

AMERICAN LEISURE HOLDINGS INC
Form 10KSB/A
July 22, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB/A
AMENDMENT NO. 2

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

For the fiscal year ended December 31, 2004

TRANSITION REPORT UNDER 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.

(Name of small business issuer in its charter)

Nevada

75-2877111

(State of organization)

(I.R.S. Employer Identification No.)

Park 80 Plaza East, Saddle Brook, NJ

07663

(Address of principal executive offices)

(Zip Code)

Issuer's telephone number (800) 546-9676 ext. 2076

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

NONE

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

The issuer's revenues for its most recent fiscal year were \$6,419,320.

The aggregate market value of the issuer's voting and non-voting common equity held by non-affiliates computed by reference to the average bid and ask price of such common equity as of July 6, 2005, was approximately \$5,860,137.

At July 6, 2005, there were 10,137,974 shares of the Issuer's common stock

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB/A

outstanding.

TABLE OF CONTENTS

ITEM 1.	DESCRIPTION OF BUSINESS	3
ITEM 2.	DESCRIPTION OF PROPERTY	10
ITEM 3.	LEGAL PROCEEDINGS	10
ITEM 4.	SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	12
ITEM 5.	MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS	12
ITEM 6.	MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION	16
ITEM 7.	FINANCIAL STATEMENTS	33
ITEM 8.	CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.	58
ITEM 8A.	CONTROLS AND PROCEDURES.	59
ITEM 8B.	OTHER INFORMATION.	60
ITEM 9.	DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT.	60
ITEM 10.	EXECUTIVE COMPENSATION.	62
ITEM 11.	SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.	64
ITEM 12.	CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS	66
ITEM 13.	EXHIBITS	68
ITEM 14.	PRINCIPAL ACCOUNTANT FEES AND SERVICES.	71
SIGNATURES		72

The registrant has restated the financial statements for the fiscal years ended December 31, 2004 and 2003 to include the accrual of cumulative dividends on various series of its preferred stock. This amended Form 10-KSB includes these restated financial statements and revisions to the related disclosure in "Item 6. Management's Discussion and Analysis or Plan of Operation" including the disclosure under the heading "Risk Factors." The financial information and related disclosure is current through December 31, 2004, unless otherwise stated. This report also includes other revised disclosure under each of the other items, which is current through the filing of this report, unless otherwise stated. Investors should read this report in its entirety along with our amended Form 10-QSB for the quarterly period ended March 31, 2005, which we are filing simultaneously with this filing.

PART I

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB/A

FORWARD-LOOKING STATEMENTS

All statements in this discussion that are not historical are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. 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. 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. These factors include, among others, the factors set forth above under the heading "Risk Factors" in "Item 6. Management's Discussion and Analysis or Plan of Operation." Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Most of these factors are difficult to predict accurately and are generally beyond our control. We are under no obligation to publicly update any of the forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Readers are cautioned not to place undue reliance on these forward-looking statements.

ITEM 1. DESCRIPTION OF BUSINESS

BUSINESS DEVELOPMENT

American Leisure Holdings, Inc. is in the process of developing a large, multi-national travel services, travel management and travel distribution organization. We have established a Travel Division, a Resort Development Division and a Communications Division. Through our subsidiaries, we manage and distribute travel services, and develop, construct and will manage vacation home ownership and travel destination resorts and properties, develop and operate affinity-based travel clubs and own a call center in Antigua-Barbuda. Our businesses are intended to complement each other and create cross-marketing opportunities within our business. We intend to take advantage of the synergies between the distribution of travel services and the development, marketing, sale and management of vacation home ownership and travel destination properties.

On October 1, 2003, we acquired a 51% majority interest in Hickory Travel Systems, Inc. as the first building block of our Travel Division. Hickory is a travel management service organization that serves its network/consortium of approximately 160 well-established travel agency members, comprised of over 3,000 travel agents worldwide that focus primarily on corporate travel. We intend to complement our other businesses through the use of Hickory's 24-hour reservation services, international rate desk services, discount hotel programs, preferred supplier discounts, commission enhancement programs, marketing services, professional services, automation and information exchange. We view the members of Hickory as a resource for future acquisitions of viable travel agencies as we intend to continue to add well-positioned travel agencies to our Travel Division.

