24,101 shares of our new Series E Preferred Stock.

Recent Significant Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141, "Business Combinations," SFAS No. 142, "Goodwill and Other Intangible Assets," and SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 141 changes certain accounting methods used for business combinations. Specifically, it requires use of the purchase method of accounting for all business combinations initiated after June 30, 2001, thereby eliminating use of the pooling-of-interests method. SFAS No. 142 establishes new guidance on how to account for goodwill and intangible assets after a business combination is completed. Among other things, goodwill and certain other intangible assets will no longer be amortized, but will now be tested for impairment at least annually, and expensed only when impaired. This statement will apply to existing goodwill and intangible assets, beginning with fiscal years starting after December 15, 2001. Early adoption of the statement is permitted for certain companies with a fiscal year beginning after March 15, 2001. SFAS No. 143 addresses accounting for obligations associated with the retirement of tangible long-lived assets. We are currently evaluating these statements but do not expect that they will have a material impact on our financial position, results of operations, or cash flows.

14

Factors That May Affect Future Operating Results

We make statements in this Report on Form 10-KSB as well as in our press releases or verbal statements that may be made by our officers, directors or employees acting on behalf of our Company, that are not historical fact and constitute "forward-looking statements." Such forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause our actual results to be materially different from the historical results or from any results expressed or implied by such forward-looking statements. Factors that might cause such a difference include, without limitation, the information set forth below. In addition to statements, which explicitly describe such risks and uncertainties, statements labeled with the terms "believes", "belief", "expects", "plans", or "anticipates" should be considered uncertain and forward-looking. All cautionary statements made in this Report should be read as being applicable to all related forward-looking statements wherever they may appear.

Limited Operating History ~ Continuing Operating Losses

We have a very limited history of operations. Since AMLH's inception, we have engaged primarily in the development of vacation/resort properties, building travel club membership bases, and recently, the designing, developing, building and implementing the technology in the primary business center, and assembly of our management team. We have incurred net operating losses since our inception. At December, 31 2003, we have an accumulated deficit of approximately \$2,738,340. Such losses have resulted primarily from costs associated with general and administrative costs associated with our operations.

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

Uncertainty of Future Profitability

We have incurred losses since our inception and continue to require additional capital to fund operations and capacity and facilities upgrades. Our fixed commitments, including salaries and fees for current employees and consultants, equipment rental, and other contractual commitments, are substantial and will increase if additional agreements are entered into and additional personnel are retained. We do not expect to generate a positive internal cash flow until the end of 2004 due to expected increases in working capital needs and ongoing start up losses. We intend to generate the necessary capital to operate for the next twelve months by achieving break-even cash flow from operations and subsequent profitability, selling equity and/or debt securities and/or sale-lease back transactions of our equipment. The Company believes that such a transaction, if completed, would generate a substantial portion of the funds required. Unless we are successful in our efforts to achieve break-even cash flow and subsequent profitability and raise capital through sales of securities and/or entering into a sale-lease back transaction, we believe we may not be able to continue operations for the next twelve months. We have put a plan into effect to achieve profitability late in the fiscal year 2004; however, there can be no assurances that the Company will be able to successfully achieve the plan.

Going Concern Considerations

Our financial statements appearing in Item 13 of this Report have been prepared on a going concern basis that contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. Management recognizes that we must generate capital and revenue resources to enable us to achieve profitable operations. We are planning on obtaining additional capital by achieving break-even cash flow from operations and selling equity and/or debt securities and/or a sale-lease back transaction on our equipment. The realization of assets and satisfaction of liabilities in the normal course of business is dependent upon us obtaining additional revenues and equity and or debt capital and ultimately achieving profitable operations. However, no assurances can be made that we will be successful in these activities. Should any of these events not occur, our financial statements will be materially affected.

15

Uncertain Ability to Meet Capital Needs

We need additional capital to fund our operations and we are seeking to obtain additional capital through equity and/or debt financing or a sale lease back transaction on our equipment. If additional funds are raised by issuing equity securities and/or debt convertible into equity, further dilution to existing stockholders will result. Future investors may be granted rights superior to those of existing stockholders. There can be no assurance, however, that additional financing will be available when needed, or if available, will be available on acceptable terms.

Reliance on a Few Major Clients

We will focus our marketing efforts on developing long-term relationships with companies in our targeted travel and vacation resort industry. As a result, we will derive a substantial portion of our revenues from relatively few clients. There can be no assurances that we will not continue to be dependent on a few significant clients, that we will be able to retain those clients, that the volumes of profit margins will not be reduced or that we would be able to

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

replace such clients or programs with similar clients or programs that would generate a comparable profit margin. Consequently, the loss of one or more of those clients could have a material adverse effect on our business, results of operations or financial condition.

Economic Downturn

Our ability to enter into new multi-year contracts may be dependent upon the general economic environment in which our clients and their customers are operating. A weakening of the U.S. or global marketplace could cause longer sales cycles, delays in closing contracts for new business and slower growth under existing contracts. As a result of the terrorist attacks on the United States of America on September 11, 2001, the Company is unable to predict the impact of an economic downturn, if any, on the Company's financial condition or results of operations.

Our Contracts

Our contracts do not ensure that we will generate a minimum level of revenues, and the profitability of each client campaign may fluctuate, sometimes significantly, throughout the various stages of our sales campaigns. Although we will seek to enter into multi-year contracts with our clients, our contracts generally enable the client to terminate the contract, or terminate or reduce customer interaction volumes, on relatively short notice. Although some contracts require the client to pay a contractually agreed amount in the event of early termination, there can be no assurance that we will be able to collect such amount or that such amount, if received, will sufficiently compensate us for our investment in the canceled campaign or for the revenues we may lose as a result of the early termination. We are usually not designated as our client's exclusive service provider; however, we believe that meeting our clients' expectations can have a more significant impact on revenues generated by us than the specific terms of our client campaign.

Cost and Price Increases

Only a few of our contracts allow us to increase our service fees if and to the extent certain cost or price indices increase; however, most of our significant contracts do not contain such provisions and some contracts require us to decrease our service fees if, among other things, we do not achieve certain performance objectives. Increases in our service fees that are based upon increases in cost or price indices may not fully compensate us for increases in labor and other costs incurred in providing services.

Changing Technology

Our business is highly dependent on our computer and communications equipment and software capabilities. Our failure to maintain the superiority of our technological capabilities or to respond effectively to technological changes could have a material adverse effect on our business, results of operations or financial condition. Our continued growth and future profitability will be highly dependent on a number of factors, including our ability to (i) expand our existing service offerings; (ii) achieve cost efficiencies in our existing contact centers; and (iii) introduce new services and products that leverage and respond to changing technological developments. There can be no assurance that technologies or services developed by our competitors will not render our products or services non-competitive or obsolete, that we can successfully develop and market any new services or products, that any such new services or

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

products will be commercially successful or that the integration of automated customer support capabilities will achieve intended cost reductions.

Key Personnel

Continued growth and profitability will depend upon our ability to maintain our leadership infrastructure by recruiting and retaining qualified, experienced executive personnel. On July 9, 2002 we appointed Mr. Wright as President and a Director of the Company and Mr. Chiles as Chief Executive Officer and Chairman of the Board of Directors and a Director of the Company. Competition in our industry for executive-level personnel is fierce and there can be no assurance that we will be able to hire, motivate and retain highly effective executive employees, or that we can do so on economically feasible terms.

Labor Forces

Our success will be largely dependent on our ability to recruit, hire, train and retain qualified personnel. Our industry is very labor intensive and has experienced high personnel turnover. A significant increase in our personnel turnover rate could increase our recruiting and training costs and decrease operating effectiveness and productivity. Also, if we obtain several significant new clients or implement several new, large-scale campaigns, we may need to recruit, hire and train qualified personnel at an accelerated rate. We may not be able to continue to hire, train and retain sufficient qualified personnel to adequately staff new customer management campaigns. Because significant portions of our operating costs relate to labor costs, an increase in wages, costs of employee benefits or employment taxes could have a material adverse effect on our business, results of operations or financial condition.

Competitive Market

We believe that the market in which we operate is fragmented and highly competitive and that competition is likely to intensify in the future. We compete with small firms offering specific applications, divisions of large entities, large independent firms and the in-house operations of clients or potential clients. A number of competitors have or may develop greater capabilities and resources than us. Similarly, there can be no assurance that additional competitors with greater resources than us will not enter our market. In addition, competitive pressures from current or future competitors also could cause our services to lose market acceptance or result in significant price erosion, which could have a material adverse effect upon our business, results of operations or financial condition.

17

Business Acquisitions or Joint Ventures May Disrupt Our Business, Dilute Shareholder Value or Distract Management's Attention

As part of our business strategy, we may consider acquisition of, or investments in, businesses that offer services and technologies complementary to ours. Such acquisitions could materially adversely affect our operating results and/or the price of our common stock. Acquisitions also entail numerous risks, including: (i) difficulty in assimilating the operations, products and personnel of the acquired business; (ii) potential disruption of our ongoing business; (iii) unanticipated costs associated with the acquisition; (iv) inability of management to manage the financial and strategic position of acquired or developed services and technologies; (v) the division of management's attention from our core business; (vi) inability to maintain uniform standards, controls, policies and procedures; and (vii) impairment of relationships with employees

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

and customers which may occur as a result of integration of the acquired business.

Business Interruption

Our operations are dependent upon our ability to protect our contact center, computer and telecommunications equipment and software systems against damage from fire, power loss, telecommunications interruption or failure, natural disaster and other similar events. In the event we experience a temporary or permanent interruption at our contact center, through casualty, operating malfunction or otherwise, our business could be materially adversely affected and we may be required to pay contractual damages to some clients or allow some clients to terminate or renegotiate their contracts with us. We maintain property and business interruption insurance; however, such insurance may not adequately compensate us for any losses we may incur.

Varying Quarterly Results

We have experienced and could continue to experience quarterly variations in operating results because of a variety of factors, many of which are outside our control. Such factors may include, but not be limited to, the timing of new contracts; reductions or other modifications in our clients' marketing and sales strategies; the timing of new product or service offerings; the expiration or termination of existing contracts or the reduction in existing programs; the timing of increased expenses incurred to obtain and support new business; changes in the revenue mix among our various service offerings; labor strikes and slowdowns; and the seasonal pattern of certain businesses serviced by us. In addition, we make decisions regarding staffing levels, investments and other operating expenditures based on our revenue forecasts. If our revenues are below expectations in any given quarter, our operating results for that quarter would likely be materially adversely affected.

Penny Stock Regulations and Restrictions

The Securities and Exchange Commission (SEC or Commission) has adopted regulations, which generally define penny stocks to be an equity security that has a market price less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exemptions. As of December 31, 2003, the closing price of our common stock was less than \$5.00 per share and therefore is a "penny stock" pursuant to the rules under the Securities Exchange Act of 1934, as amended. Such designation requires any broker or dealer selling such securities to disclose certain information concerning the transactions, obtain a written agreement from the purchaser, and determine that the purchaser is reasonably suitable to purchase such securities. These rules may restrict the ability of brokers and dealers to sell our common stock and may adversely affect the ability of investors to sell their shares.

Possible Volatility of Stock Price

The price of our common stock has fluctuated substantially since it began trading on the Over-the-Counter Bulletin Board (OTCBB). The market price of the shares of common stock is likely to continue to be highly volatile. Factors such as a number of our issued and outstanding shares becoming subject to Rule 144 in June 2002, terms of any equity and/or debt financing, fluctuations in our operating results and market conditions could have a significant impact on the future price of our common stock and could have a depressive effect on the then market price of the common stock.

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

Given these uncertainties, investors should not place undue reliance on these forward-looking statements. Please see other sections of this report and our other periodic reports we have filed with the SEC for more information on these factors.

ITEM 2. Description of Property

Our corporate headquarters are located in our Saddlebrook, NJ. We also lease a call center facility located in Tamarac, Florida, which is in the Fort Lauderdale area of South Florida.

Our Tamarac facility is approximately 17,000 square feet and houses our contact center with 110 workstations dedicated to our outbound and inbound voice technologies as well as our on-line e-commerce solutions. This facility was constructed for and is planned to be our 24 x 7 contact center and began to operate on May 19, 2003. This facility is leased pursuant to a five-year operating lease commencing December 1, 2002 and terminating November 30, 2008. The annual obligation during the first year was \$180,000 and is scheduled to increase 5% per annum over the term of the lease.

Our Saddlebrook facility is approximately 250 square feet. This facility is leased pursuant to a master lease from Hickory Travel Systems. Currently, the Company pays no rent on this facility.

Based on anticipated growth of our business, we may experience significantly higher capacity utilization during peak periods than during off-peak (night and weekend) periods. We may be required to open or expand contact centers to create the additional peak period capacity necessary to accommodate new or expanded customer management programs. The opening or expansion of a contact center may result, at least in the short term, in idle capacity during peak periods until any new or expanded program is fully implemented.

ITEM 3 LEGAL PROCEEDINGS

In the ordinary course of its business, the Company may from time to time become subject to claims or proceedings relating to the purchase, subdivision, sale and/or financing of its real estate. The Company believes that substantially all of the above are incidental to its business.

The Company became a defendant in an action that was filed in Orange County, Florida. In June, 2001, Rock Investment Trust, P.L.C., a British limited liability company, and RIT, L.C., a related Florida limited liability company, filed suit against Malcolm J. Wright, American Vacation Resorts, Inc., American Leisure, Inc., Inversora Tetuan, S.A., Sunstone Golf Resort, Inc., and SunGate Resort Villas, Inc., seeking either the return of an alleged \$500,000 investment or ownership interest in one or more of the defendant entities equivalent to the alleged investment amount. Defendants have denied all claims and Mr. Wright, American Vacation Resorts, Inc., American Leisure, Inc., Inversora Tetuan, S.A., Sunstone Golf Resort, Inc., and SunGate Resort Villas, Inc. have counterclaimed against Rock Investment Trust and its principal, Roger Smee, seeking damages in excess of \$10 million, assuming success on all aspects of the litigation. The litigation is in the discovery phase and is not currently set for trial. While many depositions and other discovery of facts remains to be done, based on the status of the record developed thus far, counsel believes that Rock Investment Trust's and RIT's claims are without merit and that the counterclaim will be successful. The amount of damages, which may be recovered, on the counterclaim is subject to a variety of factors and considerations.

The Company has become aware of a lawsuit, filed in March 2004, by Manuel

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

Sanchez and Luis Vanegas against American Leisure Holdings, Inc. various subsidiaries and various officers alleging claims of breach of their employment contracts and the related stock purchase agreement. The Company has not yet been served with this lawsuit and therefore has not yet had an opportunity to formally respond. Upon service, AMLH intends to vigorously defend the lawsuit. The Company does not believe that the Manuel Sanchez and Luis Vanegas claims have any merit.

19

In November 2003, American Leisure Inc., and Malcolm Wright we enjoined in a third party lawsuit filed by Howard Warren V Travelbyus, Inc. William Kerby, David Doerge, DCM/ FundingIII, LLC, Balis Lewittes and Coleman, Inc. under a theory of joint venturer liability with the defendants. The plaintiff claims losses of \$1.5 million. The litigation is in the discovery phase and is not currently set for trial. While many depositions and other discovery of facts remains to be done, based on the status of the record developed thus far, the Company believes that the claims are without merit. Chicago Counsel has been instructed to defend the allegations.

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

The Company did not submit any matters for a vote to the security holders during 2003. On March 31, 2004 the Series A Preferred Stock redemption rights as defined in its Certificate of Designation, were extended from 5 to 10 years.

PART II.

ITEM 5 MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

May 10, 2004, AMLH had 325 holders of record of common stock.

The following table sets forth, for the fiscal quarters indicated, the high and low closing sales prices of AMLH Common Stock based on information published by the OTCBB.

| AMLH Common Stock | | |
|-------------------|------|------|
| | High | Low |
| | ---- | ---- |
| Fiscal Year 2002 | | |
| ----- | | |
| First Quarter | 0.40 | 0.40 |
| Second Quarter | 2.60 | 1.75 |
| Third Quarter | 0.46 | 0.42 |
| Fourth Quarter | 0.15 | 0.11 |
| | | |
| Fiscal Year 2003 | | |
| ----- | | |
| First Quarter | 0.20 | 0.10 |
| Second Quarter | 0.27 | 0.08 |
| Third Quarter | 0.40 | 0.10 |
| Fourth Quarter | 0.75 | 0.26 |

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

On May 10, 2004, the closing trading price for AMLH's common stock as reported by the OTCBB was \$0.75

Dividends

During the last two fiscal years, AMLH has not paid any dividends on its Common Stock or Preferred Stock. AMLH does not anticipate payment of any dividends on its common stock in the near future because AMLH intends to retain earnings to fund growth of its operations.

20

Issuance of Unregistered Securities

The following table and discussion contains details of the prior issuances of unregistered securities of AMLH and for the fiscal year ended December 31, 2003:

| Date of Issue ----- | Number of Shares of Common Stock ----- | Number of Shares of Series A Preferred Stock ----- | Number of Shares of Series B Preferred Stock ----- | Nu P |
|------------------------|---|---|---|---------|
| June 14, 2002 | 4,819,665 | 880,000 | | |
| August 9, 2002 | | | 2,500 | |
| January 31, 2003 | 114,000 | | | |
| October 1, 2003 | 850,000 | | | |

a. Market Information.

The stock traded in the \$0.30 to \$0.40 range up to May 9, 2002. From that date to December 31, 2003 it reached a high of \$3.75 on May 17, 2002 and a low of \$0.08 during the second quarter of 2003.

b. Holders.

There are approximately 325 shareholders.

c. Dividends

Registrant has not paid a dividend to the holders of its common stock and does not anticipate paying dividends in the near future.

e. Warrants

Registrant has 2,340,000 warrants outstanding as detailed below:-

720,000 at \$0.001
1,620,000 at \$2.96

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

On March 31, 2004 and effective June 14, 2002, the Company entered into an agreement with Malcolm Wright and Bill Chiles whereby it has agreed to indemnify Wright and Chiles against all loss, cost or expenses relating to the incursion of or the collection of the AMLH debt against Wright and Chiles or their collateral. This indemnity shall extend to the cost of legal defense or other such reasonably incurred expenses charged to or assessed against Wright and Chiles. In the event that Wright or Chiles makes a personal guarantee for the benefit of AMLH in conjunction with third party financing, and Wright or Chiles elects to provide such guarantee, then in that event Wright and or Chiles shall earn a fee for such guarantee equal to three per cent (3%) of the total original indebtedness. The fee shall be paid or by the issuance of stock warrants for common stock of AMLH at a strike price of \$2.96 per share when the debt is incurred.

21

In the event that Wright or Chiles provides personally owned collateral for the benefit of AMLH in conjunction with third party financing, whether or not coupled with hypothecation or a personal guarantee, then in that event Wright and or Chiles shall earn a fee for such guarantee equal to two per cent (2%) of the total original indebtedness. The fee shall be paid by the issuance of stock warrants for common stock of AMLH at a strike price of \$2.96 per share.

f. Common Stock Reserved For Future Issuance

As of December 31, 2003, common stock reserved for future issuance was comprised of shares issuable (in thousands):

| | |
|--|--------|
| Upon conversion of Series A Preferred..... | 8,800 |
| Upon conversion of Series B Preferred..... | 25 |
| Upon conversion of Series C Preferred..... | 54 |
| Upon conversion of all Warrants (Closed March 24, 2004)..... | 2,340 |
| Upon Conversion of \$6m credit facility (Closed March 24, 2004). | 40 |
| | ----- |
| | 11,259 |
| | ===== |

ITEM 6 MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

Certain Definitions, Cautionary Statement Regarding Forward-Looking Statements and Risk Factors

The following discussion of the results of operations and financial condition of the Company should be read in conjunction with the Company's Consolidated Financial Statements and related Notes and other financial information included elsewhere in this Annual Report. Unless otherwise indicated in this discussion (and throughout this Annual Report), references to "real estate" and to "inventories" collectively encompass the Company's inventories held for sale. Market and industry data used throughout this Annual Report were obtained from Company surveys, industry publications, unpublished industry data and estimates, discussions with industry sources and currently available information. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy and completeness of such information. The Company has not independently verified such market data. Similarly, Company surveys, while believed by the Company to be reliable, have not been verified by any

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

independent sources. Accordingly, no assurance can be given that any such data will prove to be accurate.