-3-

In December 2004, Caribbean Leisure Marketing, Ltd., a segment of our company that is focused on telecommunications, entered into a joint venture with IMA Antigua, Ltd. to operate a call center in Antigua that Caribbean Leisure Marketing owns. The joint venture is operated through Caribbean Media Group,

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB/A

Ltd., an International Business Corporation formed under the laws of Barbados. We own 39.69% of the joint venture company that is currently operating the call center.

On December 31, 2004, American Leisure Equities Corporation, one of our wholly owned subsidiaries, acquired substantially all of the assets of Around The World Travel, Inc. which included all of the tangible and intangible assets necessary to operate the business including the business name "TravelLeaders". We engaged Around The World Travel to manage the assets and granted Around The World Travel a license to use the name "TravelLeaders" in doing so. TravelLeaders is a fully integrated travel services distribution business that provides its clients with a comprehensive range of business and vacation travel services in both traditional and e-commerce platforms including corporate travel management, leisure sales, and meeting, special event and incentive planning. TravelLeaders is based in Coral Gables, Florida.

We were incorporated in Nevada in June 2000 as Freewillpc.com, Inc., and until June 2002, operated as a web-based retailer of built-to-order personal computers and brand name related peripherals, software, accessories and networking products. In June 2002, we acquired American Leisure Corporation in a reverse merger (discussed below). We re-designed and structured our business to own, control and direct a series of companies in the travel and tourism industries so that we can achieve vertical and horizontal integration in the sourcing and delivery of corporate and vacation travel services.

On June 14, 2002, we entered into a stock purchase agreement with the former stockholders of American Leisure Corporation pursuant to which we issued to the former stockholders of American Leisure Corporation 4,893,974 shares of our common stock and 880,000 shares of our Series A preferred stock having 10 votes per share. As part of this transaction, Vyrtext Limited, a UK company, which owned 3,830,000 shares of our common stock, surrendered 3,791,700 of the 3,830,000 shares owned by them. The transaction was treated as a reverse merger and a re-capitalization of American Leisure Corporation, which was considered the accounting acquirer. The operations of Freewillpc.com prior to the transaction were not carried over and were adjusted to \$0. On July 9, 2002, we changed our name to American Leisure Holdings, Inc.

Except as expressly indicated or unless the context otherwise requires, "we," "our," or "us" means American Leisure Holdings, Inc. and its subsidiaries.

BUSINESS INTEGRATION

We are on a mission to develop a large, multi-national travel services, travel management and travel distribution organization. We are in the process of integrating the administrative operations of Hickory and TravelLeaders to distribute, fulfill and manage our travel services.

Our business model for support between our divisions is to use the travel distribution, fulfillment and management services of the combined resources of Hickory and TravelLeaders to provide consumer bookings at our planned resorts, to rent vacation homes that we plan to manage at these resorts, and to fulfill the travel service needs of our affinity-based travel clubs. We intend to complement our other businesses through the use of Hickory's 24-hour reservation services, international rate desk services, discount hotel programs, preferred supplier discounts, commission enhancement programs, marketing services, professional services, automation and information exchange. TravelLeaders is a fully integrated travel services distribution business that provides its clients with a comprehensive range of business and vacation travel services in both traditional and e-commerce platforms including corporate travel management, leisure sales, and meeting, special event and incentive planning. TravelLeaders currently fulfills travel orders produced by our affinity travel clubs. We plan to develop, on average, a new club every two months for the next eighteen

months.

-4-

TRAVEL SERVICES

Travel Services Industry Overview

The travel services industry is made up of two broad categories, corporate business travel and individual leisure travel. According to preliminary estimates by the Travel Industry Association of America, Americans spent over \$500 billion on domestic travel in 2004. TraveLeaders does the majority of their business in the corporate travel management category, while Hickory provides services to a variety of agencies that focus on business travel.

Corporate travel management became prevalent largely as a result of the deregulation of the airline industry in 1978. Complex pricing strategies and airline rules and the elimination of previously available commission arrangements created an opportunity for travel management companies to assist corporate clients in optimizing the value of their travel expenditures.