The Company desires to take advantage of the "safe harbor" provisions of the Private Securities Reform Act of 1995 (the "Act") and is making the following statements pursuant to the Act to do so. Certain statements herein and elsewhere in this report and the Company's other filings with the Securities and Exchange Commission constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Company may also make written or oral forward-looking statements in its annual report to stockholders, in press releases and in other written materials, and in oral statements made by its officers, directors and employees. Such statements may be identified by forward-looking words such as "may", "intend", "expect", "anticipate," "believe," "will," "should," "project," "estimate," "plan" or other comparable terminology or by other statements that do not relate to historical facts. All statements, trend analyses and other information relative to the market for the Company's products, the Company's expected future sales, financial position, operating results and liquidity and capital resources and its business strategy, financial plan and expected capital requirements and trends in the Company's operations or results are forward-looking statements. Such forward-looking statements are subject to known and unknown risks and uncertainties, many of which are beyond the Company's control, that could cause the actual results, performance or achievements of the Company, or industry trends, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements and no assurance can be given that the plans, estimates and expectations reflected in such statements will be achieved. Factors that could adversely affect the Company's future results can also be considered general "risk factors" with respect to the Company's business, whether or not they relate to a forward-looking statement. The Company wishes to caution readers that the following important factors, among other risk factors, in some cases have affected, and in the future could affect, the Company's actual results and could cause the Company's actual consolidated results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, the Company:

22

a) Changes in national, international or regional economic conditions that can adversely affect the real estate market, which is cyclical in nature and highly sensitive to such changes, including, among other factors, levels of employment and discretionary disposable income, consumer confidence, available financing and interest rates.

b) The imposition of additional compliance costs on the Company as the result of changes in or the interpretation of any environmental, zoning or other laws and regulations that govern the acquisition, subdivision and sale of real estate and various aspects of the Company's financing operation or the failure of the Company to comply with any law or regulation. Also the risks that changes in or the failure of the Company to comply with laws and regulations governing the marketing (including telemarketing) of the Company's inventories and services will adversely impact the Company's ability to make sales in any of its future markets at its estimated marketing costs.

c) Risks associated with a large investment in vacation real estate inventory at any given time (including risks that vacation real estate inventories will decline in value due to changing market and economic conditions and that the

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

development, financing and carrying costs of inventories may exceed those anticipated).

d) Risks associated with an inability to locate suitable inventory for acquisition, or with a shortage of available inventory in the Company's anticipated markets.

e) Risks associated with delays in bringing the Company's inventories to market due to, among other things, changes in regulations governing the Company's operations, adverse weather conditions, natural disasters or changes in the availability of development financing on terms acceptable to the Company.

f) Changes in applicable usury laws or the availability of interest deductions or other provisions of federal or state tax law, which may limit the effective interest rates that the Company may charge on its future notes receivable.

g) A decreased willingness on the part of banks to extend direct customer vacation home financing, which could result in the Company receiving less cash in connection with the sales of vacation real estate and/or lower sales.

h) The fact that the Company requires external sources of liquidity to support its operations, acquire, carry, develop and sell real estate and satisfy its debt and other obligations, and the Company may not be able to locate external sources of liquidity on favorable terms or at all.

i) The inability of the Company to locate sources of capital on favorable terms for the pledge and/or sale of land and vacation ownership notes receivable, including the inability to consummate or fund securitization transactions or to consummate fundings under facilities.

j) Costs to develop inventory for sale and/or selling, general and administrative expenses materially exceed (i) those anticipated or (ii) levels necessary in order for the Company to achieve anticipated profit and operating margins or be profitable.

23

k) An increase or decrease in the number of resort properties subject to percentage-of-completion accounting, which requires deferral of profit recognition on such projects until development is substantially complete. Such increases or decreases could cause material fluctuations in future period-to-period results of operations.

l) The failure of the Company to satisfy the covenants contained in the indentures governing certain of its debt instruments, and/or other credit, loan agreements, which, among other things, place certain restrictions on the Company's ability to incur debt, incur liens, make investments, pay dividends or repurchase debt or equity.

m) The risk of the Company incurring an unfavorable judgment in any litigation, and the impact of any related monetary or equity damages.

n) The risk that the Company's sales and marketing techniques are not successful, and the risk that its Clubs are not accepted by consumers or imposes limitations on the Company's operations, or is adversely impacted by legal or other requirements.

o) The risk that any contemplated transactions currently under negotiation will not close or conditions to funding under existing or future facilities will not

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

be satisfied.

p) Risks relating to any joint venture that the Company is a party to, including risks that a dispute may arise with a joint venture partner, that the Company's joint ventures will not be as successful as anticipated and that the Company will be required to make capital contributions to such ventures in amounts greater than anticipated.

q) Risks that any currently proposed or future changes in accounting principles will have an adverse impact on the Company.

r) Risks that a short-term or long-term decrease in the amount of vacation/corporate travel (whether as a result of economic, political or other factors), including, but not limited to, air travel, by American consumers will have an adverse impact on the Company's sales.

s) Risks that the acquisition of a business by the Company will result in unforeseen liabilities, decreases of net income and/or cash flows of the Company or otherwise prove to be less successful than anticipated.

The Company does not undertake and expressly disclaims any duty to update or revise forward-looking statements, even if the Company's situation may change in the future.

General

The Company's vacation real estate operations are or will be managed under two business segments. One will develop, market and sell Vacation Ownership Interests in the Company's future resort properties, primarily through Vacation /Travel Clubs. The other operation (currently Tierra Del Sol) will acquire tracts of real estate suitable for vacation resort properties, which will be subdivided, improved and sold, typically on a retail basis as vacation home sales.

The Company expects to experience seasonal fluctuations in its gross revenues and net earnings. This seasonality may cause significant fluctuations in the quarterly operating results of the Company. In addition, other material fluctuations in operating results may occur due to the timing of development and the Company's use of the percentage-of-completion method of accounting. Management expects that the Company will continue to invest in projects that will require substantial development (with significant capital requirements).

The Company believes that the terrorist attacks on September 11, 2001 in the United States, the continuing hostilities in the Middle East and other world events that have decreased the amount of vacation and corporate air travel by Americans but have not materially changed the business plan of the Company. There can be no assurances, however, that a long-term decrease in air travel or increase in anxiety regarding actual or possible future terrorist attacks or other world events will not have a material adverse impact on the Company's future results of operations.

Costs associated with the acquisition and development of vacation resorts, including carrying costs such as interest and taxes, are capitalized as inventory and will be allocated to cost of real estate sold as the respective revenues are recognized.

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

Strategy

Our business model is based on four basic premises:

Club Creation and Administration.

We intend to promote and service both travel clubs and vacation clubs to derive membership dues revenue, travel commissions revenue and prospects for conversion of travel club members to vacation club members. To enhance membership benefits, we intend to affiliate with vacation exchange programs and provide finance to members.

Vacation Resort Real Estate.

In addition to our current vacation resort assets, we intend to purchase additional vacation resort assets, particularly in the Caribbean and Florida resort areas where the demand for vacation property is strong the majority of the year.

Such resorts assets will likely include the following:

- o Resort properties suitable for conversion, for use for vacation club ownership, such as suites, one bedroom and two bedroom units;
- o Resort properties with contiguous vacant land suitable for further expansion;
- o Resort properties that have consistently sustained at least break-even occupancy;
- o Developable land suitable for hotel, vacation resort and/or vacation club development in prime locations with room for a substantial amenity packages; and
- o Locations that have appeal throughout the year rather than limited "seasonal" attraction.

Vacation real estate markets are cyclical in nature and highly sensitive to changes in national and regional economic conditions, including:-

- o levels of unemployment;
- o levels of discretionary disposable income;
- o levels of consumer confidence;
- o the availability of financing;
- o overbuilding or decreases in demand;
- o interest rates; and
- o our ability to identify and enter into agreements with strategic marketing partners.

A downturn in the economy in general or in the market for vacation resort properties could have a material adverse effect on our future business.

We may not successfully execute our growth strategy.

Our growth strategy includes the expansion of the number of vacation resorts we develop. Risks associated with such expansion include the following:

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

- o construction costs may exceed original estimates;
- o inability to complete construction, conversion or required legal registrations and approvals as scheduled;
- o inability to control the timing, quality and completion of any construction activity;

25

- o our quarterly results may fluctuate due to an increase or decrease in the number of vacation resort properties completed subject to "percentage of completion accounting," which requires that we recognize profit on projects on a pro rata basis as development is completed;
- o market demand may not be present; and
- o declining values of our inventories.

Any of the foregoing could make any expansion less profitable in the future. There is no assurance that we will complete all of our planned expansion of our vacation properties or, if completed that such expansion will be profitable.

Moreover, to successfully implement our growth strategy, we must integrate any newly acquired or developed resort property into our sales and marketing programs. During the start-up phase of a new resort or vacation resort project, we could experience lower operating margins at that project until its operations mature. The lower margins could be substantial and could negatively impact our cash flow. We cannot provide assurance that we will maintain or improve our operating margins as our projects achieve maturity and our new resorts may reduce our overall operating margins.

Excessive claims for development-related defects could adversely affect our financial condition and operating results.

We will engage third-party contractors to construct our resorts and to develop our communities. However, our customers may assert claims against us for construction defects or other perceived development defects, including structural integrity, the presence of mold as a result of leaks or other defects, asbestos, electrical issues, plumbing issues, road construction, water and sewer defects, etc. In addition, certain state and local laws may impose liability on property developers with respect to development defects discovered in the future. A significant number of claims for development-related defects could adversely affect our liquidity, financial condition, and operating results.

We may face additional risks as we expand into new markets.

Vacation Ownership.

We intend to market vacation assets and vacation club memberships to the general public. The membership bases of our vacation and travel clubs and guests staying at our resort assets will likely provide an ongoing source of prospects for our vacation assets and vacation club membership sales. Revenues from the sale of vacation assets and vacation club memberships is expected to be a substantial component in our ability to capitalize the front end of developments and the equity requirement for resort acquisitions.

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

Travel Services.