Travel is generally the second largest controllable expense, behind personnel, for most companies. Corporate travel management companies like TraveLeaders and most of Hickory's members reduce travel expenses for their clients by creating and documenting travel policies, negotiating favorable pricing directly with travel suppliers, and streamlining the reservation process with customized profiles and client-selected technologies including on-line booking tools.

The corporate travel management industry has changed significantly in the last ten years. Elimination of airline commissions drove the industry to fee-for-service arrangements, and rapid enhancements to technology allowed an expansion of service offerings to clients. Successfully servicing those clients requires significant technological, financial and operational resources, meaning that larger corporate travel management companies like TraveLeaders and Hickory may have a competitive advantage. We believe the corporate travel management industry is undergoing a period of consolidation as a result and that significant growth opportunity exists.

The industry's role and capacity as a distribution channel, and its relationship with both clients and suppliers, is also undergoing significant change as a result of the Internet and other technological innovations. We believe these innovations offer opportunities for corporate travel management companies to increase the efficiency of their distribution capacities and enhance services provided to travelers and management.

The industry has faced numerous challenges since the September 11, 2001 terrorist attacks, including the decline in travel, volatility in the U.S. economy and continued geopolitical instability. These challenges, in part, led to bankruptcy filings by several major airlines, and along with more recent phenomena like rising fuel prices continue to cause other airlines to experience adverse economic pressure. These ongoing financial pressures are driving almost daily renovations in travel reservation economics and process, which in turn affects the traditional supplier-intermediary-corporation-traveler relationships.

Our Travel Services

We manage and distribute travel services through Hickory, our subsidiary,

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB/A

and have contracted with Around the World Travel to manage TraveLeaders, a fully integrated travel services distribution business based in Coral Gables, Florida. We acquired Hickory in October 2003. On December 31, 2004, we acquired substantially all of the assets of Around the World Travel, which included all of the tangible and intangible assets necessary to operate TraveLeaders.

TraveLeaders -----

We provide our clients with a comprehensive range of business and vacation travel services, including corporate travel management (including reservations, profiled service levels, financial and statistical reporting and supplier negotiations), leisure sales (including sales to individuals and to travel and vacation clubs), and meeting, special event and incentive planning. We provide

-5-

integrated solutions for managing corporate travel on a worldwide scale. We also offer corporate travel services on a local and regional level. Our corporate travel services provide our clients with a complete suite of travel services that range from completely 'agent free' Internet booking tools to specialized expert travel agent guidance. Our private label websites provide our corporate clients with an exclusive portal for corporate and leisure travel planning and booking. Our corporate-clients range in size from companies with as few as two to three travelers to companies with several hundred travelers or more. We develop corporate travel policies, manage corporate travel programs and design and develop information systems tailored for our clients. The benefits derived by our clients typically increase proportionately with the amount of spending, in that we can obtain direct benefits for the clients by negotiating favored terms with suppliers and provide the client with better management information regarding their spending patterns through active, involved account management and customized reporting capabilities.

We provide vacation travel services using destination specialists who have first-hand knowledge of various destinations and the capability to handle a client's specific vacation travel needs. We help our clients design and implement vacations suited to their particular needs and try to do this in the most cost-efficient manner. We provide meeting, special event and incentive planning to corporate clients ranging from Fortune 500 companies with thousands of travelers to smaller companies with more modest meeting requirements. We plan events ranging in size from 10 to over 3,000 people. We have the capability to coordinate all aspects of a client's conference or event including servicing general travel needs, booking group airline tickets as well as meeting supervision and the production of all collateral needs. Our meeting, special event and incentive planning services include program development, promotion support, site selection, contract negotiations, registration and on-site management for corporate events in addition to fulfillment of travel service requirements. We also provide discount airline ticket and hotel programs.

Hickory Travel Systems, Inc. -----

Hickory is a travel management service organization that serves its network/consortium of approximately 160 well-established travel agency members, comprised of over 3,000 travel agency locations worldwide, that focus primarily on corporate travel. We intend to utilize Hickory's 24-hour reservation services, international rate desk services, discount hotel programs, preferred supplier discounts, commission enhancement programs, marketing services, professional services, automation and information exchange.