We intend to capitalize on the travel requirements of servicing the travel clubs and vacation clubs to garner significant group purchasing, branding and third party branding power. By actively focusing on the demand side coupled with having the structure to fulfill the travel requirements both at our resort assets and at other venues, we will seek to obtain seamless vertical and horizontal integration of services such that the traveler's entire range of needs can be fulfilled or provided by us.

26

Cash Flow Requirements

We will require substantial capital to adequately finance our proposed acquisitions, meet our obligations under our business model, and provide for our working capital. We anticipate that we will require approximately \$6.0 million over the next twelve months to fully implement our business model. We anticipate that we will use such funds as follows:

| | |
|-----------------|--------------|
| Payoff Debt | \$ 2,000,000 |
| Working Capital | \$ 4,000,000 |

LIQUIDITY

During the year ended December 31, 2003, the Company's working capital decreased. This was due to administrative and financing costs incurred as carrying costs of the Company's assets and to maintain its operations. The Company does not currently have sufficient capital in its accounts, nor sufficient firm commitments for capital to assure its ability to meet its current obligations or to continue its planned operations. The Company is continuing to pursue working capital and additional revenue through the seeking of the capital it needs to carry on its planned operations. There is no assurance that any of the planned activities will be successful.

Tierra Del Sol Resort, HTS and Traveleaders (if acquired) will require additional capital until the third quarter of 2005. Even though the Company as obtained a new line of credit as listed below, the Company will still have to obtain new sources of capital until operations provide sufficient cash flow to finance their activities.

The Company has obtained a new line of credit of \$6,000,000 from Stanford Venture Capital Holdings, Inc. and a strong interest to fund an additional \$4,000,000 for working capital for its travel related activities.

CAPITAL RESOURCES

As a result of its limited liquidity, the Company has limited access to additional capital resources. The Company does not have the capital to totally fund the obligations that have matured to its shareholders. The shareholders have agreed to roll over their loans until the company has stronger liquidity and take security for their loans.

The Company has received additional capital through the expansion of vendor financing and loans from its directors and shareholders during the most recent quarter.

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

The Company refinanced its' Orlando property in March of 2003 and repaid loans that it had borrowed since February 2000 at high rates of interest. It obtained a \$6,000,000 loan that enabled the Company to further develop the property by finalizing its revised planning, engineering and permitting for an increase from 799 to 971 vacation residences. Presales commenced on February 1, 2004. During the period to the date of this report the company received presale contracts on 285 properties representing sales of approximately \$80,101,871. The company expects to complete the construction of these presales in the third quarter of 2005.

Until the completion of the construction, the Company will require additional capital to funds its operations.

The Company has obtained a new line of credit of \$6,000,000 from Stanford Venture Capital Holdings, Inc. and a strong interest to fund an additional \$4,000,000 for working capital for its travel related activities.

Management has also made certain loan requests from several banking institutions that it believes will be funded. However, discussions are in the preliminary stages and have not yet been approved by any lending institution.

Though the obtaining of the additional capital is not guaranteed, the management of the Company believes it will be able to obtain the capital required to meet its current obligations and actively pursue its planned business activities.

27

OPERATIONS

The previous operations of the Company were ceased. On June 14, 2002 the Company acquired American Leisure Holdings, Inc. (hereafter Corporation) and its subsidiaries. Until the Company obtains the capital required to developed its properties and businesses and obtain the revenues needed from its operations to meet its obligations, the Company will be dependent upon sources other than operating revenues to meet its operating and capital needs. Operating revenues may never satisfy these needs.

The Company in the last quarter of 2003 acquired the majority interest in HTS. This company's business has historically been very seasonal with losses being made during the first three quarters of each fiscal year. HTS will require approximately \$1,000,000 of liquidity to see it through to a positive cash flow in the last quarter of 2004. Management have started to change the HTS business model such that, if the changes are successful, it can significantly reduce the losses made during the first three quarters of each fiscal year. These changes should start to take effect during the third quarter of 2004.

ITEM 3. CONTROLS AND PROCEDURES

In order to ensure that the information disclosed in our filings with the Securities and Exchange Commission is recorded, processed, summarized, and reported on a timely basis, we have formalized its disclosure controls and procedures. Our principal executive officer and principal financial officer have reviewed and evaluated the effectiveness of our disclosure controls and procedures, as defined in Exchange Act Rules 13a-15(e) and 15d-15(e), as of December 31, 2003. Based on such evaluation, such officers have concluded that our disclosure controls and procedures are effective in timely alerting them to material information relating to us required to be included in our periodic SEC filings. There has been no change in our internal control over financial

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

reporting during the quarter ended December 31, 2003 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

In addition, there have been no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

Management, including the Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures and internal controls will prevent all error and all improper conduct. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that we have detected all control issues and instances of improper conduct, if any. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control.

Further, the design of any system of controls also is based in part upon assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

28

SUMMARY OF 2003

Our accomplishments in 2003 are detailed in Section 1 above.

American Leisure Holdings, Inc. will provide an annual report including audited statements without charge on request made by any shareholder to the Secretary of the Company, American Leisure Holdings, Inc. Park 80 Plaza East Saddlebrook, New Jersey, 07663.

Public may read and copy any materials filed by American Leisure Holdings, Inc. with the SEC at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov.

ITEM 7 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

AMERICAN LEISURE HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
American Leisure Holdings, Inc. and Subsidiaries
Tamarac, Florida

We have audited the accompanying consolidated balance sheets of American Leisure Holdings, Inc. and Subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of operations, stockholders' equity and cash flows for the year ended December 31, 2003 and the period from June 14, 2002 (Inception) through December 31, 2002. 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of American Leisure Holdings, Inc. and Subsidiaries as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the year ended December 31, 2003 and the period from June 14, 2002 (Inception) through December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the financial statements, the Company's recurring losses from operations and the need to raise additional financing in order to satisfy its vendors and other creditors and execute its Business Plan raise substantial doubt about its ability to continue as a going concern. Management's plans as to these matters are also described in Note 3. The 2003 consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Malone & Bailey, PLLC
www.malone-bailey.com
Houston, Texas
May 17, 2004

F-1

AMERICAN LEISURE HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
December 31, 2003 and 2002

2003

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

ASSETS

CURRENT ASSETS:

| | |
|----------------------------|------------|
| Cash | \$ 734,852 |
| Accounts receivable | 2,148,134 |
| Prepaid expenses and other | 40,867 |
| | ----- |
| Total Current Assets | 2,923,853 |
| | ----- |

PROPERTY, PLANT AND EQUIPMENT, NET 3,192,878

LAND HELD FOR FUTURE DEVELOPMENT 15,323,627

OTHER ASSETS

| | |
|--|-----------|
| Investment - 41.25% of American Vacation resorts, Inc. | 654,386 |
| 1913 Mercedes Benz | 500,000 |
| Goodwill | 1,840,001 |
| Other | 941,730 |
| | ----- |
| Total Other Assets | 3,936,117 |
| | ----- |

TOTAL ASSETS \$ 25,376,475

=====

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

| | |
|--|--------------|
| Current maturities of long-term debt and notes payable | \$ 5,048,025 |
| Current maturities of notes payable - related parties | 1,619,575 |
| Accounts payable and accrued expenses | 2,287,699 |
| Shareholder advances | 1,030,883 |
| | ----- |
| Total Current Liabilities | 9,986,182 |
| | ----- |

Commitments and contingencies

Minority liability 510,348

Long-term debt and notes payable 7,919,398

Notes payable-related parties 797,185

Mandatorily redeemable preferred stock, 28,000 shares authorized;
\$.01 par value; 27,189 Series "C" shares issued and outstanding at
December 31, 2003 and 0 at December 31, 2002 2,718,900

Total Liabilities 21,932,013

STOCKHOLDERS' EQUITY:

| | |
|---|-------|
| Convertible Preferred stock; 1,000,000 shares authorized; \$.01 par value; 880,000 Series "A" shares issued and outstanding | 8,800 |
| Convertible Preferred stock; 100,000 shares authorized; \$.01 par value; 2,500 Series "B" shares issued and outstanding | 25 |
| Capital stock, \$.001 par value; 100,000,000 shares authorized; 7,488,983 and 6,524,983 shares issued and outstanding at December 31, 2003 and 2002, respectively | 7,489 |

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

| | |
|--|---------------|
| Additional paid-in capital | 6,166,488 |
| Accumulated deficit | (2,738,340) |
| | ----- |
| Total Stockholders' Equity | 3,444,462 |
| | ----- |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 25,376,475 |
| | ===== |

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

F-2

AMERICAN LEISURE HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

Year Ended December 31, 2003 and the
Period From June 14, 2002 (Inception) Through December 31, 2002

| | Year Ended December 31, 2003 | Inception Through December 31, 2002 |
|--|---------------------------------------|--|
| | ----- | ----- |
| REVENUES | \$ 3,327,483 | \$ 24,082 |
| OPERATING EXPENSES: | | |
| Depreciation and amortization | 685,484 | 21,446 |
| Impairment loss | -- | 101,937 |
| Selling, general and administrative expenses | 4,258,501 | 512,189 |
| | ----- | ----- |
| TOTAL OPERATING EXPENSES | 4,943,985 | 635,572 |
| | ----- | ----- |
| LOSS FROM OPERATIONS BEFORE MINORITY INTERESTS | (1,616,502) | (611,490) |
| Minority interests | 510,348 | -- |
| | ----- | ----- |
| NET LOSS | \$ (2,126,850) | \$ (611,490) |
| | ===== | ===== |
| NET LOSS PER SHARE: | | |
| BASIC AND DILUTED | \$ (0.31) | \$ (0.09) |
| | ===== | ===== |
| WEIGHTED AVERAGE SHARES OUTSTANDING: | | |
| BASIC AND DILUTED | 6,844,172 | 6,524,983 |
| | ===== | ===== |

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

F-3

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

AMERICAN LEISURE HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
PERIOD FROM JUNE 14, 2002 (INCEPTION) TO DECEMBER 31, 2003

| | Preferred Shares | Stock Amount | Capital Shares | Stock Amount | Additional Paid-in Capital |
|---|---------------------|-----------------|-------------------|-----------------|----------------------------------|
| | ----- | ----- | ----- | ----- | ----- |
| Issuance of preferred and common shares to founders for net assets | 880,000 | \$ 8,800 | 4,893,974 | \$ 4,894 | \$ 5,353,995 |
| Issuance of common shares in connection with reverse merger and recapitalization of American Holdings | -- | -- | 831,009 | 831 | (831) |
| Issuance of shares for services | -- | -- | 800,000 | 800 | 135,713 |
| Issuance of shares for equipment | 2,500 | 25 | -- | -- | 249,975 |
| Net loss | -- | -- | -- | -- | -- |
| | ----- | ----- | ----- | ----- | ----- |
| Balance-December 31, 2002 | 882,500 | 8,825 | 6,524,983 | 6,525 | 5,738,852 |
| Issuance of shares for equipment | -- | -- | 114,000 | 114 | 130,986 |
| Issuance of shares for 50.83 % of Hickory Travel Systems, Inc. | -- | -- | 850,000 | 850 | 296,650 |
| Net loss | -- | -- | -- | -- | -- |
| | ----- | ----- | ----- | ----- | ----- |
| Balance-December 31, 2003 | 882,500 | \$ 8,825 | 7,488,983 | \$ 7,489 | \$ 6,166,488 |
| | ===== | ===== | ===== | ===== | ===== |

The accompanying notes are an integral part of these financial statements

F-4

AMERICAN LEISURE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2003 AND THE

Period From June 14, 2002 (Inception) Through December 31, 2002

| Year Ended December, 2003 | Inception Through December 31, 2002 |
|------------------------------------|--|
| ----- | ----- |

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

| | | |
|--|----------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$ (2,126,850) | \$ (611,490) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 716,175 | 21,446 |
| Impairment loss | -- | 101,937 |
| Common stock issued for services | -- | 136,513 |
| Minority interests | 510,348 | |
| Changes in assets and liabilities: | | |
| Decrease in receivables | (926,124) | 42,926 |
| Increase in prepaid and other assets | 8,060 | (32,859) |
| Increase in accounts payable and accrued expense | (521,054) | 634,009 |
| | ----- | ----- |
| Net cash provided by (used in) operating activities | (2,339,445) | 292,482 |
| | ----- | ----- |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Security deposits and other | (18,500) | -- |
| Investment in Hickory Travel Systems, Inc. | 196,444 | |
| Acquisition of fixed assets | (1,211,027) | (149,020) |
| Capitalization of real estate carrying costs | (3,248,984) | (1,099,484) |
| | ----- | ----- |
| Net cash used in investing activities | (4,282,067) | (1,248,504) |
| | ----- | ----- |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from notes payable | 6,116,670 | 390,973 |
| Proceeds from notes payable - related parties | 1,028,344 | 248,536 |
| Proceeds from shareholder advances | 160,851 | 316,198 |
| | ----- | ----- |
| Net cash provided by financing activities | 7,305,865 | 955,707 |
| | ----- | ----- |
| Net decrease in cash | 684,353 | (315) |
| CASH AT BEGINNING PERIOD | 50,499 | 50,814 |
| | ----- | ----- |
| CASH AT END OF PERIOD | \$ 734,852 | \$ 50,499 |
| | ===== | ===== |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | |
| Cash paid for interest | \$ 571,500 | \$ -- |
| | ===== | ===== |
| Cash paid for income taxes | \$ -- | \$ -- |
| | ===== | ===== |

The accompanying notes are an integral part of these financial statements

F-5

AMERICAN LEISURE HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - THE COMPANY

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

American Leisure Holdings, Inc. ("American Leisure" or "the Company"), a Nevada corporation, was incorporated in May 2002. American Leisure's objective was to obtain through acquisitions and/or merger transactions, assets, which could benefit its shareholders. Effective June 14, 2002, Freewillpc.com, Inc., a Nevada corporation, acquired American Leisure Holdings, Inc., a Nevada corporation ("American Leisure") in exchange for the issuance of 880,000 shares of Series A preferred stock and 4,893,974 shares of common stock, and changed its name to American Leisure Holdings, Inc.

For accounting purposes this transaction was treated as an acquisition of Freewill and a recapitalization of American Leisure. American Leisure is the accounting acquirer and the results of its operations carry over. Accordingly, the operations of Freewill are not carried over and are adjusted to \$0.

Simultaneously with the reverse merger, the founders contributed the following assets and their associated liabilities (at their basis) as follows:

- o 163 acres of undeveloped commercial and residential real estate for future development
- o Land held for sale (now for development), which consisted of 13.5 acres of commercial real estate
- o 1913 Mercedes Benz
- o Investment - 41.25% of American Vacation Resorts

Because none of these contributed properties had significant business operations prior to June 14, 2002, no predecessor entity previous operations are included in these financial statements.

On October 1, 2003, American Leisure acquired controlling interest in Hickory Travel Systems, Inc. ("HTS"). The Company has consolidated HTS at December 31, 2003 and included in its Statement of Operations and the Statement of Cash Flows the activities of HTS for the period October 1, 2003 through December 31, 2003.

American Leisure through its subsidiaries is involved in the development of vacation real estate and the supplying of products related to the travel and leisure business.

PRINCIPLES OF CONSOLIDATION

In determining whether American Leisure has a direct or indirect controlling financial interest in affiliates, consideration is given to various factors, including common stock ownership, possession of securities convertible into common stock and the related conversion terms, voting rights, representation on the board of directors, rights or obligations to purchase additional ownership interests as well as the existence of contracts or agreements that provide control features. Generally, when American Leisure determines that its ownership, direct or indirect, exceeds fifty percent of the outstanding voting shares of an affiliate, American Leisure will consolidate the affiliate. Furthermore, when American Leisure determines that it has the ability to control the financial or operating policies through its voting rights, board representation or other similar rights, American Leisure will consolidate the affiliate.

F-6

For those affiliates that American Leisure does not have the ability to control the operating and financial policies thereof, the investments are accounted for under the equity or cost method, as appropriate. American Leisure applies the equity method of accounting when it has the ability to exercise significant influence over operating and financial policies of an investee in accordance

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

with APB Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock." In determining whether American Leisure has the ability to exercise significant influence, consideration is given to various factors including the nature and significance of the investment, the capitalization structure of the investee, representation on the board of directors, voting rights, veto rights and other protective and participating rights held by investors and contractual arrangements.

Additionally, American Leisure applies accounting principles generally accepted in the United States of America and interpretations when evaluating whether it should consolidate entities. Typically, if American Leisure does not retain both control of the assets transferred to the entities, as well as the risks and rewards of those assets, American Leisure will not consolidate such entities. In determining whether the securitization entity should be consolidated, American Leisure considers whether the entity is a qualifying special purpose entity, as defined by Statement of Financial Accounting Standards ("SFAS") No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities--a replacement of FASB Statement No. 125."

The consolidated financial statements include the accounts of American Leisure Holdings, Inc. and its subsidiaries owned and/or controlled by American Leisure as follows:

| Company ----- | Percentage ----- |
|---|---------------------|
| American Leisure Corporation, Inc. (ALC) and Subsidiaries | 100.00% |
| Florida Golf Group, Inc. (FGG) | 100.00% |
| American Leisure Homes, Inc. (ALH) | 100.00% |
| I-Drive Limos, Inc. (ID) | 100.00% |
| Orlando Holidays, Inc. (OH) | 100.00% |
| Welcome to Orlando, Inc. (WTO) | 100.00% |
| American Leisure, Inc. (ALI) | 100.00% |
| Pool Homes Managers, Inc. (PHM) | 100.00% |
| Advantage Professional Management Group, Inc. (APMG) | 100.00% |
| Leisureshare International Ltd (LIL) | 100.00% |
| Leisureshare International Espanola S.A. (LIESA) | 100.00% |
| American Travel & Marketing Group, Inc. (ATMG) | 81.00% |
| American Leisure Marketing and Technology, Inc. | 100.00% |
| Sunstone Golf Resorts, Inc. | 81.00% |

F-7

| Company ----- | Percentage ----- |
|-------------------------|---------------------|
| Hickory Travel Systems, | 50.83% |

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

| | |
|--|---------|
| American Travel Club, Inc. | 100.00% |
| American Access Telecommunications Corporation | 100.00% |
| American Switching Technologies, Inc. | 100.00% |
| Affinity Travel Club, Inc. | 100.00% |
| Club Turistico Latinoamericano, Inc. | 100.00% |
| Affinity Travel, Inc. | 100.00% |
| Pool Homes, Inc. | 100.00% |

No amounts for minority interests, except for HTS were reflected in the consolidated statement of operations since there were losses applicable to those subsidiaries.

All significant inter-company accounts and transactions have been eliminated in the consolidation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of American Leisure Holdings, Inc. (American Leisure) is presented to assist in understanding American Leisure's financial statements. The financial statements and notes are representations of American Leisure's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

CONCENTRATION OF RISK

American Leisure places its cash and temporary cash investments with established financial institutions. At various times during the year, the Company maintained cash balances in excess of FDIC insurable limits. Management feels this risk is mitigated due to the longstanding reputation of these banks.

In the normal course of business, the Company extends unsecured credit to the majority of its customers. Management periodically reviews its outstanding accounts receivable and establishes an allowance for doubtful accounts based on historical collection trends and other criteria.

F-8

LONG-LIVED ASSETS

Long-lived assets are stated at cost. Maintenance and repairs are expensed as incurred. Depreciation is determined using the straight-line method over the estimated useful lives of the assets, which is between three to seven years.

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

Where an impairment of a property's value is determined to be other than temporary, an allowance for the estimated potential loss is established to record the property at its net realizable value.

When items of land, building or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the results of operations. The Company does not have any long-lived tangible assets which are considered to be impaired as of December 31, 2003.

INCOME TAXES

American Leisure accounts for income taxes using the asset and liability method. The differences between the financial statement and tax bases of assets and liabilities are determined annually. Deferred income tax assets and liabilities are computed for those differences that have future tax consequences using the currently enacted tax laws and rates that apply to the period in which they are expected to affect taxable income. Valuation allowances are established, if necessary, to reduce deferred tax asset accounts to the amounts that will more likely than not be realized. Income tax expense is the current tax payable or refundable for the period, plus or minus the net change in the deferred tax asset and liability accounts.

GOODWILL

We adopted the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets". This statement requires that goodwill and intangible assets deemed to have indefinite lives not be amortized, but rather be tested for impairment on an annual basis. Finite-lived intangible assets are required to be amortized over their useful lives and are subject to impairment evaluation under the provisions of SFAS No. 144. Our intangible assets relates to the goodwill paid for the controlling interest of HTS.