American Travel & Marketing Group

American Travel & Marketing Group, Inc., our subsidiary, develops and operates affinity-based travel clubs. Highly advantageous travel benefits are the key to distinguishing our affinity club creation and management from the older model of single purpose clubs. In addition to travel benefits, we actively promote cross-marketing strategies to engage non-traditional sponsors to provide significant benefits to the members that would otherwise not be available to them in a traditional affinity club. We utilize TraveLeaders to fulfill the travel service needs of these affinity-based clubs.

Distribution of Our Travel Services

We provide our travel services to our clients through several distribution channels, including traditional brick and mortar regional and branch offices, dedicated on-site corporate travel departments, call centers and Internet based technologies.

TraveLeaders has two large customer service operations in Coral Gables, Florida and Irvine, California with eight branch offices as follows:

- Florida - Ft. Lauderdale, Boca Raton, Orlando, Tampa
- Pennsylvania - Philadelphia, Lancaster
- Ohio - Cincinnati
- California - San Francisco

-6-

These branch offices provide several corporate and vacation travel services to our clients. These offices are primarily used by small companies as well as vacation travelers seeking expertise in domestic and international destinations. In addition, TraveLeaders has three leisure travel offices in Largo, Florida, Mt. Laurel, New Jersey, and Sinking Springs, Pennsylvania.

We operate approximately fourteen on-site offices located at corporate client premises, where we provide private label websites, customized trip planning, reservation and ticketing services to the employees of such corporate clients.

Hickory operates a 24-hour call center that we plan to use to service our travel clients and provide travel marketing services.

We also maintain an online reservation and booking website at www.traveleaders.com. This website permits both corporate and vacation clients to book airline flights, hotel reservations, car rental reservations, cruises and vacation specials. We currently operate over a dozen web sites dedicated to specific types of travel planning.

Competition in the Travel Industry

The travel services industry is highly competitive. We compete with a large number of other providers of corporate and vacation travel services. Some of our competitors include multi-national corporations that have significantly greater resources than we have. These significantly larger competitors continue to expand their size, which may give them access to new products and more competitive pricing than we can offer. We also compete with Internet travel service providers and directly with travel suppliers including, airlines, cruise companies, hotels and car rental companies. We are faced with increasing use of the Internet by both business and vacation travelers to purchase products and

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB/A

services directly from travel suppliers that could result in bypassing us and travel service providers similarly situated to us. To meet that competition, we have developed and will continue to develop business models to enable TraveLeaders to obtain a growing market share of the 'agent free' travel business. We also compete by bundling our products in competitively priced tour packages.

VACATION HOME AND TRAVEL RESORT OPERATIONS

Our vacation home and travel resort operations will be conducted within three business segments. One will acquire tracts of real estate suitable for the development of vacation resort properties, which will be subdivided, improved and sold, typically on a retail basis as vacation home sales. The second operation is planned to develop, market and sell vacation ownership interests in our future resort properties primarily through vacation clubs. The third segment is the ongoing hospitality management of the resorts built by us. While our vacation home management programs will not be a condition of purchase at any of our resorts, the consumer may elect to employ our management subsidiary to handle all aspects of the care and economics of their vacation home, including but not limited to the supervision of the home in a rental arrangement.

Vacation Homes and Travel Resorts

We derive our expertise from our founding shareholders who have successfully developed real estate abroad. Our first vacation home resort in the United States will be developed through our subsidiary, Tierra Del Sol Resort, Inc. We intend to develop additional high-quality vacation resort properties comprised of vacation homes and extensive resort amenities. We seek to acquire suitable land for this purpose in locations where the demand for vacation properties is strong throughout the year, including Florida and the Caribbean. We intend to create and promote our vacation and travel clubs to the general public to provide revenue for our vacation home and travel resort properties. In addition, we hope to derive additional revenues from vacation and travel club membership dues, conversion of travel club members to vacation club members, and travel commissions from the fulfillment of services by our Travel Division. We plan to develop our vacation resort properties to include qualified units so that the homeowners may include their homes in voluntary rental arrangements.

-7-

We plan to provide qualifying vacation resort homeowners a comprehensive set of vacation rental and property management and rental services. The services will consist of marketing, reservations, guest services, basic resort services, maintenance, repair and cleaning, management of home owner and condo associations, record keeping and billing, and representation of homeowners' interests with transient guests.