CASH

American Leisure considers (if and when they have any) all highly liquid investments with maturities of three months or less to be cash equivalents.

SHARES FOR SERVICES AND OTHER ASSETS

American Leisure accounts for non-cash stock-based compensation issued to non-employees in accordance with the provisions of SFAS No. 123 and EITF No. 96-18, Accounting for Equity (deficit) Investments That Are Issued to Non-Employees for Acquiring, or in Conjunction with Selling, Goods or Services. Common stock issued to non-employees and consultants is based upon the value of the services received or the quoted market price, whichever value is more readily determinable.

REVENUE RECOGNITION

American Leisure recognizes revenues on the accrual method of accounting. For the sales of units on the Orlando property, revenues will be recognized upon the close of escrow for the sales of its real estate. Operating revenues earned will be recognized upon the completion of the earning process.

F-9

Revenues from American Leisure's call center are recognized upon the completion of the earning process from the completion of the travel of the customer, the

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

trip to the properties for the potential purchase, or the appropriate event based on the agreement with American Leisure's client as to the ability to be paid for the service.

Revenues from Hickory Travel Systems, Inc. are recognized as earned, which is primarily at the time of delivery of the related service, publication or promotional material. Costs associated with the current period are expensed as incurred; those costs associated with future periods are deferred.

One of the Company's principal sources of revenue is associated with access to the travel portal that provides a database of discounted travel services. Annual renewals occur at various times during the year. Costs related to site changes are incurred in the months prior to annual billing renewals. Customers are charged additional fees for hard copies of the site access information. Occasionally these items are printed and shipped at a later date, at which time both revenue and expenses are recognized.

LOSS PER SHARE

American Leisure is required to provide basic and dilutive earnings (loss) per common share information.

The basic net loss per common share is computed by dividing the net loss applicable to common stockholders by the weighted average number of common shares outstanding.

Diluted net loss per common share is computed by dividing the net loss applicable to common stockholders, adjusted on an "as if converted" basis, by the weighted average number of common shares outstanding plus potential dilutive securities.

For the period ended December 31, 2003, potential dilutive securities had an anti-dilutive effect and were not included in the calculation of diluted net loss per common share.

RECENT ACCOUNTING PRONOUNCEMENTS

In May 2003, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" (the "Statement"). The Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. The Statement is generally effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of this Statement had no effect on our consolidated financial statements.

In January 2003, the FASB issued Interpretation No. 46 ("FIN 46") Consolidation of Variable Interest Entities, which addresses the consolidation of variable interest entities ("VIEs") by business enterprises that are the primary beneficiaries. A VIE is an entity that does not have sufficient equity investment at risk to permit it to finance its activities without additional subordinated financial support, or whose equity investors lack the characteristics of a controlling financial interest. The primary beneficiary of a VIE is the enterprise that has the majority of the risks or rewards associated with the VIE. In December 2003, the FASB issued a revision to FIN 46, Interpretation No. 46R ("FIN 46R"), to clarify some of the provisions of FIN 46, and to defer certain entities from adopting until the end of the first interim or annual reporting period ending after March 15, 2004. Application of FIN 46R is required in financial statements of public entities that have interests in structures that are commonly referred to as special-purpose entities for periods

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

ending after December 15, 2003. Application for all other types of VIEs is required in financial statements for periods ending after March 15, 2004. We believe we have no arrangements that would require the application of FIN 46R. We have no material off-balance sheet arrangements.

F-10

RECLASSIFICATIONS

Certain amounts in the December 31, 2002 financial statements have been reclassified to conform to the December 31, 2003 financial statement presentation.

NOTE 3 - FINANCIAL CONDITION AND GOING CONCERN

American Leisure's financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. American Leisure incurred a net loss of \$2,126,850 during 2003 and has negative working capital of \$5,835,690. These factors raise substantial doubt as to American Leisure's ability to obtain debt and/or equity financing and achieve profitable operations.

American Leisure's management intends to raise additional operating funds through equity and/or debt offerings. However, there can be no assurance management will be successful in its endeavors. Ultimately, American Leisure will need to achieve profitable operations in order to continue as a going concern.

NOTE 4 - ACQUISITIONS

On October 1, 2003, American Leisure acquired a 50.83% controlling interest in Hickory Travel Systems, Inc. ("HTS"). The Company has consolidated HTS at December 31, 2003 and included in its Statement of Operations and the Statement of Cash Flows the activities of HTS for the period October 1, 2003 through December 31, 2003. The acquisition of HTS was valued at \$297,500 using the stock price on such date. The excess purchase price over the fair value of net tangible assets was \$1,840,001, all of which was allocated to goodwill.

The following table summarizes the estimated fair value of the net assets acquired and liabilities assumed at the acquisition dates.

| | Total |
|------------------------|-------------|
| Current assets | \$1,436,288 |
| Property and equipment | 157,212 |
| Goodwill | 1,840,001 |
| | 3,433,501 |
| | ----- |
| Current liabilities | 1,757,114 |
| Notes payable | 1,378,887 |
| | 3,136,001 |
| | ----- |
| Consideration | \$ 297,500 |
| | ===== |

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

F-11

The consolidated statement of operations in the accompanying financial statements for the year ended December 31, 2003 includes the operations of HTS from October 1, 2003 through December 31, 2003. The following are pro forma condensed statements of operations for the years ended December 31, 2003 and 2002, as though the acquisitions had occurred on January 1, 2002.

| | Twelve Months Ended December 31, | |
|--|-------------------------------------|----------------|
| | 2003 | 2002 |
| | ----- | ----- |
| Revenue | \$ 6,693,000 | \$ 5,890,000 |
| Net loss | \$ (2,693,000) | \$ (1,208,000) |
| Net loss per share - basic and diluted | \$ (0.39) | \$ (0.19) |

NOTE 5 - PROPERTY AND EQUIPMENT, NET

At December 31, 2003, property and equipment consisted of the following:

| | Useful Lives | 2003 | 2002 |
|---|-----------------|--------------|---------------|
| | | ----- | ----- |
| Computer equipment | 3-5 | \$ 736,261 | \$ 1,000,000 |
| Furniture & fixtures | 5-7 | 73,269 | 2,000,000 |
| Leasehold improvements | 5 | 148,270 | 3,000,000 |
| Telecommunications equipment | 7 | 3,504,204 | 25,000,000 |
| | | ----- | ----- |
| | | 4,462,004 | 33,000,000 |
| Less: accumulated depreciation and amortization | | 1,269,126 | ----- |
| | | ----- | ----- |
| | | \$ 3,192,878 | \$ 29,000,000 |
| | | ===== | ===== |

Depreciation expense was \$643,529 and \$21,446 for 2003 and 2002, respectively.

NOTE 6 - LAND HELD FOR FUTURE DEVELOPMENT

American Leisure is planning to construct a 971-unit resort in Orlando, Florida on 122 of its 163 acres of undeveloped land. Development is scheduled to commence in late 2004. Presales commenced in February 2004.

American Leisure owns 13.5 acres of commercial property in Polk County Florida at the corner of U.S. Hwy. 27 and Sand Mine Road. In late 2003, American Leisure received a letter of intent for the sale of the property and is in process of evaluating this offer. American Leisure recorded an impairment charge of \$100,000 to record the property at its anticipated selling price for the year ended December 31, 2002. No impairment was recorded at December 31, 2003 based on an independent appraisal.

NOTE 7 - OTHER ASSETS

Other assets include the following at December 31, 2003 and 2002:

F-12

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

| | 2003 ----- | 2002 ----- |
|---------------------------------------|---------------|---------------|
| Advances - Oak Holdings Antigua, Ltd. | \$791,108 | \$ -- |
| Deposits | | |
| | 98,953 | 31,766 |
| Other | -- | 51,669 |
| | \$941,730 | \$ 31,766 |

Other assets included intangible assets of \$72,646 that were amortized in 2003.

NOTE 8 - INVESTMENT - 41.25% OF AMERICAN VACATION RESORTS, INC.

American Vacation Resorts (AVR) is not included in the consolidated financial statements as of 2003, but shown as an investment under other assets. As of December 31, 2003, ALI owns 41.25% of American Vacation Resorts, Inc. (AVR), a Florida corporation. Malcolm and Gillian Wright, shareholders also own 41.25% of AVR. Under a voting trust, neither American Leisure nor the Wrights are allowed any decision-making authority in AVR. Therefore, AVR is not consolidated and is treated as an investment at cost of \$654,386 as of December 31, 2003. On November 16, 2003 the company entered into a contract to sell its interest in the company for \$800,000 with completion due on or before June 30, 2004.

NOTE 9 - 1913 MERCEDES BENZ

I-Drive Limos is a wholly owned subsidiary of ALI as of December 31, 2003. I-Drive Limos sole asset, acquired in December 1998, is an antique motor vehicle, a 1913 Mercedes Benz. The asset is a one of a kind vehicle and is shown at its cost of \$500,000. The vehicle was originally purchased at auction in May of 1990 for \$434,732 and subsequently restored increasing its total cost to \$500,000. Antique Mercedes-Benz vehicles sold in the last seven years range widely in price, from \$1,700,000 to \$22,500 for a 1928 Brevette and for a 1938 Sedan, respectively. Most of the antique Mercedes-Benz sold are dated from the 1930s are sold for approximately \$200,000. The car is insured for \$500,000. Per FASB 93, paragraph 6 ("Consistent with the accepted practice for land used as a building site, depreciation need not be recognized on individual works or art of historical treasures whose economic benefit or service potential is used up so slowly that their estimated useful lives are extraordinarily long") no depreciation expense is assessed.