We have finished the planning stage for The Sonesta Orlando Resort at Tierra del Sol, a 972-unit vacation home resort to be located just outside of Orlando, Florida. On January 29, 2005, we entered into an operating agreement with a subsidiary of Sonesta International Hotels Corporation of Boston, Massachusetts, a nationally recognized luxury resort management company. We retained the primary management responsibility, but we delegated substantially all of the hospitality responsibilities within the management of the resort to Sonesta.

We plan to construct The Sonesta Orlando Resort at Tierra del Sol in two phases. Phase I is scheduled to include 430 residential units, a 126,000 square foot clubhouse, and one of Central Florida's largest swimming and recreation

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB/A

complexes which includes a combination pool and lazy river swimming feature, an outdoor sports bar with food service, restroom facilities, showers, water slides, beach volleyball and extensive sundecks. Phase II is scheduled to include 542 residential units and additional amenities. The Phase II resort amenities contemplated include miniature golf, a flow rider water attraction, a wave pool, rapid river, and a children's multilevel interactive water park. Phase II clubhouse improvements will include the finishing, equipping and furnishing of banquet/meeting rooms, casual and fine dining restaurants, a full service spa, a sales center and an owners' club. We estimate that the cost to complete the construction of Phase I will be \$156,500,000, of which \$19,200,000 will be the cost of the horizontal construction, \$24,900,000 will be for the clubhouse and resort amenities, \$67,600,000 will be for vertical construction on 430 units and \$44,800,000 will be for other costs such as contingencies, closing costs and soft costs such as architectural, engineering, and legal costs. We plan to have the first phase of horizontal construction cost of \$19,200,000 funded by the Westridge Community Development District via the sale by the district of bonds issued on a non-recourse basis to the Company. The Westridge Community Development District was initially created by the Company and enabled by an order of the State District Court. The debt service on the bonds will be paid by all of the owners of real property within the district as an additional property tax assessment over thirty years as a quasi-public cost for the community benefit provided by the infra-structure and green spaces that the district will create and preserve. We are currently in the final stages of the negotiations with a national banking institution for the provision of a \$96,600,000 conventional construction loan that we expect to close in the third quarter of 2005. We have also given the same banking institution the underwriting role in the sale of the bonds. We expect to close the first offering of the bonds in August 2005. In June 2005, we began the earth moving and clearing process on the land for the resort.

In November 2003, we entered into an exclusive sales and marketing agreement with Xpress Ltd. to sell the vacation homes in The Sonesta Orlando Resort at Tierra del Sol. Malcolm J. Wright, one of our founders and directors and our Chief Executive Officer and Chief Financial Officer, and members of his family are the majority shareholders of Xpress. As of June 15, 2005, Xpress has pre-sold 720 vacation homes in a combination of contracts on town homes and reservations on condominiums for total sales volume of over \$243 million.

We are developing additional affinity clubs. Our launch schedule of clubs in development calls for an average of 9 new clubs in the next 18 months. We have 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. Typically, we identify a national retail entity and propose to create a club to be comprised of persons in their target demographic for the purpose of fostering loyalty to the entity's brands. The incentives for membership are a rich assortment of discounted travel opportunities that are tailored to the target demographic as well as a significant array of special membership benefits that are provided by sponsors of nationally known products and services. We derive revenues from membership dues, sponsorship premiums and travel commissions. In addition to revenue generation, we will also provide traffic to our vacation home and resort properties. We believe that we will generate increased travel business through

-8-

the creation of additional clubs comprised of affinity-based travelers. We believe that we are poised to secure a strong market share of the affinity-travel marketing segment. we are the proprietor and manager of the clubs that it creates. As such, we anticipate that we will generate substantial revenue from annual membership fees and commissions earned on the sale of travel services once our infrastructure has been finalized to enable our other

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB/A

businesses to communicate and sell to the affinity-based club databases we operate. We expect to derive revenue from sales opportunities to Hickory's corporate clients, Hickory's bulk purchasing power and fulfillment capacity, and access to vacation home and resort properties that we plan to develop. We recently unveiled a vacation creation program, which enables consumers to employ our proprietary budgeting and finance technique to enjoy annual vacations at premier properties that would otherwise not be available to them at the pricing that we are able to offer. We have contracted with premier properties to enhance the properties' occupancy rates during their off-season and the few weeks just before and after their prime season. We have received favored pricing from these properties as a result.