NOTE 10 - LONG-TERM DEBT AND NOTE PAYABLE

Below is a summary of Long-term debt and notes payable as of December 31, 2003 and 2002:

| | Collateral ----- | Maturity Date ----- | Interest rate ----- | 2003 ----- |
|--------------------------------------|--|------------------------|---------------------------|---------------|
| Note Payable, Bank | Assets of the Company and Personal Guarantees | 8/04 | 8.75% | \$ 101,25 |
| Note Payable, Lending Institution | Personal Guarantees | 3/31/04 | 8% | 250,00 |
| Note Payable, Lending Institution | Company Assets | 11/04 | 12% | 44,41 |

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

| | | | | |
|---|--|----------|----------|-------------------------------|
| Note Payable, Lending Institution | Assets of the Company and Personal Guarantees | 11/04 | 4% | 375,90 |
| Equipment, Third Party Entities | Equipment | 3/31/05 | 12 - 18% | 57,14 |
| Financial Institution | 1st lien on 163 acres of undeveloped land | 4/1/05 | 12% | 6,000,00 |
| Individual | 1st lien on 13.5 acres | 10/11/04 | 16% | 1,300,00 |
| Financial Institution | Lien on property, assets and stock of the company | Demand | 6% | 2,976,45 |
| Mortgage Company | 1st lien on 13.5 acres commercial property | 6/1/03 | 16% | - |
| Third party entity | 3rd lien on 13.5 acres | 5/1/03 | 10% | - |
| Individual | 1st lien on 163 acres of undeveloped land | 3/31/03 | 16% | - |
| Individual | 2nd lien on 163 acres of | 3/31/05 | 12% | - |
| Individual | 3rd lien on 163 acres of undeveloped land | 3/31/05 | 12% | 1,862,25 |
| | | | | ----- 12,967,42 |
| Less: current portion of long-term debt | | | | (5,048,02 |
| Long-term debt | | | | ----- \$ 7,919,39 ===== |

F-13

Principal repayments are as follows:

| | |
|------|--------------|
| | Amount |
| | ----- |
| 2004 | \$ 5,048,025 |
| 2005 | 7,919,398 |
| | \$12,967,423 |

NOTE 11 - NOTES PAYABLE - RELATED PARTIES

| | Collateral | Maturity Date | Interest rate | 2003 |
|---------------|------------|---------------|------------------|-----------|
| | ----- | ----- | ----- | ----- |
| Related Party | Unsecured | Demand | 12% | \$ 193,81 |
| Related Party | Unsecured | Demand | 12% | 484,00 |
| Related Party | Unsecured | Demand | 12% | 180,00 |
| Related Party | Unsecured | Demand | 12% | 20,00 |

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

| | | | | |
|---------------------------------|--|--------|-------|-----------|
| Related Party | Unsecured | Demand | 12% | 741,76 |
| Affiliated entity | 2nd lien on 13.5 acres | 5/1/07 | 4.75% | - |
| Shareholder | 3rd lien on 163 acres of undeveloped land | 5/1/05 | 12% | |
| Shareholder | 3rd lien on 163 acres of undeveloped land | 5/1/05 | 12% | 797,18 |
| | | | | ----- |
| Less: current portion | | | | 2,416,76 |
| | | | | (1,619,57 |
| | | | | ----- |
| Notes payable - related parties | | | | \$ 797,18 |
| | | | | ===== |

Principal repayments for next years are as follows:

| | |
|------|--------------|
| | Amount |
| | ----- |
| 2004 | \$ 1,619,575 |
| 2005 | 797,185 |
| | \$ 2,416,760 |

NOTE 12 - SHAREHOLDER ADVANCES

American Leisure has shareholder advances totaling \$1,030,883 that bear interest at 12%. The advances are unsecured and are due upon demand.

F-14

NOTE 13 - STOCKHOLDERS EQUITY AND MANDATORILY REDEEMABLE PREFERRED STOCK

Common Stock and Madatorily Redeemable Preferred Stock

In March, 2003, we issued 27,189 Mandatorily Redeemable Series C preferred stock and 114,000 shares of common stock for telecommunications equipment valued at \$2,850,000. See Preferred Stock Series C attributes discussed below.

In October 2003, we issued 850,000 shares of restricted Common Stock in connection with the acquisition of 50.83% of Hickory travel Systems, Inc.

Preferred Stock

American Leisure is authorized to issue up to 10,000,000 shares in aggregate of preferred stock:

| | Total Series Authorized | Stated Value | Voting | Annual Dividends per Share | Co |
|----------|----------------------------|--------------|--------|----------------------------------|-------|
| | ----- | ----- | ----- | ----- | ----- |
| Series A | 1,000,000 | \$ 10.00 | Yes | \$ 0.12 | |
| Series B | 100,000 | 100.00 | Yes | 0.12 | |

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

| | | | | |
|----------|--------|--------|-----|------|
| Series C | 28,000 | 100.00 | Yes | 0.12 |
|----------|--------|--------|-----|------|

Series A Preferred Stock

Series A have voting rights equal to 10 common shares to 1 Series A preferred share.

Series A are redeemable at the American Leisure's option after 5 years if not converted by the holder. The conversion period is 5 years from the date of issue.

Conversion is at 10 for 1 or if the market price is below \$1.00 then the average daily market price for the 10 consecutive trading days prior to conversion.

Dividends are payable if funds are available. Accrued but unpaid dividends do not pay interest.

Series B Preferred Stock

Series B have voting rights equal to 20 common shares to 1 Series B preferred share.

Series B are redeemable at the American Leisure's option after 5 years if not converted by the holder. The conversion period is 5 years from the date of issue.

Conversion is up to 20 for 1 based on the market price.

Dividends are payable if funds are available. Accrued but unpaid dividends do not pay interest.

Series C Preferred Stock

Series C are redeemable after 5 years if not converted by the holder. The conversion period expires 5 years from the date of issue.

Conversion is up to 20 for 1 based on the market price.

Dividends are payable if funds are available. Accrued but unpaid dividends do not pay interest

F-15

NOTE 14 - INCOME TAXES

Deferred taxes are determined based on the temporary differences between the financial statement and income tax bases of assets and liabilities as measured by the enacted tax rates which will be in effect when these differences reverse.

The components of deferred income tax assets (liabilities) at December 31, 2003, were as follows:

| | |
|----------------------------------|------------|
| Net operating loss carryforwards | \$ 661,000 |
| Valuation allowance | (661,000) |
| | ----- |
| Net deferred tax assets | \$ -- |
| | ===== |

At December 31, 2003, American Leisure had a net operating loss carryforward for

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

federal income tax purposes totaling approximately \$2,556,000 which, if not utilized, will expire in the year 2023.

In June 2002, American Leisure had a change in ownership, as defined by Internal Revenue Code Section 382, which has resulted in American Leisure's net operating loss carryforward being subject to certain utilization limitations in the future.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Lease Commitments

American Leisure leases office space located in Tamarac, Florida on a 5 year lease through November 2007. The monthly base rental payment is \$17,708.

American Leisure also leases office facilities and reservation service center equipment under non-cancelable operating lease agreements for a monthly base rent of \$14,838 through April 2008, and the reservation service center equipment leases call for a monthly base rent of \$6,461 through December 2005. Future minimum rental payments are as follows:

December 31,

| | |
|------|--------------|
| 2004 | \$ 468,068 |
| 2005 | 468,088 |
| 2006 | 390,556 |
| 2007 | 372,844 |
| 2008 | 59,352 |
| | ----- |
| | \$ 1,758,908 |
| | ===== |

Rent expense totaled \$293,728 and \$17,708 for 2003 and 2002, respectively.

Employment Agreements

The Company has various employment agreements with select members of their management. These agreements provide for a base salary plus bonuses of up to 19% of the profits of each subsidiary company based upon the Company's operating earnings as defined in each agreement.

F-16

LITIGATION

In the ordinary course of its business, the Company may from time to time become subject to claims or proceedings relating to the purchase, subdivision, sale and/or financing of its real estate or its operations. The Company believes that substantially all of the above are incidental to its business.

In June 2001, Rock Investment Trust, P.L.C., a British limited liability company, and RIT, L.C., a related Florida limited liability company, filed suit against Malcolm J. Wright, American Vacation Resorts, Inc., Inversora Tetuan, S.A., Sunstone Golf Resort, Inc., and Sun Gate Resort Villas, Inc., seeking either the return of an alleged \$500,000 investment or ownership interest in one or more of the defendant entities equivalent to the alleged investment amount. Defendants have denied all claims and Mr. Wright, American Leisure and Inversora Tetuan have a counterclaim against Rock Investment Trust and its principal, Roger Smee for damages. American Leisure is seeking to recover deposits and costs on two real estate transactions totaling approximately \$440,000 plus

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

damages. The litigation is in the discovery phase and is not currently set for trial. American Leisure believes that Rock Investment Trust's and RITs claims are without merit and the claim is not material to American Leisure.

In March 2004, Manuel Sanchez and Luis Vanegas, filed suit against American Leisure Holdings, Inc. American Access Corporation, Hickory Travel Systems, Inc. Malcolm J Wright, L William Chiles, and Walter Kolker, seeking a claim for securities fraud, violation of Florida Securities and Investor Protection Act, breach of their employment contracts, and claims for fraudulent inducement. Defendants have denied all claims and have a counterclaim against Manuel Sanchez and Luis Vanegas for damages. The litigation commenced in March 2004 and will shortly enter the discovery phase and is not currently set for trial. American Leisure believes that Manuel Sanchez and Luis Vanegas claims are without merit and the claim is not material to American Leisure.

In November 2003, American Leisure Inc., and Malcolm Wright we enjoined in a third party lawsuit filed by Howard Warren V Travelbyus, Inc. William Kerby, David Doerge, DCM/ FundingIII, LLC, Balis Lewittes and Coleman, Inc. under a theory of joint venturer liability with the defendants. The plaintiff claims losses of \$1.5 million. The litigation is in the discovery phase and is not currently set for trial. While many depositions and other discovery of facts remains to be done, based on the status of the record developed thus far, the Company believes that the claims are without merit. Chicago Counsel has been instructed to defend the allegations.

NOTE 16 - EMPLOYEE BENEFITS

The Company's subsidiary, HTS, maintains a qualified 401(k) profit sharing plan covering substantially all of its full time employees who have completed ninety days of service. Eligible employees may voluntarily contribute a percentage of their compensation up to established limits imposed by the Internal Revenue Service. At the discretion of the Board of Directors, the Company may make a matching contribution equal to a percentage of each employee's contribution. There were no matching contributions made for 2003.

NOTE 17 - SELF-INSURED HEALTH INSURANCE

The Company's subsidiary, HTS, is partially self-insured for benefits provided under an employee health insurance plan through Great West Life Insurance Company. Benefits include medical, prescription drug, dental and group term life insurance. The plan provides for self-insurance up to \$25,000 per employee per year. Accordingly, there exists a contingent liability for unprocessed claims in excess of those reflected in the accompanying consolidated financial statements.