COMMUNICATIONS SERVICES

In December 2004 we entered into a joint venture with IMA Antigua, Ltd., a Barbados company, to operate a call center in Antigua that we own. The joint venture is operated through Caribbean Media Group, Ltd., an International Business Corporation formed under the laws of Barbados. We own 39.69% of this joint venture which is currently operating the call center. The call center provides in-bound and out-bound traffic for customer service, customer retention and accounts receivable management. The clients of the call center are well known national businesses with well-established credit and operational systems.

We opened the call center in Antigua due to the new demand for call centers in the Caribbean. The call center business is in demand in the Caribbean as a result of telecommunications deregulation in the islands, which has reduced costs and caused companies in the United States to spread their growing overseas call center business to lower-cost sites near the United States. Based on a news release by Global Information, Inc. dated January 31, 2005, interpreting the Zagada Institute's "Caribbean Call Center Report 2005: A CRM Market", persons employed in Caribbean call centers have more than doubled to 25,000 over the past two years and likely will double again by the end of 2006. Proximity means U.S. managers can easily visit and troubleshoot. Plus, it means call-center agents tend to be more familiar with U.S. culture than agents in more distant lands such as India. Caribbean nations are pursuing the call-center business, anxious to create jobs and nurture clean industry that complements their vital tourism industry. Many islands offer tax breaks, training programs and other incentives. Competition may be robust but at present we believe that the demand continues to exceed the supply. We cannot provide any assurance as to how long these market conditions may persist.

We also own telecommunications equipment such as switches, dialers and telephone booths that may have application for a telecommunications program that we are considering in the United States. Part of this equipment can be used to serve as the switches for a telephone system that we plan to operate for The Sonesta Orlando Resort at Tierra del Sol. We plan to begin using the dialers and operator booths during 2005 for the travel fulfillment operations that TraveLeaders provides to our affinity-based travel clubs.

PATENTS, TRADEMARKS & LICENSES

We do not own any patents, trademarks, copyrights or other forms of intellectual property. We will register or apply to register our trademarks when we believe registration is warranted, and important, to our ongoing business operations.

GOVERNMENT REGULATION

The travel, real estate development and vacation ownership industries are subject to extensive and complex regulation. We are, and may in the future 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. 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. We are, 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, which could increase the cost of such products. We believe that we are in compliance in all material respects with applicable regulations. However, the cost of complying with applicable laws and regulations may be significant. Any failure to comply with current or future applicable laws or regulations could have a material adverse effect on us.

We are subject to various federal and state laws regarding our tele-service sales and telemarketing activities. We believe we are in compliance in all material respects with all federal and state telemarketing regulations. Our practices and methods may be or become subject to additional regulation or regulatory challenge.

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

EMPLOYEES

We have approximately 30 employees, all of which are employed on a full-time basis. There are no collective bargaining contracts covering any of our employees. We believe our relationship with our employees is satisfactory.

ITEM 2. DESCRIPTION OF PROPERTY

Our corporate headquarters are located in Saddle Brook, New Jersey. Our Saddle Brook facility is approximately 5,000 square feet, of which 250 square feet houses our executive offices. This facility is leased by Hickory Travel Systems, Inc. for approximately \$178,056 per year. The lease expires on April 30, 2008.

Our subsidiary owns the land on which The Sonesta Orlando Resort at Tierra del Sol will be situated. It purchased this land for \$5,560,366 in February 2000. We have spent approximately \$1,123,000 to entitle and create the Westridge Community Development District. The land is currently subject to mortgages in an amount equal to approximately \$12,000,000 that represents approximately a 35% loan to value ratio. As a developer of vacation resort properties, we plan to also purchase additional parcels of land for resort development.

The TraveLeaders assets are located in a building leased by Around The World Travel, Inc. TraveLeaders occupies almost all of the 40,000 square feet at 1701 Ponce De Leon Boulevard, Coral Gables, Florida. We plan to move various other subsidiaries into the available space. The lease expires in December of 2006. We have commenced our search for alternative leaseholds.

ITEM 3. LEGAL PROCEEDINGS

We are a party in an action that was filed in Orange County, Florida and styled as Rock Investment Trust, P.L.C. and RIT, L.L.C. vs. Malcolm J. Wright,

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB/A

American Vacation Resorts, Inc., American Leisure, Inc., Inversora Tetuan, S.A., Sunstone Golf Resort, Inc., and Sun Gate Resort Villas, Inc., Case No. CIO-01-4874, Ninth Judicial Circuit, Orange County, Florida. In June, 2001, after almost 2 years from receiving notice from Malcolm Wright that one Mr. Roger Smee, doing business under the names Rock Investment Trust, PLC (a British limited company) and RIT, LLC (a Florida limited liability company) (collectively, the "Smee Entities") had defaulted under various agreements to loan or to joint venture or to fund investment into various real estate enterprises founded by Mr. Wright, the Smee Entities brought the Lawsuit against Mr. Wright, American Leisure, Inc. ("ALI") and several other entities. The

-10-

gravamen of the initial complaint is that the Smee Entities made financial advances to Wright with some expectation of participation in a Wright real estate enterprise. In general, the suit requests either a return of the Smee Entities' alleged advances of \$500,000 or an undefined ownership interest in one or more of the defendant entities. Mr. Wright, American Leisure, Inc., and Inversora Tetuan, S.A., have filed a counterclaim and cross complaint against the Smee Entities and Mr. Smee denying the claims and such damages in the amount of \$10 million. If the court rules that Mr. Wright is liable under his guarantee of the American Leisure, Inc. obligation to Smee, it is believed that such a ruling would not directly affect American Leisure Holdings, Inc. The litigation is in the discovery phase and is not currently set for trial. We have been advised by our attorneys in this matter that Mr. Wright's position on the facts and the law is stronger than the positions asserted by the Smee Entities.

In March 2004, Manuel Sanchez and Luis Vanegas as plaintiffs filed a lawsuit against American Leisure Holdings, Inc. American Access Corporation, Hickory Travel Systems, Inc. Malcolm J. Wright and L. William Chiles, et al., seeking a claim for securities fraud, violation of Florida Securities and Investor Protection Act, breach of their employment contracts, and claims for fraudulent inducement. All 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. We believe that Manuel Sanchez' and Luis Vanegas' claims are without merit and the claims are not material to us. We intend to vigorously defend the lawsuit.

In February 2003, we and Malcolm J. Wright were joined in a lawsuit captioned as Howard C. Warren v. Travelbyus, Inc., William Kerby, David Doerge, DCM/Funding III, LLC, and Balis, Lewittes and Coleman, Inc. in the Circuit Court of Cook County, Illinois, Law Division, which purported to state a claim against us as a "joint venturer" with the primary defendants. The plaintiff alleged damages in an amount of \$5,557,195.70. On November 4, 2004, the plaintiff moved to voluntarily dismiss its claim against us. Pursuant to an order granting the voluntary dismissal, the plaintiff has one (1) year from the date of entry of such order to seek to reinstate its claims.

On March 30, 2004, Malcolm Wright, was individually named as a third-party defendant in the Circuit Court of Cook County, Illinois, Chancery Division, under the caption: Cahnman v. Travelbyus, et al. On July 23, 2004, the primary plaintiffs filed a motion to amend their complaint to add direct claims against our subsidiary, American Leisure as well as Mr. Wright. On August 4, 2004, the plaintiffs withdrew that motion and have not asserted or threatened any direct claims against American Leisure, Mr. Wright or us.