F-17

NOTE 18 - OPERATING SEGMENTS

The Company has adopted the provisions of SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information". At December 31, 2003, the Company's three business units have separate management teams and infrastructures that offer different products and services. The business units have been aggregated into three reportable segments.

American Leisure sells units on the Orlando property, as of December 31, 2003 no sales had been made.

American Leisure's operates a call center and revenues are recognized upon the completion of the earning process from the completion of the travel of the customer, the trip to the properties for the potential purchase, or the

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

appropriate event based on the agreement with American Leisure's client as to the ability to be paid for the service.

Hickory Travel Systems, Inc. ("HTS") provides travel related services.

For the year ending December 31, 2003:

| In (000's) | Am. Leisure | Call Center | HTS | Other | Elim. | Consol. |
|-----------------------|-------------|-------------|----------|------------|------------|------------|
| ----- | ----- | ----- | --- | ----- | ----- | ----- |
| Revenue | \$ -- | \$ 496 | \$ 2,832 | \$ -- | \$ -- | \$ 3,328 |
| Segment income (loss) | \$ (1,455) | \$ 12 | \$ 484 | \$ (1,168) | \$ -- | \$ (2,127) |
| Total Assets | \$ 16,751 | \$ 7,542 | \$ 4,392 | \$ -- | \$ (3,309) | \$ 25,376 |
| Capital expenditures | \$ 3,249 | \$ 1,181 | \$ 30 | \$ -- | \$ -- | \$ 4,460 |
| Depreciation | \$ 2 | \$ 638 | \$ 4 | \$ -- | \$ -- | \$ 644 |

For the year ending December 31, 2002:

| In (000's) | Am. Leisure | Call Center | HTS | Other | Elim. | Consol. |
|----------------------|-------------|-------------|------|----------|-------|-----------|
| ----- | ----- | ----- | --- | ----- | ----- | ----- |
| Revenue | \$ -- | \$ -- | \$-- | \$ 24 | \$ -- | \$ 24 |
| Segment (loss) | \$ (611) | \$ -- | \$-- | \$ -- | \$ -- | \$ (611) |
| Total Assets | \$ 12,075 | \$ -- | \$-- | \$ 1,544 | \$ -- | \$ 13,619 |
| Capital expenditures | \$ 149 | \$ -- | \$-- | \$ -- | \$ -- | \$ 4,460 |
| Depreciation | \$ 21 | \$ -- | \$-- | \$ -- | \$ -- | \$ 21 |

The accounting policies of the reportable segments are the same as those described in Note 2. The Company evaluates the performance of its operating segments based on income before net interest expense, income taxes, depreciation and amortization expense, accounting changes and non-recurring items.

F-18

NOTE 19 - SUBSEQUENT EVENTS

CREDIT FACILITY \$6,000,000

On March 30, 2004 the Company and certain subsidiaries entered into a \$6,000,000 loan credit facility evidenced by a Promissory Note in the original principal balance of \$6,000,000, with interest at the rate of 6% per annum, due on December 31, 2008, with conversion rights for common stock of the Company with Stanford Venture Capital Holdings, Inc. ("SVCH"). The promissory loan is secured by (i) a second mortgage on real estate located in Polk County, Florida, (ii) a second mortgage on real estate located in Polk County, Florida, (iii) all of its issued and outstanding capital stock of American Leisure Marketing & Technology, Inc. (iv) a pledge from Castlechart Limited of all of its issued and outstanding capital stock of Caribbean Leisure Marketing Limited, a subsidiary of AMLH;

IN connection with the promissory note, the Company issued warrants for 600,000

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

and 1,350,000 shares of AMLH's common stock at exercise prices of \$.001 and \$2.96 per share, respectively, expiring on December 31, 2008. The note is convertible into the Common Stock of the Company at a conversion price based on that number of shares of the Company's common stock calculated by dividing the amount due under the Credit Facility by \$15.00.

ACQUISITION OF SECURED NOTES OF AROUND THE WORLD TRAVEL, INC.

The assets acquired were in the form of senior, secured notes owed by Around The World Travel, Inc., a Florida Corporation, ("AWT") in the face amount of \$22,600,000.00. AMLH acquired the assets from GCD Acquisition Corp. ("GCD") of Coral Gables, Florida for \$1,700,000, which was paid via the issuance of 340,000 common restricted shares at \$5 a share in AMLH. In addition, AMLH gave the seller various indemnities and agreed to assume the seller's liability for, among other things, the responsibilities of GCD to service the purchase money financing for the assets as defined in a certain promissory note dated February 23, 2004 wherein the Maker is a Florida corporation known as Around The World Travel, Inc. and the Payee is CNG Hotels, Ltd. in the amount of \$5,000,000 that carries an interest rate of the 3 month LIBOR + 1% per annum. This note is to be serviced on an interest only basis every six months in arrears, until it reaches final maturity in February, 2009.

PREFERRED STOCK SERIES E

American Leisure designated 50,000 shares of Series E Convertible Preferred Stock, par value \$0.001 per share.

F-19

ITEM 8: CHANGES IN AND DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

Malone & Bailey, PLLC. is the auditor for the Company and there have been no disagreements with our auditor on accounting or financial disclosure issues.

PART III.

ITEM 9 DIRECTORS AND EXECUTIVE OFFICERS OF REGISTRANT

The following persons serve as directors and officers of Registrant:

Malcolm J Wright, President, Secretary, Chief Financial Officer and Director. Served since July 2002 and expires at the next annual meeting. Malcolm was formerly a partner at Kingston Smith, a prominent London-based accounting firm, from 1977-1988. He served as Chairman and Managing Director. of Zurich Group, which became a London Stock Exchange company, from 1988-1989. For a number of years, Malcolm worked as the driving force behind the AMLH business model and bringing together the companies that were rolled up to create American Leisure Holdings, Inc.

L. William Chiles Chairman and Chief Executive Officer is one of the travel industry's most successful and innovative executives, serving as President & CEO of Hickory Travel Systems since 1989. In addition, Bill is Chairman of both the First Travel Management and GlobalStar supervisory board of directors. He also sits on advisory boards for the Airline Reporting Corp. (ARC) and the American Society of Travel Agents (ASTA).

James Leaderer. Director of American Leisure Holdings, Inc.

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

Gillian Wright. Director of American Leisure Holdings, Inc.

ITEM 10: EXECUTIVE COMPENSATION

The Company has accrued \$250,000 compensation to Malcolm Wright in the calendar year 2003. The Company has no retirement or stock option or bonus plan. The Company accrued directors compensation to all four directors for 2003 at \$18,000 each.

29

ITEM 11: SECURITY OWNERSHIP OF MANAGEMENT AND BENEFICIAL OWNERS

Set forth below is the direct ownership of Registrant's common Stock by management and any owner of 5% or more of Stock of Registrant.

| Title of Securities | Name and address of owner | Amount of shares | % of class owned |
|---------------------|---|------------------|------------------|
| Common | Malcolm J Wright | 845,733 | 10.89% |
| Preferred A | 2701 Spivey Lane Orlando, FL 32837 | 55,000 | 6.25% |
| Common | Gillian Wright As above | 230,000 | 2.96% |
| Common | Wright Family | 895,080 | 11.52% |
| Preferred A | Silver Birches, Boughton Hall Ave Send, Woking, Surrey. UK | 305,000 | 34.66% |
| Common | Roger Maddock | 2,287,616 | 29.45% |
| Preferred A | Roseville, St Aubins Village St Brelade, Jersey, CI. | 505,000 | 57.38% |
| Common | Bill Chiles Park 80 Plaza East Saddlebrook, New Jersey, 07663 | 850,000 | 10.94% |
| Common | All Officers, Directors & | 5,108,429 | 55.76% |
| Preferred A | Beneficial Holders as a Group | 865,000 | 98.29% |

ITEM 12 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company had various transactions with related persons in 2003 as described in the footnotes to the financial statements.

ITEM 13. CONTROLS AND PROCEDURES.

(a) Evaluation of Disclosure Controls and Procedures. Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"). Based on such evaluation, such officers have concluded that, as of the Evaluation Date, our disclosure controls and procedures are effective in alerting them on a timely basis to material information relating to our company (including our consolidated subsidiaries) required to be included in our reports filed or submitted under the Exchange

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

Act.

(b) Changes in Internal Controls. Since the Evaluation Date, there have not been any significant changes in our internal controls or in other factors that could significantly affect such controls.

PART IV.

ITEM 14 EXHIBITS, FINANCIAL STATEMENTS AND REPORTS ON FORM 8-K

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

Included in Part II, Item 8 of this report:

Report of Independent Public Accountant

Balance Sheet as of December 31, 2003

Statement of Operations - Inception through December 31, 2003

Statement of Stockholders' Equity - Inception to December 31, 2003

Statement of Cash Flows - Inception through December 31, 2003

Notes to the Financial Statements

Code of Ethics

(b) The Company filed various reports on Form 8-K in 2003 & 2004.

(c) The Company is filing exhibits.

30

SIGNATURES.

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

AMERICAN LEISURE HOLDINGS, INC.
(Registrant)

Date: May 20, 2004

By: /S/ MALCOLM J WRIGHT

Malcolm J Wright,
President and Chief Financial Officer

Date: May 20, 2004

By: /S/ L. WILLIAM CHILES

L. William Chiles, Chairman and Chief
Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

has been signed below by the following persons on behalf of the registrant and in the capacities indicated on the 25th day of February 2003.

| Signature ----- | Title ----- |
|--------------------------------|-------------------------|
| /S/ L. WILLIAM CHILES ----- | Chief Executive Officer |
| /S/ Malcolm J Wright ----- | Chief Financial Officer |

31

CERTIFICATIONS

I, L. William Chiles, certify that:

1. I have reviewed this annual report on Form 10-K of American Leisure Holdings, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls;

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 13, 2004

/s/ L. William Chiles

Chief Executive Officer

32

I, Malcolm J. Wright, certify that:

1. I have reviewed this annual report on Form 10-K of American Leisure Holdings, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls;

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 13, 2004

/S/ Malcolm J. Wright

Chief Financial Officer