In early May 2004, Around The World Travel, Inc. substantially all of the assets of which we purchased, filed a lawsuit in the Miami-Dade Florida Circuit Court against Seamless Technologies, Inc. and e-Travelers, Inc. alleging

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB/A

breach of contract and seeking relief that includes monetary damages and termination of the contracts. They were granted leave to intervene as plaintiffs in the original lawsuits against Seamless and e-Travelers. On June 28, 2004, the above named defendants brought suit against Around The World Travel and American Leisure Holdings, Inc. in an action styled Seamless Technologies, Inc. et al. v. Keith St. Clair et al. This suit alleges that Around The World Travel has breached the contracts and also that American Leisure Holdings, Inc. and Around The World Travel's Chief Executive Officer were complicit with certain officers and directors of Around The World Travel in securing ownership of certain assets for American Leisure Holdings, Inc. that were alleged to have been a business opportunity for Around The World Travel. This lawsuit involves allegations of fraud against Malcolm J. Wright. The lawsuit filed by Seamless has been abated and consolidated with the original lawsuit filed by Around The World Travel. In a related matter, Seamless' attorneys brought another action entitled Peter Hairston v. Keith St. Clair et al. This suit mimics the misappropriation of business opportunity claim, but it is framed within a shareholder derivative action. The relief sought against American Leisure Holdings, Inc. includes monetary damages and litigation costs. We intend to vigorously support the original litigation filed against Seamless and defend the counterclaim and allegations against us.

On May 4, 2005, Simon Hassine, along with members of his family, filed a lawsuit against us and Around The World Travel in the Circuit Court of Dade County, Florida, Civil Division, Case Number 05-09137CA. The plaintiffs are the former majority shareholders of Around The World Travel and former owners of the

-11-

assets of Travelers. The plaintiffs allege that they have not been paid for i) a subordinated promissory note in the principal amount of \$3,550,000 plus interest on such note which they allege was issued to them by Around The World Travel in connection with their sale of 88% of the common stock of Around The World Travel; and ii) subordinated undistributed retained earnings and accrued bonuses in an aggregate amount of \$1,108,806 which they allege were due to them as part of the sale. The plaintiffs allege that the note was issued to them net of \$450,000 of preferred stock of Around The World Travel that they further allege they never received. The plaintiffs also allege that in December 2004 they entered into a settlement agreement with the Company regarding these matters. The plaintiffs are pursuing a claim of breach of the alleged settlement agreement with damages in excess of \$1,000,000, interest and costs as well as performance under the alleged settlement agreement or, in the alternative, a declaratory judgment that the promissory note, undistributed retained earnings and accrued bonuses are not subordinated to the Galileo Debt and full payment of the promissory note, undistributed retained earnings and accrued bonuses plus prejudgment interest, stated interest on the note, costs and reasonable attorney's fees. The plaintiffs are also pursuing a claim for breach of contract regarding the preferred stock of Around The World Travel and seeking \$450,000 plus interest, costs and reasonable attorney's fees. The plaintiffs are also pursuing claims of fraudulent transfer regarding our acquisition of interests in the debt and equity of Around The World Travel and seeking unspecified amounts. We intend to vigorously defend the lawsuit. We have authorized our counsel to file various motions including a motion to dismiss the complaint in its entirety as against us and Malcolm J. Wright due to the failure by the plaintiffs to comply with a provision in the underlying document that grants exclusive jurisdiction to the courts located in Cook County, Illinois.

In the ordinary course of our business, we may from time to time become subject to routine litigation or administrative proceedings that are incidental to our business.

We are not aware of any proceeding to which any of our directors, officers,

Edgar Filing: AMERICAN LEISURE HOLDINGS INC - Form 10KSB/A

affiliates or security holders are a party adverse to us or have a material interest adverse to us.

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

We did not submit any matters to a vote of security holders during the fourth quarter of 2004.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock, \$.001 par value per share, is traded on the over-the-counter Bulletin Board (the "OTCBB") under the trading symbol "AMLH."

The following table sets forth the high and low bid prices for our common stock for the periods indicated as reported on the OTCBB, except as otherwise noted. The quotations reflect inter-dealer prices, without retail mark-up, markdown or commission and may not represent actual transactions.

2004 (1)	HIGH BID	LOW BID
	-----	-----
Fourth Quarter	\$ 1.50	\$ 1.25
Third Quarter	\$ 2.02	\$ 1.30
Second Quarter	\$ 2.00	\$ 0.45
First Quarter	\$ 0.60	\$ 0.25
2003	HIGH BID	LOW BID
	-----	-----
Fourth Quarter	\$ 0.75	\$ 0.26
Third Quarter	\$ 0.40	\$ 0.10
Second Quarter	\$ 0.27	\$ 0.08
First Quarter	\$ 0.20	\$ 0.10